

# THE WALL STREET JOURNAL.

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## What's News

Business & Finance

The yield on China's longer-term debt has fallen below that on shorter-term debt—an anomaly that some traders are blaming on Beijing's efforts to reduce financial risk. A1

◆ Money from state-run Chinese firms helped finance the buildup of a massive aluminum stockpile that sparked a criminal probe in the U.S. A1

◆ AIG plans to name Brian Duperreault, a one-time Greenberg lieutenant, as the firm's chief executive. B1

◆ Wells Fargo plans to cut an additional \$2 billion in expenses by the end of 2019, more than analysts had expected. B5

◆ Two Sigma Securities said it agreed to buy the global options market-making business of Interactive Brokers. B5

◆ Macy's reported a worse-than-expected slide in first-quarter revenue. B2

◆ Noble shares plunged to their lowest level in 15 years as the firm swung to a net loss in the first quarter. B5

◆ Taiwan's main stock index finished at a 17-year high above 10000. B8

◆ China's passenger-car sales in April experienced their biggest decline in nearly two years. B3

◆ OPEC boosted its forecast for 2017 oil-production growth from countries outside the cartel by more than 60%. B8

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◆ FBI acting director McCabe told Congress that investigative work at the agency remains unaffected by Comey's dismissal. A1

◆ The Justice Department moved to find a temporary successor to Comey. Sessions and his deputy interviewed five candidates. A5

◆ U.S. airlines were set to meet with national security officials as they consider expanding a laptop ban to include some routes between the U.S. and Europe. A1

◆ South Korea's new president promised to loosen the hold that powerful, family-run businesses have over the economy. A3

◆ Lithuania's president said she wants a continued presence of U.S. troops in her country as Russia builds up forces in the region. A4

◆ Republican efforts to repeal an environmental regulation cutting methane emissions on federal lands failed. A6

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◆ The EU raised its 2017 economic-growth forecast, saying the bloc's revival is strengthening despite geopolitical risks. A4

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## Acting FBI Head Says Probes Go On

Andrew McCabe tells Congress Comey had strong bureau support, rebutting White House

By BYRON TAU  
AND DEL QUENTIN WILBER

WASHINGTON—Speaking for the first time after the unexpected firing of FBI Director James Comey, the bureau's acting leader told Congress on Thursday that investigative work at the nation's top law-enforcement agency remains unaffected by Mr. Comey's dismissal.

Andrew McCabe, acting director of the Federal Bureau of Investigation, speaking in front of the Senate Intelligence Community, said "the work the men and women of the FBI continues despite any changes in circumstance."

"There has been no effort to impede our investigation to date. You cannot stop the men and women of the FBI from doing the right thing—protecting the American people and upholding the Constitution," Mr. McCabe said.

In the first public comments from an FBI official since President Donald Trump removed Mr. Comey on Tuesday, Mr. McCabe moved to reassure concerned lawmakers that the leadership change wouldn't affect the independence and integrity of the bureau.



Acting FBI director Andrew McCabe, left, and the heads of other U.S. intelligence agencies at a Senate hearing on Thursday.

Pressed by senators, Mr. McCabe testified he would report to Congress if there was any effort to interfere in the FBI's probe of Russia's alleged meddling in the 2016 U.S. presidential election or potential collusion between Mr. Trump's campaign and the

Kremlin. Russian officials have denied interfering in the election; Mr. Trump, a Republican, has called the investigations a "witch hunt."

Mr. McCabe also declined to say whether Mr. Comey had told Mr. Trump he wasn't under investigation. That ques-

tion arose because Mr. Trump, in his brief letter firing Mr. Comey on Tuesday, wrote: "I greatly appreciate your informing me, on three separate occasions, that I am not under investigation."

Mr. McCabe said he could

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### Firing Fallout

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- ◆ Interviewing for job starts as FBI reels..... A5
- ◆ Opinion: Rod Rosenstein's Justice..... A10

## China Bonds Send Fresh Stress Signal

By SHEN HONG

SHANGHAI—China's \$1.7 trillion government-bond market is exhibiting a new sign of stress: The yield on longer-term debt has fallen below that on shorter-term debt—an anomaly that some traders are blaming on Beijing's efforts to reduce financial risk.

Early on Thursday, the five-year yield rose to 3.71%, breaking above the 10-year yield for the first time since records began—even though the latter, at 3.68%, was near a

25-month high. Yields rise as bond prices fall.

Such a "yield-curve inversion" defies normal market logic that bonds requiring a longer commitment should compensate investors with a higher return. Inversion usually reflects investor pessimism about a country's long-term growth and inflation prospects.

When the U.S. Treasury yield curve inverted in 2006 and 2007, most analysts cited Asian central banks' heavy buying of longer-dated U.S. government debt.

But in China, while growth has been slowing and inflation has been relatively subdued, few are predicting prolonged deflation or a recession.

"Many of us are scratching our heads for an explanation because this kind of curve inversion is absolutely not normal," said Wang Ming, a partner at Shanghai Yaozhi Asset Management Co., a bond fund that manages 2 billion yuan (\$290 million) in assets.

The answer seems to lie in Beijing's recent campaign to tamp down the burgeoning shadow-banking sector, whose growth is due in large part to so-called wealth-management products; the amount of such products outstanding has bal-

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### Bond Bend

Yield spread between 10-year and five-year Chinese government bonds, in percentage points



Source: Wind Info

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## U.S. Weighs Expanding Laptop Ban on Flights

By SUSAN CAREY

U.S. airlines were set to meet with national security officials late Thursday as the government considers expanding a laptop ban in aircraft cabins to include some routes between the U.S. and Europe, according to one Trump administration official.

While the official said no new ruling was expected Thursday, some airlines are bracing for a wider application of the ban. An expansion could affect a large number of U.S. and European carriers that fly trans-Atlantic routes, including

ing discussions with airlines and other aviation stakeholders about "existing and emerging aviation threats," according to one Trump administration official.

Any expansion would come about two months after the U.S. banned large electronic devices from passenger cabin on flights that nine airlines operate to the U.S. from Egypt, Jordan, Kuwait,

Inc., Delta Air Lines Inc., United Continental Holdings Inc., Deutsche Lufthansa AG, and British Airways.

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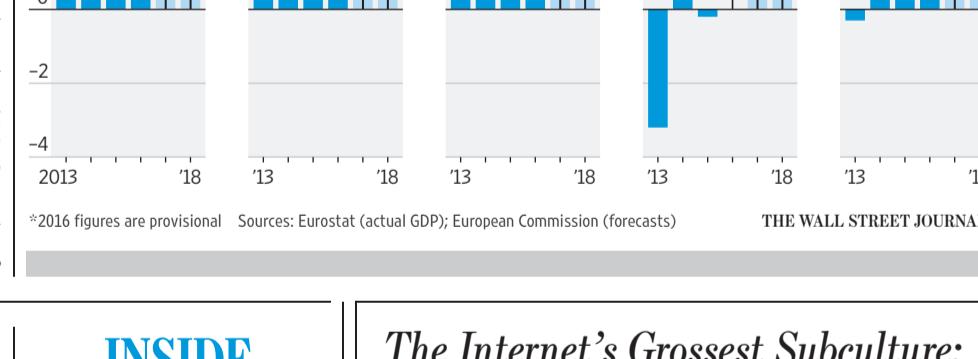
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◆ Emirates Airline battered by Trump travel ban..... B1

### Improving Recovery

Europe's economic performance is forecast to broadly strengthen, despite headwinds from Brexit and uncertainty over U.S. policies. A4

### GDP, change from previous year



\*2016 figures are provisional Sources: Eurostat (actual GDP); European Commission (forecasts)

THE WALL STREET JOURNAL.

## State Firms Helped Fund Metal Stockpile

By SCOTT PATTERSON

Money from state-run Chinese companies was used to help finance the buildup of a massive aluminum stockpile that has crisscrossed the globe, depressed prices and sparked a criminal investigation in the U.S., according to business records, emails and people with direct knowledge of the transactions.

Any such involvement by these entities could further strain relations between China and the U.S., which says Beijing undercuts global competition by giving government assistance to its commodity companies. Aluminum is among several commodities that the Trump administration has singled out for potential protectionist policies against cheap Chinese imports.

Financing through the deep pockets of Chinese state-run

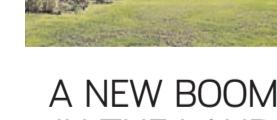
companies could explain how enormous aluminum stockpiles that have captivated the global metals industry were paid for. State-owned enterprises in China, known as SOEs, enjoy low-interest government loans and other subsidies and rank among the largest companies in the world.

The stockpile in question involves nearly a million tons of aluminum products from China that began accumulating outside a factory in a Mexican desert. A Wall Street Journal article tied the cache to billionaire Liu Zhongtian and his aluminum company, China Zhongwang Holdings Ltd. Last year, much of the pile and other aluminum linked to Mr. Liu was transported to Vietnam, the Journal reported.

His apparent goal, American competitors allege in federal complaints, was to dis-

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### INSIDE



### A NEW BOOM IN THE LAND OF GATSBY

MANSION, W9



### HOW TO TAKE CINEMATIC PHONE VIDEOS

OFF DUTY, W1

### The Internet's Biggest Subculture: Pimple-Popping Videos

\* \* \*

Millions tune in to watch professionals terminate unsightly skin blemishes

By SHIBANI MAHTANI

Lynn Barnes often went home filled with stress from working 14-hour days at an insurance call center. So she developed a nighttime relaxation ritual.

First, a small glass of milk and a cup of hot tea. Then some cross-stitch or crochet. After crawling into bed, she searched YouTube for the newest pimple-popping videos, which made her troubles melt away.

"I've woken up with my cellphone on my face because I fell asleep watching," says Ms. Barnes, 55 years old, of Virginia Beach, Va. She retired in 2015 but says she still watches blackhead extractions

and the slicing of inflaming cysts online, which are more relaxing than any sleeping pill.

Zit-popping has joined the ranks of YouTube-driven internet subcultures, turning some dermatologists into celebrities and many watchers of the vid-

eos into confessed pop-a-holics.

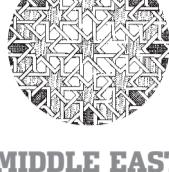
Sandra Lee, a dermatologist in Southern California who calls herself Dr. Pimple Popper, has amassed 2.5 million subscribers on YouTube, 2.4 million Instagram followers and 56,200 followers on Twitter.

Her most popular video, featuring a giant blackhead removed from an 85-year-old woman, has been watched 29 million times since 2015.

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## WORLD NEWS

# Reversal Marks a Power Play in Saudi Arabia



### MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

RIYADH—The future course of Saudi Arabia hinges on whether last month's sudden decision to reverse unpopular austerity measures will come to be seen by its people as a sign of weakness or a sign of wisdom.

Deputy Crown Prince Mohammed bin Salman rolled out the deep pay cuts for government employees in September as part of his ambitious plan to overhaul the kingdom's economy and wean it off dependence on oil.

These changes came in parallel with his drive to liberalize Saudi society, one of the world's most conservative, by curtailing religious police and by introducing concerts and other entertainment previously considered un-Islamic.

With most working Saudis employed by the government sector, the effect was painful. Protests quickly spread on social media, which offers a platform for expressing

dissent in a society where criticism of the government isn't usually tolerated.

The military was also affected and, amid a continuing war in Yemen, the grumbling in the ranks began undermining morale, according to officers. It didn't help that there was little change in the royal family's own ostentatious lifestyle. By late April, hashtags calling for street protests began trending on Twitter—sometimes in conjunction with complaints about social liberalization.

**T**hat's when the Saudi government abruptly reversed course. The monarchy didn't just restore everyone's pay. It also reimbursed the cuts of previous months, giving millions of Saudis an unexpected cash windfall.

King Salman's decree announcing the restoration was made on the same day he shuffled the government. The move was widely seen as strengthening his 31-year-old son Mohammed bin Salman at the expense of the official successor to the throne, the king's nephew, Crown Prince Mohammed bin Nayef, who is 57.

"In Saudi Arabia, loyalty to the regime is tied to the wealth-distribution economy that was put in place since the discovery of oil," said Madawi al-Rasheed, a Saudi scholar at the London School of Economics. Mohammed bin Salman, she added, "was jeopardizing his chances of



A banner in Riyadh of King Salman, center, son Mohammed bin Salman, left, and Mohammed bin Nayef.

FAEZ NURELDINE/AGENCE FRANCE PRESSE/GETTY IMAGES

becoming future king because his name was being associated not with prosperity but with austerity so far."

At stake is the succession in the House of Saud—and the extent to which the kingdom will be able to push through with overdue economic and social changes.

Prince Mohammed bin Nayef, a longtime interior minister credited with ending a wave of al Qaeda terrorist attacks in the kingdom, controls Saudi Arabia's security apparatus and has long maintained close links with Washington—

one of his sources of strength.

Last month's shuffle included appointing Mohammed bin Salman's younger brother, fighter pilot Khaled bin Salman, as ambassador to Washington, and naming a confidant of the deputy crown prince, Maj. Gen. Ahmed Asiri, as deputy head of intelligence.

"It was a soft coup that is laying the ground for Mohammed bin Salman to take over," a Western diplomat said.

While the reversal of austerity measures may shore up Mohammed bin Salman's popularity in the immediate fu-

ture, the diplomat cautioned, it also means that urgent economic reforms will take more time to bear fruit. That, in turn, postpones the moment when the young prince could claim concrete achievements—something that would be necessary to consolidate support within the royal family and leapfrog Mohammed bin Nayef in the succession line.

Saudi officials insist that popular discontent had nothing to do with the reversal of pay cuts. Mohammed bin Salman himself addressed this sensitive point last week, say-

ing in a rare TV interview on Saudi-owned al-Arabiya channel that the rebound of oil prices rather than public pressure spurred the decision.

"The deficit is falling below our expectation, so why would we carry on the austerity measures?" he asked.

Critics of Mohammed bin Salman inside the kingdom dismiss such an explanation, considering that oil prices remain relatively low. They complain that both steps—suddenly imposing the pay cuts and reversing them just as suddenly—were recklessly executed. The reversal, in particular, may imperil the government's future ability to govern, they warn.

"Mohammed bin Salman has now shown that they will capitulate when there is pressure," said a prominent Saudi who, like many in the older generation, favors Mohammed bin Nayef, and who wouldn't speak openly to avoid reprisals for criticizing the prince.

Supporters of the young prince counter by saying he should be applauded for recognizing a mistake and for moving quickly to rectify it.

"Mohammed bin Salman is trying to change a flat tire when the car is going at full speed," said Saudi businessman and political analyst Ahmad al-Ibrahim. "If he takes a wrong decision, he will come back and change things again. The world is not used to a Saudi Arabia like this."

## BONDS

## METAL

*Continued from Page One*  
loaned to \$4.2 trillion in the first quarter of 2017, Moody's Investors Service says, which is more than a third of China's annual gross domestic product. That is up from \$72 billion in 2007, according to Chinese financial data firm Wind Info. Banks sell these products to customers by offering much higher returns than ordinary deposits bring.

But in pursuit of these outside returns, they often make highly leveraged bets on assets from bonds to stocks to commodities, and that has alarmed authorities. In recent weeks China's central bank has raised the cost of short-term borrowing while the banking regulator has warned against market "irregularities" such as the explosion of these highly leveraged products.

The crackdown has prompted many issuers to sell bonds in their portfolios to repay investors. While the selling has been broad-based, investors have been ditching five-year government bonds, where the market is less liquid, faster than 10-year bonds, where the market is more actively traded but also cushioned by demand from long-term investors.

## 3.71%

The yield on five-year Chinese government bonds early Thursday

"The inversion is a form of mispricing in the bond market," said Liu Dongliang, senior analyst at China Merchants Bank. "The fact that no one is taking the bargain despite the higher yield on the five-year bond just shows how depressed investors' mood is."

The narrowing of the 10-year bond's yield premium has been particularly conspicuous since April 12, when The Wall Street Journal reported that China's banking regulator had made a fresh warning to lenders not to engage in speculation that creates asset bubbles and prevents money from flowing to more-productive parts of the economy.

Weak demand for a five-year government bond issued Wednesday further damped interest, traders said. Total bids amounted to 1.8 times the new bond's 36 billion yuan issue size, lower than the normal ratio of around two times.

"It's really difficult to predict when the sell-off or such anomalies will end because China's bond market is reacting to the regulatory crackdown only and is no longer reflecting economic fundamentals," said China Merchants Bank's Mr. Liu.



Liu Zhongtian, chairman of China Zhongwang Holdings, at a China Zhongwang plant in November 2009.

IMAGINECHINA/ASSOCIATED PRESS

### How Arrangements Enabled Purchases

The arrangements involving Chinese state-owned enterprises allowed U.S. businessman Eric Shen to purchase aluminum in a variety of ways.

For example, invoices reviewed by The Wall Street Journal indicate that two of the SOEs, CEIEC and Great Dynasty, sold over 1,400 tons of aluminum for over \$7 million in late 2012 to GT88 Capital. GT88 Capital is a Singapore trading company run by Mr. Shen and whose parent company was owned by

Liu Zhongtian, according to Mr. Liu's attorney at the time.

Mr. Shen was also able to use money from the arrangement to purchase China Zhongwang aluminum from other sources.

Mr. Liu denies any relationship with firms run by Mr. Shen.

Although it isn't known where the firms procured the aluminum, the SOEs have been among China Zhongwang's biggest customers. It isn't known whether the SOEs were aware of plans to stockpile the metal in Mexico, but the invoices indicated the aluminum's destination was Mexico. —Scott Patterson

family. At other times, the SOEs sold aluminum directly to Mr. Liu's middlemen, documents show.

Through such transactions, Mr. Liu could maintain control of the aluminum while masking its Chinese origins.

According to documents reviewed by the Journal and people familiar with the matter, some financing for the aluminum shipped to Mexico from China was linked to three Chinese SOEs that specialize in electronics and industrial businesses: CEIEC Ltd., Great Dynasty and China Machinery & Equipment Co.

China Machinery said it signed contracts agreeing to procure machinery for China Zhongwang affiliates, which it said is "part of normal, compliant trading business." The company said its business complies with all laws and regulations and protects proprietary information.

CEIEC and Great Dynasty declined to comment.

China Zhongwang announced a deal with the three SOEs in October 2011 in a press statement, saying it agreed to a \$3.8 billion plan with them to build a new aluminum factory outside Beijing.

The same month, China Zhongwang also struck another deal with U.S. businessman Eric Shen, giving him control of how cash from the factory deal was spent, according to a previously undisclosed 2011 contract reviewed by the Journal. Mr. Shen says in a court filing he helped Mr. Liu move aluminum around the world to circumvent tariffs. Mr. Liu denies having a business relationship with Mr. Shen.

Under separate deals reviewed by the Journal, the SOEs agreed to pay Mr. Shen's trading companies to find and procure equipment for the factory. The SOEs agreed to retrofit it for the aluminum factory and get reimbursed by China Zhongwang.

But Mr. Shen's companies never purchased aluminum machinery, according to people familiar with the matter. Much of the cash instead was used to purchase China Zhongwang aluminum, a permissible use of the money under the side agreement's broad terms, these people said.

China Zhongwang said it has no record of the agreement with Mr. Shen viewed by the Journal or the agreements between Mr. Shen and the SOEs.

"Judging from our own files, we do not have such a contract," China Zhongwang Chief Executive Lu Changqing said, adding that the factory was built via the straightforward process described in its 2011 news release.

Mr. Liu, China Zhongwang's chairman, didn't comment for this article.

The signatures of Mr. Shen and a China Zhongwang executive, Chen Yan, appear on the contract authorizing Mr. Shen to disburse money from the SOEs. Emails reviewed by The Wall Street Journal show Mr. Chen coordinating with an associate of Mr. Shen's about the contract. "Here are the payment details," the associate wrote in an Oct. 24, 2011, email to Mr. Chen. "It'd be better to transfer 1 million first, and transfer the rest if everything goes well."

China Zhongwang declined to make Mr. Chen available to comment. A China Zhongwang spokeswoman said neither the company, nor Mr. Chen nor Mr. Liu ever sent money to Mr. Shen or his operations.

Mr. Shen's lawyers said the agreement exists.

"Transactions were consummated pursuant to written agreements entered in 2011 between Shen's companies, China Zhongwang and three Chinese state-owned entities," said Jason Liang of the Los Angeles law firm Liang Ly LLP, which is representing Mr. Shen in several U.S. court cases related to his aluminum businesses and, in part, to the massive stockpile currently in Vietnam.

Mr. Liu sold "hundreds of

thousands of tons of aluminum products, which were ultimately exported to the United States, by using straw buyers who would purchase aluminum from Zhongwang with funds provided by Liu," Mr. Shen says in a complaint filed in a civil court case in Orange County, Calif. Mr. Shen is being sued in the case, which is pending, over a failed attempt to build an aluminum plant in California. The plaintiff is a company owned by a man with ties to Mr. Liu.

—Kersten Zhang in Beijing contributed to this article.

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Dow Jones Publishing Company (Asia)  
25/F, Central Plaza, 18 Harbour Road,  
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Tel: 852 2573 7121 Fax 852 2834 5291

**Andrew Dowell**, Asia Editor  
**Troy McCullough**, Senior News Editor, Asia  
**Daren Everson**, International Editions Editor

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# WORLD NEWS

## Under Moon, Firms May Feel Pressure

By TIMOTHY W. MARTIN  
AND EUN-YOUNG JEONG

SEOUL—South Korea's new president, like his predecessors, promised to loosen the hold that powerful, family-run business empires such as Samsung have over the economy, and he has a rare opening to accelerate change.

President Moon Jae-in has vowed to reform South Korea's *chaebols* "gradually, but fully." How extensive those changes are by the end of his five-year term will be determined in large part by his ability to overcome political challenges and the economic entrenchment of the conglomerates.

Mr. Moon, sworn in Wednesday as the country's first left-leaning president in nine years, rode a wave of populist frustration over a bribery scandal that rocked the country's business and political elite, from his predecessor to top Samsung officials.

Revamping these dynastic enterprises has been a popular

campaign promise in the past. Though the chaebols once lifted the nation out of poverty, they are now seen by many South Koreans as hindering growth and competitiveness of smaller businesses.

Past presidents haven't produced substantial changes to the ownership structures or transparency of conglomerates such as Samsung, LG and Hyundai Motor due to opposition from pro-business conservative lawmakers and lobbying groups.

Things could be different under Mr. Moon. His tough talk about revamping the chaebol system faces a better shot of succeeding now due to public outcry over how economically powerful a handful of conglomerates have become.

Mr. Moon also is under pressure to respond to public discontent over the corruption scandal that resulted in the jailing of former president Park Geun-hye and Samsung's de facto leader, Lee Jae-yong.

### Chaebol Control

South Korea's five largest conglomerates accounted for more than 10% of the country's economic output in 2015.

	CONGLOMERATE ADDED VALUE*, IN TRILLIONS OF WON	NUMBER OF COMPANIES	SHARE OF GDP
Samsung	59.8	52	4.09%
Hyundai Motor	34.7	43	2.37
SK	25.7	77	1.75
LG	23.8	49	1.62
Lotte	11.3	72	0.77

\*Amount of value created = difference between the cost of production and cost to the consumer.

Note: Number of companies is based on those that submit regulatory filings.

Source: CEO Score

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Both have denied wrongdoing and their trials are continuing.

"Even though at one point the chaebols were too important to touch, now the dynamic has changed," said Troy Stangarone, a senior director at the Korea Economic Institute in Washington.

The Federation of Korean

Industries, a lobbying firm representing some chaebols, said it looks forward to the new government's efforts "to pave a path for economic growth through integration and reform."

Some South Korean lawmakers and corporate-governance experts say shaking up

chaebols would reduce their clout and help to diversify the economy by making it easier for new firms to compete—and potentially create more jobs and spur innovation.

In moving to diminish their dominance, Mr. Moon will face resistance from pro-business conservative lawmakers. While several bills are circulating with lawmakers to further regulate the chaebols, legislating would require support from the pro-business conservative bloc.

During the election campaign, Mr. Moon's main conservative rival, Hong Joon-pyo, pledged to relax regulations for conglomerates.

Mr. Moon's party holds 120 out of 300 seats in the National Assembly.

The combined voting power of the three progressive parties falls short of the 60% needed to pass nonbudget bills in plenary session.

Mr. Moon can effect some changes without legislative approval, such as limiting con-

glomerates' ability to contract work to other affiliates, said Park Sang-in, an economics professor at Seoul National University. Pushing these measures would demonstrate that Mr. Moon prioritizes chaebol reform, he said.

A representative from Mr. Moon's office wasn't available to comment.

Some chaebols are already making changes in response to investor agitation and potential legislative crackdowns.

For politicians, attacking the conglomerates has become easier as the corruption scandal has unfolded and economic growth has slowed.

The largest South Korean conglomerates have traditionally maintained close ties with the government. Critics accuse them of using their sway to dominate industries and discourage new entrants.

The five largest chaebols represented about 10.6% of the country's gross domestic product, as calculated based on the groups' added value.

## 'Comfort Women' Deal Criticized

By JONATHAN CHENG

SEOUL—New South Korean President Moon Jae-in told Japanese Prime Minister Shinzo Abe that a 2015 deal to resolve a dispute over Korean women forced into sexual service for Japanese soldiers during World War II was "unacceptable" to most South Koreans.

Mr. Moon's remarks Thursday are likely to rekindle an emotionally charged issue between the two close U.S. allies.

Separately on Thursday, Mr. Moon said in a telephone call with Chinese President Xi Jinping that a standoff over South Korea's deployment of a U.S. missile-defense system that Beijing opposes would be more easily resolved if North Korea were to make no further provocations.

That remark from Mr. Moon hews more closely to Washington's position on the issue than his oft-stated position during the campaign that he would seek to review the decision process behind the installation of the missile-defense system.

Mr. Moon's calls with the leaders of South Korea's two biggest neighbors hinted at the potential both for dra-



In South Korea, a statue served to protest the accord with Japan.

matic shifts and for continuity in Seoul's foreign policy, a day after the swearing-in to office of the country's first left-leaning president in nearly a decade.

On the campaign trail, Mr. Moon had said that South Ko-

rea should scrap its deal on the so-called comfort women, forged by Mr. Abe and then-South Korean President Park Geun-hye. Under the accord, which the U.S. encouraged, Mr. Abe apologized and Japan supplied ¥1 billion (\$8.8 mil-

lion) in government funds to support the surviving comfort women.

However, some South Koreans, including some of the surviving comfort women, fiercely opposed the deal. Civic groups set up a statue commemorating the women outside the Japanese consulate in the South Korean city of Busan and demonstrated outside another one in Tokyo.

After Ms. Park was impeached and removed from office, calls to scrap the deal grew louder. All major candidates for South Korea's presidency supported a renegotiation or a canceling of the deal.

A Japanese government spokesman said Mr. Abe told Mr. Moon that both sides should seek to properly manage their bilateral relationship, including the comfort women agreement, but he said they didn't go into details on that specific issue. Mr. Abe said he wanted to create a "future-oriented" relationship with the new Korean administration.

Both sides agreed to be in close contact over North Korea, according to the account from the spokesman.

—Alastair Gale in Tokyo and Min Sun Lee in Seoul contributed to this article.



A member of the SDF in the Syrian town of Tabqa in April

## Kurd-Led Force Cleared To Take ISIS Bastion

By MARIA ABI-HABIB  
AND RAJA ABDULRAHIM

BEIRUT—A Kurdish-led military force in Syria is closing in on Islamic State's stronghold of Raqqah after taking the strategic Tabqa dam nearby, days after the fighters won rare approval from both Washington and Damascus to battle the extremist group.

Islamic State's loss of the dam on the Euphrates River about 30 miles southwest of its Syrian seat of power is a major blow to the terror group, which held the structure for more than three years. The U.S. long worried the militants would rig the dam with explosives, allowing it to unleash floods on the surrounding population and American-backed forces.

The Kurd-dominated Syrian Democratic Forces captured Tabqa Wednesday, a day after the U.S. pledged to arm the fighters and the Damascus government for the first time endorsed their battle against Islamic State. At a Monday news conference in Damascus, Syrian Foreign Minister Walid al-Moallem complimented the SDF's fight against Islamic State and described the force as legitimate.

The SDF is now the only ground force with both U.S. and Syrian government approval to fight Islamic State as the offensive on Raqqah draws near. While anti-government rebel factions have also fought Islamic State, the Syrian government has long deemed them terrorists in light of their goal to oust President Bashar al-Assad's regime.

As the Kurdish-led fighters supported by U.S. Special Operations Forces on the ground inch closer to Raqqah, the question of who will hold the city the day after it falls is becoming more urgent. Turkey, a member of the North Atlantic Treaty Organization, and its Syrian Arab rebel allies oppose the rival Kurds leading the battle and fear they will try to hold onto the majority-Arab city after it is captured.

Arab rebels particularly distrust the YPG, the Syrian Kurdish militia that dominates the SDF, because it has used the U.S.-backed fight against Islamic State to take over a

large swath of territory across northern Syria—including predominantly Arab cities and towns—with the expressed goal of carving out a semi-autonomous Kurdish region. The rebels and opposition activists have long accused the YPG of colluding with the Syrian regime for its own benefit.

President Donald Trump has made clear he opposes the expensive nation-building missions that have historically accompanied U.S. counterterrorism operations to support local governments and prevent insurgents from returning.

For these reasons, Western diplomats say the post-capture plan is for the SDF to hand over the administration of Raqqah to a local civilian council friendly to the Syrian regime. That council could eventually transfer control of the city back to the regime, these diplomats said.

**The SDF is the only force with both U.S. and Syrian approval to fight the militants.**

## China's Rail Link to Europe

Beijing touts globalization and freight shippers hail revival of Silk Road

By TREFOR MOSS

MIDDLE EAST AND EUROPE. One solid example of Mr. Xi's globalist outreach, however, is China's use of existing Eurasian railways to transport high-value goods between China's remote northwest and Europe.

After Mr. Xi launched his grand trade plan in 2013, China began consolidating a

sports complex and an opera center, said Wang Yong, the local deputy Communist Party secretary.

In the vast emptiness of this desert region, long-distance trade is the main lifeline. Mr. Wang said 1,220 Europe-bound trains rumbled through here last year, a small but growing part of

Europe, almost half in 2016, as the rate accelerates. It has set an annual target of 5,000 trains by 2020.

"There were doubts about the viability of doing this," said Michael White, international marketing manager at UPS. But now, he said, the momentum is undeniable.

There are still plenty of challenges, including whether the rail component of Mr. Xi's vision can thrive if Beijing curbs its subsidies. Another is persuading European companies; about three times as many goods-laden trains leave China as return to it.

"It's not easy to start a new service, even though it's all being supported by the [Chinese] government," said Oscar Lin of U.K.-based OneTwoThree Logistics. The company operated London-to-China train service in April in a publicity coup for Mr. Xi's globalization drive.

Rail freight will never supplant ocean transport: A container ship can handle 100 times the cargo of a train.

But for quick delivery of high-value goods—such as products from consumer electronics makers HP Inc. and China's TLC—shipping containers by rail is ideal, logistics companies say.

DHL says it would cost about \$5,000 and take three weeks to send a 20-ton container by rail to Hamburg from Chengdu in southwestern China. By air, it costs \$30,000 and takes a week; by ocean, \$2,000 and seven weeks.

—Junya Qian contributed to this article.

maze of railroads into three primary routes, coordinated regular timetabled service and simplified customs procedures. Beijing backed the project—the "belt" as opposed to the ocean-shipping "road" portion—with lavish cost-cutting subsidies.

Alashankou, a far-flung outpost in China's northwest, is the primary exit point for Europe-bound trains and the quintessential belt-and-road boomtown. Its population has tripled to 32,000 in five years and new public projects include a

In recent years, China has sent about 3,700 trains to

the town's rail traffic.

Trains carrying consumer electronics and auto parts toward European cities like Hamburg, Warsaw and Rotterdam return with sports cars, baby food and Scotch whisky. Authorities recently added routes including Xiamen to Moscow, Yiwu to Tehran, and Xi'an to Budapest. China Railway Corp. signed a deal in April to streamline service with rail operators in six European countries.

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## WORLD NEWS

# Germany Set to Open Purse

With tax revenue high, politicians debate how best to spend cash, or how much to return

BY ANDREA THOMAS

BERLIN—This year's election could herald a bonanza for German consumers.

With the country's coffers overflowing, the competing candidates are brimming with ideas about how to spend the money—or how much of it to give back.

Tax-revenue estimates released on Thursday showed the strong economy and labor market would deliver a €54.1 billion (\$58.7 billion) windfall through 2021, underlining the firepower at politicians' disposal. If they deliver on their pledges, this could be good news for the U.S., the EU and the international organizations that have been urging Germany to loosen its purse strings for years.

In a sharp departure from past elections, the candidates in September's election have lined up spending proposals—including free child care, higher unemployment benefits and infrastructure investment—and tax cuts that could bring German voters tens of billions of euros extra per year, some economists say.

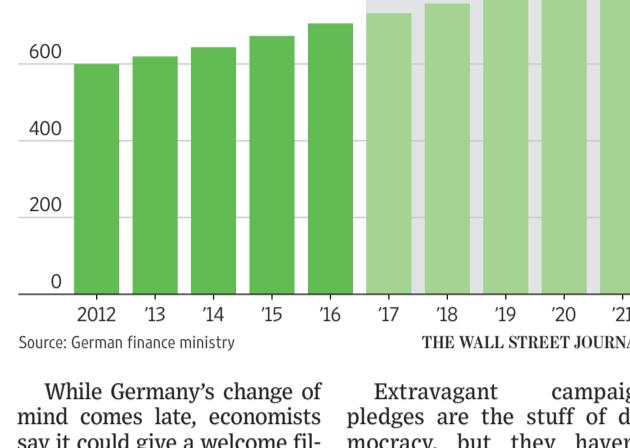
"The sky appears to be the only limit," said Holger Schäfer, economist with the business-funded IW economic institute.

For years, Germany ignored calls from the U.S., the International Monetary Fund and the European Commission to spend more as a way to reduce its large current-account and trade surpluses and help the embattled economies of its eurozone neighbors.

### Rolling in Money

Germany's public coffers are overflowing with money.

#### German tax revenues



Source: German finance ministry

While Germany's change of mind comes late, economists say it could give a welcome fillip to the budding recovery in the euro area. More domestic spending would mean more internal demand, with positive spillover effects for neighboring economies, they have argued.

It could also go some way to defusing criticism of Germany in France, where many politicians, including President-elect

Extravagant campaign pledges are the stuff of democracy, but they haven't been a dominant feature of German elections for almost two decades, as politicians stressed the need to save money and repay ballooning public debts.

In the first decade of the century, the government took an ax to the welfare state, slashing benefits and entitlements.

Since then, Chancellor Angela Merkel has raised pensions for some people but otherwise maintained the status quo. And German taxpayers and businesses haven't seen substantial tax cuts since the mid-2000s.

But with healthy growth, near-full employment and now three years of budget surpluses, priorities are shifting.

Finance Minister Wolfgang

*In a departure, the candidates in September's vote have lined up spending proposals.*

Emmanuel Macron, have called for more expansionary economic policies in Berlin to help the rest of the region.

The European Commission predicted in its spring forecasts on Thursday that Germany's current-account surplus would ease to 7.6% of gross domestic product in 2018 from 8.5% of GDP in 2016, helped by a rebound in investment and rising imports.

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Unlike the possible tax cuts, the promised benefits boost received a mixed welcome from German economists, many of whom say Germany already spends too much on welfare.

Schäuble on Thursday announced a rise in the government's countrywide tax-revenue estimate that he said created leeway for tax cuts. His ministry expects the budget to remain in surplus at least until 2018 after last year's record €24 billion profit, and the country's public debt, which has been shrinking for the past five years, is set to fall below 60% of GDP by 2020.

Leading the competition for spending ideas are the center-left Social Democrats, now junior partners in Ms. Merkel's ruling coalition. The party has promised more funding for training and education, infrastructure investments and child care as well as cuts in health-insurance contributions. Economists put the combined stimulus at €30 billion a year.

Ms. Merkel's conservative bloc has suggested grants for home buyers with children and reducing and eventually abolishing nursery fees. It also wants €15 billion a year in tax cuts for small- and middle-income earners, and Mr. Schäuble has said Berlin may have to react to mooted corporate-tax cuts in the U.S. and the U.K.

In the opposition, the pro-business Free Democrats want to cut taxes by €30 billion a year. Others, including the antiestablishment AfD and the Left Party, want to focus spending on families, from one-time cash benefits for newborns to free day care and a near doubling in child benefits. The Greens have said they would earmark an extra €12 billion for families on low incomes and single parents.

The process of naming candidates for the legislative elections has put the freshly elected Mr. Macron in a bind.

The 39-year-old emerged from behind the scenes to win the presidential election on a

# Macron Seeks Full Candidate Roster

By WILLIAM HOROBIN  
AND NOEMIE BISERBE

PARIS—French president-elect Emmanuel Macron on Thursday fell short of naming all his candidates for June's legislative elections, as his fledgling En Marche movement tried to find a balance of veterans and fresh faces in an influx of applications.

En Marche had said on Monday that it would name all 577 candidates for the legislative elections on Thursday, a key step in Mr. Macron's attempt to strengthen political backing for his plans to overhaul the country.

It still has until May 19 to name all of its candidates, but with elections on June 11, that leaves parties with little time to organize their campaigns.

The party—founded barely a year ago—was submerged by a wave of new applicants, including from political heavyweights Mr. Macron may have to rely on to build coalitions in Parliament.

On Thursday, it was still hadn't sifted through all the 17,000 applications and would only be ready to name 400 to 450 candidates, said Jean-Paul Delevoye, who heads En Marche's recruitment commission.

"We have received many more applications since the election, which has disrupted our timing," Mr. Delevoye said.

The process of naming candidates for the legislative elections has put the freshly elected Mr. Macron in a bind.

The 39-year-old emerged from behind the scenes to win the presidential election on a

promise of transcending France's mainstream parties, whose bickering he says prevented the country from repairing its economy.

But he also needs the experience and networks of established politicians to ensure he can pass key economic measures, including labor-law overhauls this summer.

In January, before becoming the favorite to win the



Emmanuel Macron in March

election, Mr. Macron set strict criteria for selecting candidates as part of his quest for a "democratic revolution."

Half of the En Marche candidates in the legislative elections would come from outside the political establishment and have never held elected office, he said.

Mr. Macron also ruled out making deals with political parties and said he would field candidates in every constituency.

The selection procedure was anathema to many political veterans who cut their teeth in the backroom politics of France's parties and were waiting for the presidential election result before making a move.

those nations and the U.K..

Other European nations said at the time that they wouldn't adopt similar rules, opening an unusual split among Western security authorities over aviation safety.

Middle Eastern and North African countries affected by the initial ban said their airlines were being unfairly penalized by the rules, which require passengers to check laptops, tablets, and other equipment like digital cameras in the cargo compartment.

The International Air Transport Association, a global trade group, said it was unaware of any specific plan for an extension to the policy, and has already said it opposes the existing ban.

"The current measures are not an acceptable long-term solution to whatever threat they are trying to mitigate," the group's director general, Alexandre de Juniac, said in a March speech. "We call on governments to work with the industry to find a way to keep flying secure without separating passengers from their personal electronics," he said.

—Doug Cameron, Robert Wall and Rebecca Ballhaus contributed to this article.

# EU Says 2017 Growth Will Withstand Risks

BY EMRE PEKER

BRUSSELS—The European Union raised its 2017 economic-growth forecast, saying the bloc's revival is strengthening despite geopolitical risks that could undermine its fifth year of recovery.

Gross domestic product in the 28-country EU will grow by 1.9% in both 2017 and 2018, the bloc estimated in Thursday's economic outlook, up from its February forecast of 1.8%.

It raised its GDP forecast for the 19-member eurozone to 1.7% this year from its previous forecast of 1.6% and maintained its estimate of 1.8% economic growth in 2018.

The thrice-yearly review comes on the heels of Emmanuel Macron's presidential victory in France on a business friendly and pro-EU platform, and as centrist politicians across Europe appear to be beating back a populist backlash against the bloc. After years of tepid economic growth fueled voters' anger against the EU, officials in Brussels say the drag on investments is slowly disappearing as a busy election cycle nears the finish line with Germany's polls in September.

"The high uncertainty that has characterized the past 12 months may be starting to ease," said Pierre Moscovici, the European commissioner for economic and financial af-

fairs, taxation and customs. "Europe is entering its fifth consecutive year of growth, supported by accommodative monetary policies, robust business and consumer confidence and improving world trade."

But while some of the risks to the European economy are ebbing, geopolitical developments and a host of "elevated" uncertainties still pose threats, according to the European Commission—the bloc's executive arm.

EU officials said the eurozone's recovery from the global financial crisis of 2007-08 faced threats, such as negotiations over Britain's exit from the EU, China's economic adjustment, and potential protectionist measures from U.S. President Donald Trump.

Compounding the headwinds facing Europe, and contributing to its uneven recovery, are also high levels of debt and continuing fragilities in parts of the banking system, Mr. Moscovici said.

"Growth is still held back," he said, citing the hangover from the financial crisis alongside geopolitical uncertainties.

Members of the common-currency area are seen with an average deficit of 1.4% of GDP in 2017, unchanged from the EU's earlier forecast. The gap is seen narrowing to 1.3% in 2018, slightly less than the previous estimate of 1.4%.

pace expected by investors, who doubt the central bank will move until well into 2019.

This comes ahead of a June 8 national election in the U.K. and negotiations between London and Brussels over the terms of the country's EU exit.

Meanwhile, the Federal Reserve is seen pressing ahead in the U.S. with a gradual rise in borrowing costs in 2017 and the European Central Bank is considering gently dialing back stimulus measures.

The BOE's latest projections assumed a "smooth" Brexit, with a transition period that largely preserved current trading beyond its three-year forecast period.

BOE Governor Mark Carney said the central bank hadn't made forecasts for a scenario in which no deal was struck and there was a "sharp break" between the EU and the U.K.

—Jason Douglas

# LAPTOP

Continued from Page One

Morocco, Saudi Arabia, Turkey, Qatar and the United Arab Emirates. Ten airports in those nations were affected. No U.S. airline was affected because none serve those airports.

"No final decision has been made to expand the restriction," a White House official said late Wednesday. However, the Department of Homeland Security said Wednesday that the plan "is under consideration. When there are changes, we'll announce that."

Ed Bastian, Delta's CEO, said in an investor webcast Thursday that he couldn't speculate on what the Department of Homeland Security might do. If a broader electronics ban is implemented, he said, Delta will work with the agency and with its customers.

European airline officials said they are struggling to prepare for the potential U.S. action because of uncertainty over the nature and scope of the restrictions. A wider ban would be a "a logistical nightmare" due to larger numbers

of passengers affected and higher numbers of fliers making connections, according to one U.S. airline—a view echoed in Europe.

For years, airlines have recommended the electronics, including laptops, with lithium batteries be carried in the cabin to make it easier for staff to deal with any fire from the devices. Aircraft builders have said jets aren't certified to withstand a major lithium-battery fire in the cargo hold, and some safety experts have said storing potentially hundreds of devices and their lithium-ion batteries in the cargo hold could pose its own safety risks.

U.S. authorities are concerned that an explosive device hidden in an electronic device could be manually triggered in the cabin, or utilize power sockets in the plane to detonate it, according to people familiar with airline security plans.

On Tuesday, Violeta Bulc, the European Commission's transport chief, sent a letter to Mr. Kelly and Elaine Chao, the secretary of the U.S. Transportation Department, urging them to work with Europe on aviation security, long an area

of cooperation.

"It is in our common interest that we work together...in advance of any potential application of new security measures to air carriers operating from the EU to the U.S.," the letter said.

The initial ban was a response to "evaluated intelligence," the U.S. government

said at the time, but offered no further details. Airlines were given 96 hours to comply, and the restrictions covered about 50 flights a day, all operated by the overseas carriers.

Hours after the U.S. announced its new rules, the U.K. said it planned similar restrictions on an overlapping list of countries: Turkey, Lebanon, Jordan, Egypt, Tunisia and Saudi Arabia. That policy affected some flights that British Airways operates between

50

Approximate number of flights a day affected by initial U.S. ban.

### Continued U.S. Presence Sought

Lithuanian President Dalia Grybauskaitė said she wants a continued presence of U.S. troops in her country as Russia builds up its forces in the region and prepares for military exercises in September.

In an interview a day after meeting U.S. Defense Secretary Jim Mattis, Ms. Grybauskaitė said she was in talks with the U.S. and other countries on securing Lithuania's airspace.

"We need the serious involvement of the U.S. to not only deter but to defend," she said. "It is important to have adequate response capabilities against possible threats."

Tensions are high in the region months before Russia is planning to stage military exercises in Belarus, which borders Lithuania. U.S. officials say the drills could be used by Russia to move upgraded weaponry into the region, as well as demonstrating new military capabilities.

The U.S. is considering moving a Patriot missile-defense system to Lithuania as part of air-defense exercises of its own this summer, and officials have

said the system could remain there longer—through the duration of the Russian exercises.

—Julian E. Barnes

CUBA

### No Cuban Migrants Intercepted in April

The Coast Guard in April didn't intercept any Cubans trying to sail illegally to the U.S., the first month without any such incidents in seven years.

The dramatic drop in the number of Cubans attempting the sea journey is due in large part to new policies set by both the Obama and Trump administrations, and it mirrors a significant fall in migrant flow along the southwestern U.S. land border, Coast Guard Commandant Adm. Paul Zukunft said.

"April was the first month in seven years where we didn't have one Cuban migrant, not one," Adm. Zukunft said. "On a typical day at this time last year,

we would probably pick up anywhere from 50 to 150 Cuban migrants," he added.

He traced the decline to former President Barack Obama's late-term policy change toward fleeing Cubans, and to President Donald Trump's crackdown on illegal immigration.

—Ben Kesling

MEXICO

### Government Rejects Report on Crime

The Mexican government repudiated as unfounded and irresponsible a report that portrayed Mexico as the world's second-deadliest conflict zone in 2016, after the publication caught the attention of Donald Trump.

The report by the International Institute for Strategic Studies, a London-based think tank, said Mexico's drug wars between rival cartels claimed 23,000 lives last year.

Mexican officials said not all murders in Mexico are a result of turf wars between drug cartels and that the homicide rate remains low compared with other countries in the region.

The International Institute for Strategic Studies didn't return calls.

# U.S. NEWS

## Intelligence Chiefs: Russia Behind Hack

BY BYRON TAU

Several top Trump administration intelligence officials told a Senate panel they accept the conclusions of a report earlier this year that data thefts and hacking during the 2016 election were undertaken by Russia—a conclusion President Donald Trump has questioned.

As part of a Senate Intelligence Committee hearing Thursday, Director of National Intelligence Dan Coats submitted a statement concluding that Russia “has assumed a more aggressive cyber posture” in recent years.

“This aggressiveness was evident in Russia’s efforts to influence the 2016 U.S. election and we assess that only Russia’s senior-most officials could have authorized the 2016 U.S. election-focused data thefts and disclosures, based on the scope and sensitivity of the targets,” Mr. Coats wrote in his statement.

Sen. Mark Warner, a Virginia Democrat and the vice chairman of the intelligence committee, asked the intelligence-community leaders if they accepted a January report from the Obama administration that Russia had attempted to interfere in the 2016 election through a campaign of disinformation, data thefts and leaks. The report also concluded that the effort was aimed at boosting Mr. Trump and damaging his Democratic opponent, Hillary Clinton.

In response to his question, the heads of the Central Intelligence Agency, Federal Bureau of Investigation, and National Security Agency all simply said “yes.” All serve in the Trump administration, though the current heads of the FBI and NSA are officials appointed by previous presidents.

The January report didn’t draw any conclusions about



From left, CIA Director Mike Pompeo, Director of National Intelligence Dan Coats and NSA Director Adm. Mike Rogers on Thursday

whether the outcome of the election was affected by the Russian propaganda and hacking campaign, nor has any evidence been uncovered that systems involved in vote counting have been tampered with.

But Mr. Trump has been reluctant to accept the conclusions of the January report, produced in the final days of the Obama administration.

Mr. Trump, in a January statement after he was

briefed by intelligence agencies on their findings, said: “While Russia, China, other countries, outside groups and people are consistently trying to break through the cyber infrastructure of our governmental institutions, busi-

nesses and organizations including the Democrat National Committee, there was absolutely no effect on the outcome of the election including the fact that there was no tampering whatsoever with voting machines.”

## Rosenstein Hinted at Quitting

WASHINGTON—Rod Rosenstein, the deputy attorney general who objected to the use of his critical assessment of FBI Director James Comey to jus-

By Del Quentin Wilber,  
Aruna Viswanatha,  
and Rebecca Ballhaus

tify firing him, pressed White House counsel Don McGahn to correct the record and left the impression that he couldn’t work in an environment where facts weren’t accurately reported, according to a person familiar with the conversation.

Mr. Rosenstein, who had been confirmed by the Senate just two weeks earlier, met with President Donald Trump on Monday, where they discussed Mr. Comey’s job performance.

At the White House’s prompting, Mr. Rosenstein Tuesday wrote a memo to the president detailing his concerns about the director’s conduct.

ment’s recommendation.

Asked Tuesday why Mr. Trump was firing Mr. Comey four months into his term, senior counselor Kellyanne Conway said: “Well, I would point them to the three letters that were received today.” Sarah Sanders, a White House spokeswoman, told Fox News on Tuesday that Mr. Trump had reacted after receiving a “clear and direct and very strong recommendation from the deputy attorney general.”

Ms. Sanders, on MSNBC the following morning, said the reason for the dismissal was “real simple....The deputy attorney general made a very strong recommendation.”

Wednesday morning, Vice President Mike Pence, speaking to reporters at the Capitol, repeatedly pointed to Mr. Rosenstein’s letter while describing the president’s decision.

Mr. Rosenstein called Mr. McGahn and urged them to correct the record.

cessor is named and confirmed by the Senate, which is likely to be an intensive and hard-fought process. The temporary chief will immediately find himself at the epicenter of the politically fraught investigation into potential collusion between Donald Trump’s presidential campaign and the Kremlin.

Mr. Comey said in a farewell note to colleagues he had “long believed” a president could fire an FBI director “for any reason, or for no reason at all.” In the letter, which was reviewed by The Wall Street Journal, he said, “It is done, and I will be fine.”

But the change in the FBI command was immediately evident, as the Senate Intelligence Committee announced that Mr. McCabe would replace Mr. Comey at the hearing Thursday on Russian interference in the 2016 election.

The panel instead asked Mr. Comey to testify in a closed-door hearing on Tuesday, likely to be the first major congressional scrutiny of the controversial firing.

Justice Department officials declined to provide more details about Mr. Comey’s dismissal, though they said they expected the temporary director to be picked in the next two days. Mr. Comey couldn’t be reached for comment, and his former top spokesman at the bureau, Michael Kortan, didn’t return phone calls or email messages seeking comment.

“Many people within the organization are shocked that the director was fired,” said Dave Johnson, a former top supervisor at FBI headquarters who retired in December. “In particular, they were not pleased with how it was handled, saying it was perhaps on the unprofessional side.”

—Aruna Viswanatha and Byron Tau contributed to this article.

## FBI

Continued from page A1  
neither confirm nor deny that. “I can’t comment on any conversations the director may have had with the president,” Mr. McCabe said.

Mr. McCabe promised lawmakers that he would refrain from providing any status updates to the White House on the Russia probe.

The acting director also rejected the White House’s criticism that rank-and-file agents had lost faith in Mr. Comey.

“That is not accurate,” Mr. McCabe testified, adding that serving with Mr. Comey had been the “greatest privilege and honor of my professional life.”

“Director Comey enjoyed broad support within the FBI and still does to this day,” Mr. McCabe said. “I can confidently tell you that the vast majority of FBI employees enjoyed a deep and positive connection to Director Comey.”

In addition to a counterin-

telligence investigation by the FBI, the Senate and House intelligence committees are also conducting their own investigations into alleged Russian interference in the presidential election. Democrats and Republicans said the probe would continue, despite the leadership turmoil at the FBI.

**Director Comey enjoyed broad support within the FBI and still does to this day.**

“I intend to maintain our committee’s focus on this investigation. Indeed, the recent actions only increase the burden of responsibility on all of us to ensure we live up to this challenge and to uncover the truth—wherever that leads—in the months ahead,” said Sen. Mark Warner, a Virginia Democrat and the committee’s vice chairman.

Mr. McCabe testified at a

hearing examining threats world-wide. Mr. Comey had been scheduled to appear before he was fired.

Mr. McCabe, who had been serving as Mr. Comey’s deputy director, was elevated to lead the agency on a temporary basis upon his boss’s termination.

He is also one of five FBI and Justice Department officials being interviewed by Attorney General Jeff Sessions and Deputy Attorney General Rod Rosenstein to become interim director until a permanent successor to Mr. Comey is confirmed by the Senate, a process that could take weeks or longer.

The Justice Department expects to name the interim successor as soon as Thursday.

Officials haven’t set a timeline for nominating a permanent director, but the administration is expected to move with caution, given the position’s sensitivity. Democrats are likely to scrutinize the choice intensely, potentially seeking to delay or block the confirmation.

## Interviewing Starts For Job as Bureau Reels

The Justice Department moved to find a temporary successor to fired FBI Director James Comey, as Attorney General Jeff Sessions and his top deputy interviewed five candidates amid continuing fallout over the controversial dismissal.

By Del Quentin Wilber,  
Brett Forrest  
and Rebecca Ballhaus

Some agents at the Federal Bureau of Investigation said in interviews that they were shocked and demoralized, with several saying that while they didn’t agree with all of Mr. Comey’s actions, they respected him and were startled by his firing on Tuesday.

Mr. Comey’s turbulent removal also has left the nation’s top law-enforcement agency in the midst of a volatile probe into Russian meddling in the 2016 presidential election without a long-term leader.

The five candidates for the temporary post, all current FBI or intelligence officials, began appearing at the Justice Department for their interviews before 10 a.m. Wednesday, less than 24 hours after Mr. Comey’s unexpected removal.

They included FBI supervisors in Richmond, Va., and Chicago, as well as Mr. Comey’s former deputy, Andrew McCabe, who became acting FBI director shortly after Mr. Comey’s firing.

Whoever is named interim director will take control of an agency of 13,000 agents and 35,000 employees, and could serve in that position for months until a permanent suc-

cessor is named and confirmed by the Senate, which is likely to be an intensive and hard-fought process. The temporary chief will immediately find himself at the epicenter of the politically fraught investigation into potential collusion between Donald Trump’s presidential campaign and the Kremlin.

Mr. Comey said in a farewell note to colleagues he had “long believed” a president could fire an FBI director “for any reason, or for no reason at all.” In the letter, which was reviewed by The Wall Street Journal, he said, “It is done, and I will be fine.”

But the change in the FBI command was immediately evident, as the Senate Intelligence Committee announced that Mr. McCabe would replace Mr. Comey at the hearing Thursday on Russian interference in the 2016 election.

The panel instead asked Mr. Comey to testify in a closed-door hearing on Tuesday, likely to be the first major congressional scrutiny of the controversial firing.

Justice Department officials declined to provide more details about Mr. Comey’s dismissal, though they said they expected the temporary director to be picked in the next two days. Mr. Comey couldn’t be reached for comment, and his former top spokesman at the bureau, Michael Kortan, didn’t return phone calls or email messages seeking comment.

“Many people within the organization are shocked that the director was fired,” said Dave Johnson, a former top supervisor at FBI headquarters who retired in December. “In particular, they were not pleased with how it was handled, saying it was perhaps on the unprofessional side.”

—Aruna Viswanatha and Byron Tau contributed to this article.



Former FBI Director James Comey walked outside his home in McLean, Va., Wednesday.

### Who Will Head The Agency?

Candidates to serve as interim FBI director include agents who head major offices of the agency, as well as other top officials. Trump aides hope to name someone in days, with a nomination for a permanent director to come. Here are candidates for the interim job:



**ADAM LEE**  
Agent in charge of the Richmond, Va., FBI office



**MICHAEL ANDERSON**  
Agent in charge of the Chicago FBI office



**PAUL ABBATE**  
FBI official in charge of criminal and cybercrime issues



**WILLIAM EVANINA**  
FBI agent serving as a counterintelligence executive at the Office of the Director of National Intelligence



**ANDREW MCCABE**  
Deputy FBI director under James Comey, now serving as acting director

## U.S. NEWS

# Millennials Revive Starter-Home Sales

By LAURA KUSISTO  
AND CHRIS KIRKHAM

After sitting on the sidelines for a decade, millennials are buying homes en masse, promising to kick the already strong housing market into higher gear.

Virtually all major builders are migrating away from the luxury homes that dominated the early years of the economic expansion and are focusing on lower price points to cater to this burgeoning clientele.

"There's an increasing confidence level in that part of the market," said Gregg Nelson, co-founder of California home builder Trumark Cos. "The recovery is finally starting to take hold in a broader way."

The share of first-time buyers fell to 32% in 2015, its lowest level in nearly three decades and down from a historical average of about 40%, according to the National Association of Realtors. That number climbed back up to 35% last year.

The housing recovery has been divided, as the luxury market has soared in recent years while the more affordable end of the market has struggled to make up for lost ground. Tough lending standards, slow wage growth, growing student-debt obligations and a newfound fear of ownership have combined to crimp demand among millennials in particular. The return of the starter-home market means the housing bifurcation is finally starting to narrow.

Demographers generally define millennials as people born between roughly 1980 and

### Moving In

Share of Fannie Mae mortgages from first-time buyers



Source: Fannie Mae

THE WALL STREET JOURNAL

2000.

"They're crawling out of their parents' basements, they're forming households and they're looking to buy," said Doug Bauer, chief executive of Tri Pointe Group Inc., which operates in eight states.

The return of first-time buyers allays fears that millennials would eschew homeownership and provides a long-awaited infusion of new demand to the market. These new buyers could also be a boon to the overall economy by driving builders to build more homes. But demand is ramping up as supply is already tight and price growth is significantly outstripping wage gains.

Some 854,000 new-owner households were formed during the first three months of the year, more than double the 365,000 new-renter households formed in the period, ac-



PATRICK T. FALLON FOR THE WALL STREET JOURNAL

The share of first-time home buyers hit a nearly three-decade low in 2015 but improved last year.

cording to Census Bureau data. It was the first time in a decade that more households chose to own than rent compared with a year earlier, according to an analysis by home-tracker Trulia.

In Orange County, Calif., Trumark's Mr. Nelson said he has been selling entry-level homes at nearly double the rate of his higher-end properties.

He is even gaining confidence to build homes in more far-flung locations. The company is about to begin construction on a 114-home project in the Inland Empire east of Los Angeles and another development in Manteca, Calif., about 80 miles east of San Francisco. Both areas were hard-hit during the housing

crash and were among the slowest to recover.

Outside Las Vegas, Tri Pointe has introduced a new-home design that is specifically targeted to millennial buyers, featuring indoor-outdoor patios and deck spaces, as well as a separate downstairs bedroom-and-bathroom suite that could be rented out to a roommate. Mr. Bauer said the homes, geared toward first-time buyers, have been selling more rapidly than pricier homes.

Joey Liu, a 28-year-old technology worker, purchased his first home in San Jose, Calif., this year. He said it is more expensive than renting but that he is getting to the stage in life where it was time to buy.

"A lot of friends of mine bought a home so I started thinking maybe it was time to buy a home and stop paying rent," said Mr. Liu, who settled on a three-bedroom townhouse for \$690,000. He plans to rent out a room to help with the expenses.

He had three housewarming parties to celebrate his newfound status.

"This is my first house, so it doesn't feel different," he said.

In the first quarter of the year, 31% of the speculative homes built by major builders were smaller than 2,250 square feet, according to Zelman & Associates. That is up from 27% a year ago and 24% in the first quarter of 2015.

"Most builders really pre-

ferred to stick straight down the fairway, right at the corner of Main and Main. They were afraid to go back into the rough where they built a lot of homes in the prior cycle," said Alan Ratner, senior home-building analyst at Zelman.

Builders said that while they are taking a chance by building homes farther out and starting construction before they have a buyer in contract, it remains a far cry from the mid-2000s.

"One of the misconceptions is that, here we go again, this is another 2005, 2006 where all these builders are going to build hundreds of thousands of homes. We're not going crazy," said Brent Anderson, vice president of investor relations at Arizona-based Meritage Homes Corp. Mr. Anderson said that last year the company was building four to five speculative homes per community and is now up to 6.4 on average.

Some 42% of the mortgages acquired by Fannie Mae so far this year were to first-time buyers, up from 31% at the recent low in 2011 and 38% in 2015.

Fannie, which acquires about one-third of single-family mortgages, defines first-time buyers as anyone who hasn't owned a home in the past three years.

Building executives said one challenge is that many people are buying first homes later in life, meaning they have higher incomes and greater expectations molded by years of living in luxury downtown rentals.

They also appear wary of driving farther out to get more space.

says she watched her first pimple-popping videos when she had a "little thing" on her back and wanted to find out what it might be. After it was gone, she kept returning to a variety of zit-popping YouTube channels.

"I watch them incognito. When someone comes up behind me, I'll shut it real quick," says Ms. Lewis, 47. "It is almost like watching porn."

Paisley Rae, who runs her own landscaping business in Cundy's Harbor, Maine, saves screenshots of her favorite videos to show her fiancé, even though he is disgusted by them.

"When I scroll through pictures, it's all Maine sunsets and landscapes—and then suddenly a photo of a cyst that looks like a hard-boiled egg," says Ms. Rae, 26. "I probably should delete it. People get weirded out."

Zoe Talman, 22, began watching pimple videos in 2012, or the "pre-Dr. Sandra Lee days," as she puts it. Videos usually were low-quality and shot at home.

Dr. Lee's fans credit her with transforming the genre. Her videos look squeaky-clean, and she narrates each procedure from start to finish.

"Pimples are ubiquitous. The majority of our population has or had pimples, so it is a shared desire to rid oneself of them," says Dr. Wechsler, who was invited on "The Tyra Banks Show" in 2006 to teach safe pimple-popping.

David Pizarro, a Cornell University psychology professor who studies disgust, likens the videos to squirm-inducing horror movies and roller coasters. "People seek out negative emotions if they can experience them in a safe way," he says. For some people, the satisfaction of an exploding zit outweighs its gross factor.

Davin Kanzler, 21, a student at UCLA, says she loves the instant gratification the videos deliver. "You see a problem, and then the problem is addressed, and it is gone!" she says. "This has conflict, this has resolution, everything you want."

Stay-at-home mom Rachel Lewis, who lives near Boston,

"Some people feel like this is a joke, which annoys me a little bit," says Dr. Lee, 46. "This is what I do. People are interested. This is real life."

## Methane Rule Survives Repeal Effort

By NATALIE ANDREWS

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Three Republicans joined Democrats to keep the Obama administration rule.

January that a vote has failed on the floor.

The Obama administration said methane has a warming impact on the planet 25 times that of carbon dioxide, though it lasts not nearly as long in the atmosphere. With the onset of the energy boom, some

companies have taken to flaring or venting gas, emitting the methane straight into the atmosphere, if pipelines or other infrastructure aren't immediately available to transport and process it. The rules require energy companies to capture the methane and ship it as fuel.

Democratic Sen. Tom Udall of New Mexico led the fight from the left to keep the Bureau of Land Management regulation. "Until the BLM's rule was implemented late last year, \$100 million in taxpayer-owned natural gas was lost each year from oil and gas wells operating on federal public lands in New Mexico," he said.

Republican Sens. John McCain of Arizona, Susan Collins of Maine and Lindsey Graham of South Carolina all voted no on the measure on Wednesday, along with the 48 senators who caucus with the Democ-

rats.. Messrs. Graham and McCain both objected to using the Congressional Review Act to quash the rule because its usage prevents a similar rule from being created.

"I believe that the public interest is best served if the Interior Department issues a new rule to revise and improve the BLM methane rule," Mr. McCain said.

"I look forward to working with my colleagues who voted to proceed to the resolution today," he said.

Ms. Collins's objection was about the impact on the environment.

"It seems to me the methane should be captured and not flared off or otherwise allowed to go into the atmosphere. It is a powerful greenhouse gas and I'm concerned about the impact on our environment," she told reporters.

—Kristina Peterson contributed to this article.

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—Michael C. Bender

Excluding often-volatile prices

for food and energy, the index grew 19% in April from a year earlier. Import prices, another gauge for inflation, accelerated 4.1% in April from a year earlier, the Labor Department said Wednesday.

Though energy prices are still a factor concerning inflation, "we're seeing it more generally because of the tighter labor market and greater pricing power for businesses," said Gus Faucher, chief economist at PNC Financial Services Group.

Producer prices in April increased a seasonally adjusted 0.5% from March.

—Sarah Chaney

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# BOOKS

'Great leaders never accept the world as it was and always work for the world as it should be.' —Condoleezza Rice

## Still Worth Fighting For

### Democracy

By Condoleezza Rice  
Twelve, 482 pages, \$35

BY MAX BOOT

**IN HIS SECOND** inaugural address in January 2005, George W. Bush declared that "it is the policy of the United States to seek and support the growth of democratic movements and institutions in every nation and culture, with the ultimate goal of ending tyranny in our world." Democracy has been in retreat ever since.

In its annual Freedom in the World survey, Freedom House reports that 2016 marked "the 11th consecutive year of decline in global freedom," with small setbacks reported in states such as Poland and Hungary and big setbacks in the Central African Republic, Turkey, Bahrain and Venezuela, among other places.

This is a trend unlikely to cause much concern in the current administration. President Donald Trump has had nothing but praise for strongmen: He has called Abdel Fattah Al Sisi of Egypt a "fantastic guy"; Vladimir Putin of Russia a leader "doing a better job than Obama"; Kim Jong Un of North Korea a "smart cookie"; and Xi Jinping of China a "terrific person." He's even praised Rodrigo Duterte of the Philippines, whose death squads have killed at least 7,000 people, for his war on drugs, and Recep Tayyip Erdogan for his victory in a rigged referendum that was widely seen as the death knell of Turkish democracy.

In "Democracy: Stories From the Long Road to Freedom," Condoleezza Rice, Mr. Bush's national-security adviser and secretary of state, does not knock Mr. Trump or even mention him by name, but she does deliver a plea for the current Republican administration not to eschew the democracy agenda that defined the last one.

She readily acknowledges that democracy has been on the defensive since the failure of the 2011 Arab Spring. But she hasn't given up hope of freedom spreading and doesn't



TOP DIPLOMAT Former U.S. Secretary of State Condoleezza Rice speaks in Kiev, Ukraine, in 2005.

AGENCE FRANCE PRESSE/GETTY IMAGES

think that the U.S. government should either.

"If there is cause for optimism, it is in recognizing that people still want to govern themselves," she writes, citing examples such as democracy activists in Hong Kong and mainland China who "risk persecution and arrest if they press their cause." And she knocks down the old argument that democracy can take root only in certain cultures: "It was once thought that Latin Americans were more suited for caudillos than presidents; that Africans were just too tribal; that Confucian values conflicted with the tenets of self-rule. Years before that, Germans were thought too martial or subservient, and—of course—the descendants of slaves were too 'child-like' to care about the right to vote. Those racist views are refuted by stable democracies in places as diverse as Chile, Ghana, South Korea, and across Europe."

Having set the scene, Ms. Rice offers a brisk survey of various countries that have undergone dem-

ocratic transitions—or tried to—beginning with Russia and Poland, continuing to Ukraine and Kenya, and concluding with Middle Eastern states such as Egypt and Tunisia. Her focus is on countries where she

FARC guerrillas in the 1990s and early 2000s even though Colombia was already a democracy. But she doesn't include any discussion of the 1980s transition to democracy made by authoritarian states such as the

A former secretary of state pleads for the current Republican administration not to eschew the democracy agenda that defined the last one.

has had a personal connection. As a Sovietologist by training, she has the deepest knowledge of the former Soviet states, an expertise that is obvious in her nuanced discussion of the end of the Cold War, but she also draws on her experience as a policy maker to discuss the Middle East.

Ms. Rice's predilection for the personal touch makes for some odd choices about what to cover. She includes Colombia's battle against

Philippines, South Korea, Taiwan and Chile, even though these countries are the best examples of how the U.S. can nudge its allies on the road to freedom.

Her desire to write of firsthand experience really pays off when she recounts the American civil-rights struggle from her perspective as a young African-American girl growing up in segregated Alabama. As few others have done, she connects the civil-rights movement—what she calls

"America's second founding"—with the global spread of democracy.

Ms. Rice's passion is also evident when she discusses a very different topic—the Bush administration's struggles to implant democracy in Iraq. She notes that Iraq's descent into civil war in 2006 was "the low point for me—professionally and personally," and she takes justifiable pride in President Bush's "gut-wrenching decision" (of which she was initially skeptical) to respond with a surge rather than a withdrawal. With considerable understatement, she writes of President Barack Obama's failure to keep U.S. troops in Iraq past 2011: "It is a pity, because Iraq was on its way to a better future."

Ms. Rice concludes with some sensible if hardly novel generalizations about how to democratize successfully: "work with what is there" (i.e., "existing arrangements must be taken into account"); "first presidents matter" (Nelson Mandela was better than Boris Yeltsin); "politics must connect to the people" rather than simply deliver benefits for a new group of political insiders; and, perhaps most important, "it all takes time."

On the last point, she notes: "The messiness, the fits and starts, the imperfections are all a part of the process—they were for the United States, and they will be for every country that sets out on the road to democracy."

In spite of the inherent difficulties, Ms. Rice ends with a ringing call for democracy promotion. "Democratic institutions are the best hope for humankind—including for the Middle East. Stability born of tyranny is a false stability," she writes, adding: "If democracy is in recession across the world, we need to make every effort to reinvigorate it." That was once conventional wisdom. Now it is no longer conventional but remains wise. Ms. Rice should be commended for standing firm on democratic principles despite the travails of the past decade.

Mr. Boot is a senior fellow at the Council on Foreign Relations and author of "The Road Not Taken: Edward Lansdale and the American Tragedy in Vietnam."

## The Pied Piper of MI5

### Agent M

By Henry Hemming  
PublicAffairs, 354 pages, \$28

BY RICHARD DAVENPORT-HINES

**HENRY HEMMING** has found a peach of a subject. Typically, English eccentrics are futile, self-indulgent loners who make nothing but a passing show. But the little-known spy Maxwell Knight (1900-68) made a lasting difference. He was a sort of Pied Piper of Hamelin who used his weird, sympathetic powers of charm and patience to become one of the great 20<sup>th</sup>-century spymasters.

The man who taught a blue Amazonian parrot to imitate the sounds of a cork being drawn from a bottle and of wine being poured stood outside the range of human normality. As a child he nursed wounded creatures, rescued orphaned birds, tamed rats, and cherished lizards, hedgehogs, worms and toads. The same quality of watchful empathy enabled him as an adult to understand the kinks of human nature.

Knight grew up in a characterless district of south London. His father was a small-time lawyer and spendthrift who died when Knight was 14. His guardian then condemned him to a brutal adolescence on a training ship for merchant seamen. In early manhood he worked as a lowly clerk in a government ministry and as the sports master of a school for boys. He lived in an apartment in the staid London suburb of Putney with his mother and a baboon, became a jazz fiend, took clarinet lessons from Sidney Bechet and kept a bear who, when Knight exercised her in the suburban streets on a chain, was mistaken for an overgrown puppy.

In the mid-1920s, Knight came to work for George Makgill, a hard businessman of the sort who metaphorically liked his breakfast eggs boiled in widows' tears. Makgill was a Freemason who ran a secretive antiunion and antiforeigner outfit called the Industrial Intelligence

limited extent, during World War II, he was involved in monitoring the numerically small and very cranky pro-Nazi cells in Britain. In the 1950s he combined his MI5 work with a busy career as a television and radio broadcaster of programs about pets and wildlife.

There are abundant books—often headline-grabbing, crassly sensationalized and full of hoary half-truths—about English espionage and counterespionage. "Agent M," by contrast, is full of new material,

and deadly informant for Knight inside the Communist Party of Great Britain. Until now, Pollard has been best known for his detection of the crimes of a notorious book forger and thief named T.J. Wise.

Agent M/2 is identified by Mr. Hemming's superb detective work as Mona Maund, a spinster from a land-owning family. Another of Knight's agents was Jimmy Dickson, a civil servant who toiled in one of the duller government departments as well as a former fascist paramilitary, a fast-talking, chain-smoking womanizer and a failed actor who wrote pulp thrillers. An even odder character dug up by Mr. Hemming is E.G. Mandeville-Roe, a devout fascist who nevertheless acted as MI5's informant on far-right plotters and a furious anti-Semite who grew a Hitler moustache while spying on behalf of the Board of Deputies of British Jews.

Gray, Maund, Pollard, Dickson and others came from right-wing and often upper-middle-class backgrounds. It was a measure of Knight's oddness of mind and devious skill that he trained conventionally minded conservatives and avowed fascists to assimilate into communist organizations. They kept their cover by saying the right things, going to the right places and knowing the right people. These complicated deceptions required the trickiest tradecraft but often brought great payoffs.

For too long popular historians have echoed the narrative offered by defecting spies such as Guy Burgess and Kim Philby who wished to damage the reputations of the British security services. According to this travesty, MI5 was class-bound, inflexible, snobbish, obtuse and incompetent. Mr. Hemming vindicates a maligned organization. He has managed the great feat of producing a rattling good read that is also a major piece of revisionist history.

Mr. Davenport-Hines is the author, most recently, of "Edward VII: The Cosmopolitan King."

He kept a pet bear, studied clarinet with Sidney Bechet and ran spies within both far-left and far-right groups.

After 11 years his wife died of a probably accidental overdose of barbiturates.

After Makgill's death in 1926, Knight and his wife managed a country hotel without much satisfaction to themselves or their guests. In 1929 he was approached by Desmond Morton of MI6—later Churchill's intelligence adviser and favorite spook—to join a new counterespionage network against Soviet spies in Britain. Knight began to run sub-agents reporting on both far-left and far-right extremists.

Initially he split his services between Special Branch (part of London's Metropolitan Police) and the Special Intelligence Service (SIS), which was the British counterpart to the CIA. In 1931 he was transferred to MI5, which was a badly funded knockoff of the FBI. For the next 30 years, until his retirement in 1961, he specialized in placing agents inside the British communist party. To a

fresh interpretations and uncompromising integrity. Mr. Hemming writes in a relaxed, sometimes almost too conversational, way that might make readers underestimate the depth of his research or the novelty of his discoveries. As someone who knows the archive well, I can say that he has been heroically pertinacious. His patience, his memory for small details and his ingenuity in connecting them are astounding.

Only one of Knight's agents has hitherto been named. "Miss X"—an informant embedded in the British communist party who in 1937-38 entrapped Percy Glading, the leader of a spy ring stealing naval armaments secrets from a government ar-

senal—has long been known to have been Olga Gray. Mr. Hemming, however, retells the story of her lonely, nerve-racking undercover work with brio. She was first recruited during a lawn game at a summer garden party. "In the moments that followed, Olga had to make a life-changing decision," Mr. Hemming writes. "It is possible that she put down her putter."

But Mr. Hemming's great coup is to identify a score of Knight's agents who have hitherto been known by



SPYMASTER EXTRAORDINAIRE  
Maxwell Knight.

COURTESY OF JOHN DICKSON

## BOOKS

'What a curious picture it is to find man . . . going underground to escape the consequences of his own folly.' —J. William Fulbright

# The Nuclear Winter White House

### Raven Rock

By Garrett M. Graff

Simon & Schuster, 529 pages, \$28

BY HOWARD SCHNEIDER

**TALK ABOUT** a deep state. Garrett M. Graff's "Raven Rock: The Story of the U.S. Government's Secret Plan to Save Itself—While the Rest of Us Die" is an encyclopedic chronicle of how the American government, for more than 60 years, has prepared for nuclear attack, most notably with bunkers underground and inside mountains to shelter government officials and other personnel—men and women who could retaliate against the enemy with nuclear weapons and begin to rebuild society. "Raven Rock" contains everything one could possibly want to know about these seemingly still-continuing measures to confront Armageddon.

COG—continuity of government—is the acronymic *idée fixe* that has underpinned these doomsday preparations. A bunker was installed in the White House after Pearl Harbor, but the nuclear age (particularly after the Soviet Union successfully tested an atomic bomb in September 1949) introduced a nationwide system of protected hideaways, communications systems, evacuation procedures and much else of a sophistication and ingenuity—and expense—never before conceived.

In 1950, during renovations to the White House, a new "secret" bomb shelter was built beneath it, with a 4-inch-thick door that "opened into a shower room, to allow occupants to rinse off radioactive fallout," Mr. Graff writes. President Truman issued an executive order in 1950 creating the Federal Civil Defense Administration. The agency dispatched Alert America convoys throughout the nation—"costumed staffers dressed as Bert the Turtle handed out pamphlets and literature"—and produced films and brochures. "Signs posted in every New York taxicab," Mr. Graff says, "explained that in the event of an enemy attack, the cab would immediately pull to the curb and disgorge its passengers."

Strategies for evacuating government VIPs began in earnest in the early 1950s with the construction of Raven Rock, an "alternate Pentagon" in Pennsylvania near what would become known as Camp David, and Mount Weather, a nuclear-war sanctuary in Virginia for civilian officials. Both would be modernized over the years and would become, in effect,



**DOOMSDAY HIDEAWAY** A concealed entrance to the congressional bunker at the Greenbrier resort in West Virginia.

writes with impressive understatement, "the U.S. government [wasn't] prepared very well at all." Fighter planes were dispatched to head off a hijacked aircraft heading toward Washington, but as one pilot later disclosed, "I reverted to the Russian threat . . . I'm thinking cruise missile from the sea. . . . No one told us anything."

While Vice President Dick Cheney had been swiftly hustled to the White House bunker, "those officials outside the bunker, even high-ranking ones, had little sense of where to go, whom to call, or how to connect back to the government," Mr. Graff

The president's bunker was equipped with a 4-inch-thick door and a shower to rinse off fallout.

writes. But there were enough people in the bunker to deplete the oxygen supply and raise the carbon-dioxide level, and so "nonessential staff" were ordered to leave. When House Speaker Dennis Hastert tried to call Mr. Cheney on a secure phone, he couldn't get through. He later said, "To use the secure phone, you have to push a button and turn a key. On that dreadful day I couldn't make the thing work. No matter what I did, I couldn't connect with the vice president."

When President George W. Bush heard the news about the attacks that morning, he was in Florida. He was whisked into Air Force One, which, Mr. Graff notes, "took off at 9:54 a.m., with no specific destination in mind." It would eventually land, and the president would address the country. But "Air Force One's limitations"—it wasn't one of the Doomsday planes—"came into stark relief." For one thing the plane's communications systems were woefully inadequate for what was required on 9/11. "On the worst day in modern U.S. history," Mr. Graff writes near the end of his exhaustingly detailed account (I sometimes felt buried alive under its mass of data), "the president of the United States was, unbelievably, often less informed than a normal civilian sitting at home watching cable news." There was more of the same that day. In retrospect, the nation was fortunate that the catastrophe wasn't worse.

*Mr. Schneider reviews books for newspapers and magazines.*

subterranean cities. "The two facilities," according to Mr. Graff, "would serve together as the core of the government's Doomsday planning for the next seven decades."

Every subsequent president would be involved with COG concerns. President Eisenhower took the planning very seriously but was pessimistic about its merit, dubious about whether the nation—or the world—would survive a nuclear war between America and the U.S.S.R. In 1957, when a report that he had ordered urged a "massive shelter-building program," the president dissented, Mr. Graff notes, arguing that "widespread serious planning for a nuclear exchange was a waste of finite resources." Nevertheless, during his administration COG planning continued apace. In 1959, construction began on a secret refuge for Congress underneath the Greenbrier, a resort in West Virginia. In the event of an attack, members of Congress would have been delivered by special train and

housed in dormitories with name-plated bunk beds.

The most important COG-related activities during the Kennedy administration came during the Cuban Missile Crisis in October 1962, the closest America has come to a nuclear war. Not only was the military mobilization chaotic—"one pilot bought fuel for his bomber with his personal credit card"—but VIP evacuation measures were, for the most part, a debacle: "In many cases, the plans for what would happen after [a nuclear attack on the U.S.] were so secret and so closely held that they were almost useless." During the Johnson administration, presidential succession was addressed with the passage of the 25th Amendment, which "delineated a clear process to declare a president unable to serve, as well as a clear process for the president to resume power once recovered."

Jimmy Carter, at least initially, immersed himself in the COG world. Evacuation drills were conducted, and Mr. Carter, according to Mr.

Graff, "scheduled regular telephone calls with military field commanders, in part to familiarize the military leaders with the president's voice and manner of speech." The Air Force also acquired, for the president's use, four Boeing 747 "Doomsday planes" with state-of-the-art communications technology, which were nicknamed "Air Force One When It Counts." Mr. Carter personally inspected Raven Rock and Mount Weather—even though he indicated in his diary that, during a nuclear war, "my intention is to stay here at the White House as long as I live to administer the affairs of government, and to get Fritz Mondale into a safe place, underground or in a command airplane."

Probably the most fraught 24 hours in the history of COG worrying occurred on Sept. 11, 2001, when al Qaeda terrorists attacked the World Trade Center and the Pentagon. COG projects and training had been ceaselessly initiated and honed for a half-century; but, as Mr. Graff

agreements, places where evidence is insufficient and holes in our current understanding.

Some of these holes lurk in surprising places: It is apparently still not understood, for example, just how the tongue senses the salty and sour tastes. It is very pleasant to know, however, that there is a solid scientific reason why red wine and steak make such a happy match.



a single 1960s letter to a medical journal speculating about "Chinese restaurant syndrome.") On the other hand, purists may be drawn to one particularly interesting chapter on the scientific battle to restore flavor to supermarket tomatoes, and why they got that watery way in the first place. (Since the 1970s, breeders have selected for maximum yield, producing tomatoes that have fewer sugars and volatile aroma molecules.)

The author's overarching advice, by the end, is one with which we are by now familiar in all kinds of contexts: Be mindful. We can all, he says, get better at appreciating flavor. Pay heed to what you are eating, and you will enjoy it more. The only exception seems to be that of hot chili peppers. As one researcher points out to the author, traditional techniques for cooling the mouth, such as taking a swig of milk or olive oil, don't really help much. Instead, the scientist cheerfully suggests: "Go kick a brick wall or take a hammer to your thumb. You'll forget all about your tongue." So it seems that, in extremis, anti-mindfulness beats paying attention.

Savvy anti-authentic, too, is this useful hint to maximize your guests' pleasure at a dinner party: Serve them cheap wine—which is what most people prefer in a blind tasting—but tell them it's expensive, which will cause them to enjoy it more than if they knew its real price. Now that is a scientific discovery that could concretely increase the merriment of all.

*Mr. Poole is the author of "Rethink: The Surprising History of New Ideas" and "You Aren't What You Eat."*

# How Your Brain Digests Your Dinner

### Flavor

By Bob Holmes

Norton, 310 pages, \$26.95

BY STEVEN POOLE

**IF, LIKE ME,** you've always assumed that flavor is something that resides in foods, this fascinating book will add chewy philosophical complications to mealtimes. Flavor, as Bob Holmes demonstrates elegantly, exists nowhere but in the mind of the eater. And so modern culinary and physiological science revives the old idealist philosophy. To exist is to be perceived, said Bishop Berkeley. And to have flavor is to be eaten.

Let's break it down. Taste occurs on the tongue, which is sensitive to five basic tastes: sweet, salt, sour, bitter and umami. (Five, that is, at the latest count: We meet in these pages some scientists who suggest that "fat" is another basic taste, and yet more are proposed.) But flavor also depends in great part on the sense of smell: specifically "retro-nasal olfaction," the wafting of food odors up into the nose from the back of the throat. This is why food seems so bland when we have a head cold, though, as Mr. Holmes points out with characteristic acuity, our habit of calling it "tasteless" is the opposite of the truth: what we are experiencing is "taste alone, in isolation, with smell taken out of the equation."

To create what we experience as flavor, you have to combine taste and smell, add the factors called mouth-feel (crunchiness, creaminess and so forth) and then take into account the eater's own psychological expectations—which seem not only to change

the conscious experience of eating but actually to change the sensory perceptions themselves: What is known as expensive, for instance, or is poetically described, will taste better. Only when all these streams are synthesized in the mind can we talk about flavor—and we humans may, as the author suggests, be the only animals to experience it.

Mr. Holmes, a correspondent for *New Scientist* magazine, pursues his reporting among biologists, flavorists at food companies and speakers at scientific conferences, keeping the story moving with a pleasant cheerfulness. (I suspect he took a sly

pleasure in referring to someone as "a CIA-trained chef," the agency in question here being the Culinary Institute of America.) The author even has his own genome sequenced, in order to demonstrate the variation of DNA on flavor experiences. It turns out he has a variant in the gene TIR3 that makes people less sensitive to sweet tastes, so he finds pleasant a sugar concentration that others would find disgustingly syrupy. (Other genetic variants contribute to some people being what are called "supertasters," who are more sensitive to bitterness: to them, cilantro tastes like soap.)

As well as genetic variation, of course, cultural variation can affect taste. Different groups carve up the universe of millions of potential flavor-inducing molecules: I think the

Argentinian fabulist Jorge Luis Borges, who wrote a celebrated surreal taxonomy of animals, would have approved of the various terms for smells used by the Jahai tribe of Thailand, which include "edible," "fragrant" or "attractive to tigers."

When you eat something, Mr. Holmes writes, you're "engaging more brain systems than for any other behavior." But what that

means, exactly, and whether it follows that eating is therefore the most important or sophisticated thing we do, is very unclear. (It certainly seems possible that sight-reading a piano piece, or reading a Russian novel, provides more of a beneficial neural workout.)

Luckily, there is relatively little of this vague cheerleading in "Flavor," at least compared to many books that draw on brain science. Most of the time, Mr. Holmes is careful to point up scientific dis-

agreements, places where evidence is insufficient and holes in our current understanding.

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GETTY IMAGES

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## BOOKS

'I believe in my mask—The man I made up is me / And I believe in my dance—And my destiny.' —Sam Shepard

# Not Written But Real

### Sam Shepard: A Life

By John J. Winters

Counterpoint, 432 pages, \$30

BY ETHAN MORDDEN

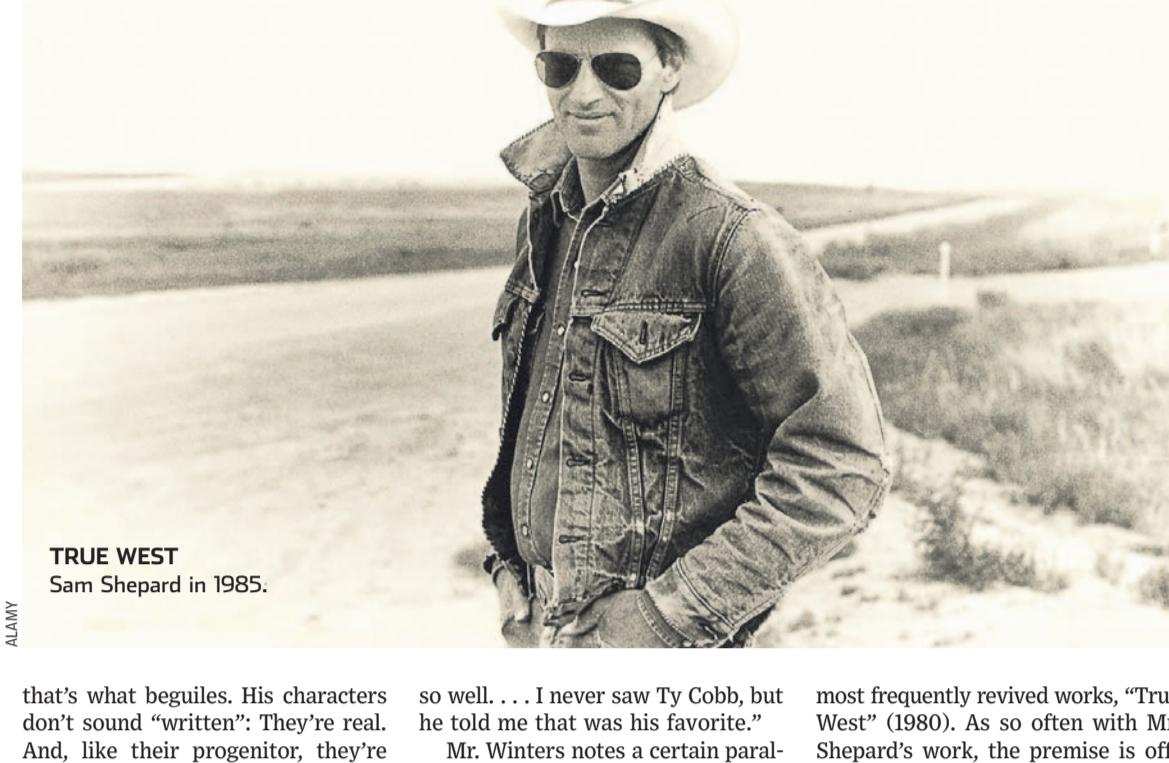
**THE LIGHTS COME UP** on a blindfolded cowboy in jeans and a T-shirt strapped into an electric chair. He speaks of a pickup truck he intends to buy and of horse breeding. He falls silent for a full minute, then starts up again with "Dude says he can give me a deal on that blue truck." After more of this, the lights fade and, as they go to black, the chair lights up, the cowboy is dead and the play is over.

Or consider the saga of an outstandingly dysfunctional family, one that takes in adultery, incest and the murder of a baby. Half the time no one knows who anyone is, though most of the characters are closely related. You could die in the living room and no one would notice.

These are, respectively, "Killer's Head" (1975) and "Buried Child" (1978), two of the many plays of Sam Shepard, plays that concentrate on drifters, dreamers, incompetent criminals and various masterminds of the obtuse and unseemly, all acting as if they are omnipotent in their domain when in fact they can scarcely find their way downstairs. Mr. Shepard tells of inhospitable places, usually rotten motel rooms, where everyone's on the move, going absolutely nowhere.

Born in Illinois in 1943 but raised mainly in Southern California, Mr. Shepard became, bit by bit, the poet of the uncelebrated class and the voice of the American West. His legend has him, as a teenager, getting into the rambunctious trouble befitting a future visionary—joy riding in stolen cars and insulting authority figures. But, as John J. Winters tells us in his excellent biography, Mr. Shepard had much the same high-school life as most of his generation, going out for sports, joining the 4-H Club and even appearing in the musical comedy "Finian's Rainbow." He can at least claim a rough relationship with his hard-drinking father, and a final blowup between them led to Mr. Shepard's lighting out, in 1963, for New York, the capital of the experimental-theater movement.

Writing came easily to him. "He was good and he was lucky," Mr. Winters explains. Mr. Shepard himself says: "The stuff would just come out, and I wasn't really trying to shape it or make it into any big thing." Yet



TRUE WEST

Sam Shepard in 1985.

ALAMY

that's what beguiles. His characters don't sound "written": They're real. And, like their progenitor, they're thoroughly unpredictable. Fall asleep on a couch and someone might well sneak up and shear off your hair—as happens in "Buried Child." Mr. Shepard, says Mr. Winters, "can be shy, difficult, reserved, obstreperous, openhearted, taciturn, sentimental, social, isolated, funny, angry, inspired, dull, brilliant and ordinary."

He is also tall and handsome, which is why he's not only a playwright but a movie star, even earning an Oscar nomination for playing pilot Chuck Yeager in "The Right Stuff" (1983) and starting a family with fellow Hollywood celebrity Jessica Lange. He's the counterculture's Gary Cooper, with the thousand-yard stare of the bedrock American hero but the playful glitches of the mischief-maker.

Mr. Shepard seemed uniquely in tune with the outlaw worldview of the Vietnam era. His characters do battle with destiny on the Shakespearean level—and destiny is your tyrannical father, forever declaring wars on you and calling for regime change in your life. In these plays, no family member is safe. The violence is overt, yet there is no Hitchcockian undertow of menace. His people—like the cowboy in the electric chair in "Killer's Head"—converse for the most part in the language of the everyday as they lurch discursively from one theme to another. In "The Rock Garden," a woman tells how her father liked to dine alone. "He ate with the cats in the attic," she says. "He had a lot of cats. He had one called Ty Cobb because it played ball

so well. . . . I never saw Ty Cobb, but he told me that was his favorite."

Mr. Winters notes a certain parallel between Mr. Shepard and Harold Pinter, and both playwrights do avoid plot-driven scenarios, preferring to let us listen to their characters and see where they take us. Pinter's art, however, focuses on banal people speaking eccentrically, while Mr. Shepard presents eccentrics uttering banalities.

**Shepard's plays tell of inhospitable places, where everyone's on the move, going absolutely nowhere.**

Still, his plays, like Pinter's, are anything but banal. Mr. Winters quotes actor Gary Sinise on "Buried Child": "It has all the elements—mystery, horror and pain—and it's hysterically funny. [Mr. Shepard] doesn't write things that are all logical and linear. Just like life, he leaves many questions unanswered."

In the preface to "Sam Shepard: A Life," the author warns us that his book "is not an examination or analysis of Shepard's work." Nevertheless, while guiding us through the comingings and goings of his subject's story, Mr. Winters gives us a good sense of the more interesting plays—"Curse of the Starving Class," "The Tooth of Crime," "The Mad Dog Blues"—and how they relate to "his ideas, and his life."

Mr. Winters is especially good on the backstage of one of Mr. Shepard's

most frequently revived works, "True West" (1980). As so often with Mr. Shepard's work, the premise is offbeat: Two brothers switch places, though one is a settled middle-class family man who writes screenplays and the other a typical Shepard ne'er-do-well who dabbles in burglary.

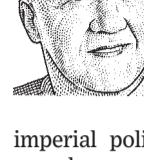
As Mr. Winters looks on in different productions of the play, we see the difficulty for the actors, who must harmonize two such disparate backgrounds. How can they be brothers? Casting is everything: At New York's Public Theater in 1980, with Tommy Lee Jones and Peter Boyle, the production did not work, but Gary Sinise and John Malkovich made the piece a hit in Chicago and New York in 1982. More recently, "True West" attracted extra attention on Broadway when John C. Reilly and Philip Seymour Hoffman alternated in the two roles from one performance to another, thereby affirming the elusive link between the two siblings.

Mr. Winters has an interesting story to tell, and he recounts it ably, bringing us close to a figure who, he admits, avoids intimacy. Maybe that's why Mr. Shepard has lasted so long, evading the typical Hollywood fame spiral—"Get me Sam Shepard!" "Get me a Sam Shepard type!" "Who is Sam Shepard?"—by writing naturally, acting naturally, living naturally. Working on the film "Cold in July" (2014), he made no diva demands. "Shepard's needs were simple," Mr. Winters tells us. "A lamp, a chair, and a desk for his typewriter."

Mr. Mordden's most recent book is "When Broadway Went to Hollywood."

### SCIENCE FICTION: TOM SHIPPEY

## Here Be Dragons



**TWO STRANGE** worlds, like but not like ours. Two heroines, rising from Cinderella status to become pivots of imperial politics. Two increasingly complex scenarios, in which readers must immerse themselves to get full value. The comparison between two new fantasy novels, both trilogy openers, or maybe series openers, invites one to wonder what's necessary for good epic fantasy.

Depth is the answer. It's vital to have that feeling of perspectives being opened, of there being a real world that surrounds the story, so that you always want a bit more of it. One way to create this expansiveness is by using what people nowadays call "paratext," supplementary information conveyed directly outside the narrative. Mark Lawrence's "**Red Sister**" (**Ace**, 467 pages, \$27) opens with a section setting out the tribes of the people of Abeth and the grades of the Sisters of the Convent of Sweet Mercy. The latter is a martial order, as you might have guessed, though it also includes Mystic Sisters, who walk the Path. What's the Path? One of those things you have to read on to find out . . .

Two fantasies that, like all good fairy tales, create a sense of yearning in the reader.

Deborah A. Wolf's "**The Dragon's Legacy**" (**Titan**, 487 pages, \$24.95) begins more conventionally with a map, which looks rather like the one of the world of the far past in Robert E. Howard's tales of Conan the Barbarian, with strange names superimposed on shapes that are fairly familiar. Ms. Wolf's map seems to be centered on the Red Sea. Egypt, India and China are recognizable, and there's a quasi-Greece off to the north. Ms. Wolf also opts for a long glossary that introduces us to bonesingers and dreamshifters, lionsnakes and daespawn, reavers—they're insectoid humans with venomous bites—and a great deal else.

Magic is vital to epic fantasy, and so is the idea of nonhuman intelligent competitors—Ms. Wolf has not only dragons (not quite in focus in this volume), but also dragon relatives in the shape of wyverns, myrmeces and intelligent sabertooths.

So how do humans fit in? Mr. Lawrence's "**Red Sister**" opens with a bang: Two hundred mercenaries have been sent to hunt down one nun. A 9-year-old girl mounts the steps to the gallows to be hanged. She morphs into the nun, and the story tells us how she is shaped from victim into killing machine. It's a training story, in a way like Harry Potter's at Hogwarts. Classes, punishments, rivalries and in the background, but coming closer, the secret past of little Nona as she grows (like Conan) to be a shaker of thrones.

"**The Dragon's Legacy**" likewise starts with a just-graduated heroine, a teenage warrior facing new challenges. But Sulema also has a hidden past, a connection to the Dragon King of Atualon, the not-quite-Greece of this world. There's a sense in the book, deeper buried than in Mr. Lawrence's, of some cataclysmic world-shift soon to be triggered, when the dragon wakes.

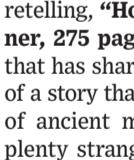
What do such stories do for their readers, and why have they become possibly the most popular literary form of this generation? Like fairy tales, fantasies offer a sense of potential. With the right training, we too could become, not Snow Whites or Cinderellas, but terrifying, invulnerable super-Rambo's, even the gentlest of us. Couldn't we?

And again like fairy tales, stories like these generate a sense of yearning. Wouldn't it be great to live in a world full of intelligent animals, that you could have a relationship with—especially dragons? And to be in a world where magic works, even if it takes a shaman to work it? Beats the daily commute, that's for sure.

But to appreciate these scenarios fully, you have to surrender to the domination of the author, and trust that he or she isn't just freewheeling. Otherwise you lose that precious sense of depth, which J.R.R. Tolkien, J.K. Rowling and George R.R. Martin were all able to sustain over multiple books. Mr. Lawrence and Ms. Wolf are off to a good start so far.

### FICTION CHRONICLE: SAM SACKS

## Murderous Mothers and Children



**NEARLY 2,500** years separates the Greek tragedian Aeschylus' trilogy "The Oresteia" from Colm Tóibín's novelistic retelling, "**House of Names**" (**Scribner**, 275 pages, \$26), a gap of time that has sharpened the unfamiliarity of a story that, even by the standards of ancient mythology, was already plenty strange. In brief, it goes like this: While sailing to Troy, Agamemnon, the commander of the Greeks, appeases some annoyed deities and ensures a favorable wind by sacrificing

Colm Tóibín reimagines an ancient Greek story of primal taboos and unnatural slaughter.

ing his daughter Iphigenia. When, 10 years later, he returns home victorious, his vengeful wife, Clytemnestra, aided by her lover, Aegisthus, murders him in the bath. Agamemnon's surviving children, Orestes and Electra, eventually repay the deed by killing Clytemnestra.

Writers have on occasion reprised this tale of primal taboos and unnatural slaughter—Eugene O'Neill's Civil War-era drama "Mourning Becomes Electra," for instance, and Jonathan Littell's ghastly Holocaust fiction "The Kindly Ones." But literature today typically prizes realism and psychological subtlety. Mr. Tóibín is exemplary of modern methods, a careful, Jamesian portraitist of exquisite finesse and understatement. What has brought him to the bloody House of Atreus?

A feeling of spectral unreality

characterizes "House of Names," as if it were all a dark Freudian dream, hazily imagined rather than fully inhabited. Mr. Tóibín has traded out the rage and horror of "The Oresteia" for ambivalence and disquiet. His adaptation is as finely written as any of his books, but it occupies an artistic

space that is as dark and mysterious as the original.

Mr. Tóibín's "House of Names" alternates among the points of view of Clytemnestra, Orestes and, to a lesser extent, Electra. Clytemnestra is

fiercely determined to mete out justice to Iphigenia's killer, but her wrath is colored by despair at the thought that there is no divine sanction to her retribution.

"There is no one among the gods to whom I appeal. I live alone in the shivering, solitary knowledge that the time of the gods has passed."

She can only carry out her plan by recruiting the help of Aegisthus, which splinters her family further, as he immediately asserts control over the palace and sends Orestes into exile.

The teenage Orestes spends much of the book in a remote compound hiding from Aegisthus' henchmen, accompanied by a character that Mr. Tóibín has invented, a decisive and politically savvy young man named Leander. Orestes is a curious figure—fate is grooming him to be a killer, yet he's naive and passive by temperament, and when he does avenge his father, the murder seems like the action of a sleepwalker.

"More and more," he thinks after the fact, "his killing of his mother seemed almost unreal to him, something that no one mentioned, as though it had not happened."

"Kill me!" demands a hospitalized old woman in Japanese writer Minae Mizumura's novel "**Inheritance From Mother**" (**Other Press**, 447 pages, \$27.95).

"There's no point in going on living this way, so just kill me!" Since this isn't Aeschylus, her middle-aged daughter Mitsuki demurs, but in her heart, as she cares for her mother through injury, illness and senility,

nether region, lacking the archetypal power of the ancient dramas and the plausibility of realism.

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## OPINION

### REVIEW & OUTLOOK

#### Rod Rosenstein's Justice

Nixon. Watergate. Tuesday night massacre. Coup. Dictator. Impeachment. Those are the words political elites are throwing around after President Trump's firing of FBI Director James Comey, and that's in the news stories. The meltdown reflects the temper of the times and hostility to Mr. Trump, but it also ignores the need to repair the damage that Mr. Comey has done to the Justice Department and FBI.

Most of the political class loathes this administration, and so the natural default is that it must be lying about the reasons for Mr. Comey's dismissal. If you're invested in the Trump-Russia collusion theory of the 2016 election, you assume this is a coverup. The references to Mr. Comey's handling of the Hillary Clinton investigation are an excuse, a deception, a Big Con.

Not that the White House does much to rebut these claims. A terse 6 p.m. press release doesn't answer many questions. Neither Attorney General Jeff Sessions nor Deputy AG Rod Rosenstein held a press conference to explain their memos recommending dismissal. Mr. Trump managed to inject his ego even into his dismissal letter to Mr. Comey, saying that "I greatly appreciate you informing me, on three separate occasions, that I am not under investigation."

And on Wednesday the White House descended into a leak-fest with aides depicting Mr. Trump as raging at Mr. Comey even as he was conflicted about firing him. This crowd couldn't sell gold bars to inflationists.

\* \* \*

Yet for those willing to take Mr. Rosenstein's memo seriously, there are good reasons for canning Mr. Comey that don't trade in conspiracy. And his arrival at Justice may also explain the timing of Mr. Comey's firing.

Mr. Rosenstein was confirmed by the Senate only two weeks ago, and one of his obvious first tasks was to dig into the Russia probe because Mr. Sessions has recused himself. Senate Democrats demanded this during the confirmation hearing as they pressed him to name a special counsel. This also meant contemplating the role and responsibility of Mr. Comey and the FBI in the Justice Department hierarchy.

One concern of longtime prosecutors and former Justice officials is that Mr. Comey became a force unto himself. He didn't tell Attorney General Loretta Lynch until the last minute that he would hold his July press event exonerating Mrs. Clinton. His excuse afterward was that Ms. Lynch was compromised after meeting with Bill Clinton on an airport tarmac. But then what about Deputy AG Sally Yates? What was she, a potted plant?

Federal Judge and former Deputy AG Lawrence Silberman laid out these and other concerns in these pages on Feb. 24. His conclusion—that Mr. Comey's "performance was so

inappropriate for an FBI director that I doubt the bureau will ever completely recover"—resonated widely across the government.

And it must have resonated with Mr. Rosenstein, who quotes Mr. Silberman in his memo to Mr. Sessions. He also quotes a long list of former Justice officials from both parties who have been

highly critical of Mr. Comey's violation of Justice Department standards. Mr. Rosenstein clearly understood he had to re-establish supervisory control over the FBI as a matter of accountable government.

This is one of the reasons we advised Mr. Sessions in January to seek Mr. Comey's resignation, and if he refused, to recommend that Mr. Trump fire him. The timing would have been better with the change of Administrations. But Mr. Sessions had to recuse himself from the Russia probe, and the scenario we recommended eventually took place when Mr. Rosenstein arrived.

Many will now believe that Mr. Rosenstein must also be part of the coverup, but nothing about his career suggests that is how he'd behave. He was confirmed 94-6 even in this era of polarized politics because Democrats respected his record as a U.S. Attorney under Presidents Bush and Obama. Radical thought: Maybe Mr. Rosenstein really believes the FBI needs a director who isn't a political rogue.

\* \* \*

Democrats are now demanding that someone other than Mr. Rosenstein name a special counsel for the Russia probe, but any decision should still be his and we hope he resists—again for the integrity of the Justice Department. Mr. Comey is again the best example to avoid.

As Deputy AG under George W. Bush, Mr. Comey named his pal Patrick Fitzgerald as a special counsel to investigate the Valerie Plame leak. Mr. Comey thus ducked personal responsibility while garnering plaudits in the press and from Democrats. The case fizzled to a perjury rap against Scooter Libby that has been discredited by subsequent evidence.

There's no reason to think that Mr. Rosenstein can't honestly supervise the Russia probe with the help of a new FBI director with a reputation for independence. One strong candidate would be Stuart Levey, a lawyer now in private business who ran the Treasury's counterterrorism finance operations for Presidents Bush and Obama. He is highly respected, and Mr. Obama considered him for the FBI before his unfortunate choice of Mr. Comey.

Modern Washington wants to distill every dispute into a binary fight for power, every decision as a calculation about political gain. But sometimes there are other principles at stake, and not everyone is a partisan hack. It's always possible Mr. Rosenstein believes he was acting in the best interests of the FBI, the Justice Department, and the country.

#### Indonesia's Islamist Indulgence

Indonesia is a Muslim-majority nation known for religious tolerance, but a blasphemy conviction Tuesday shows the growing power of Islamists and the timidity of opponents. Basuki Tjahaja Purnama, an ethnic Chinese Christian and governor of Jakarta until his election defeat last month, was convicted of blasphemy against Islam and sentenced to two years in prison.

Mr. Purnama made an offhand remark in September about clerics who interpret a verse in the Quran to mean that non-Muslim politicians shouldn't be elected. A former lecturer at a local university edited and falsely transcribed a video to make it appear that the governor criticized the Quran. The lecturer posted the video on Facebook, and radical groups including the Islamic Defenders Front (FPI) organized rallies demanding his prosecution.

A majority of Islamic experts cleared Mr. Purnama but prosecutors still brought the case. They then recommended that he receive probation and that the man who posted the video share blame for the violence that followed, but a five-judge panel ignored them.

Also troubling is the way Mr. Purnama's opponent Anies Baswedan and his secular nationalist supporters capitalized on the case to win the governorship. Mr. Basdewen visited FPI headquarters and portrayed himself as a defender of Muslim values. President Joko Widodo, who was Mr. Pur-

nama's mentor, failed to defend him. The Muslim organization Nahdlatul Ulama merely advised its 33 million members to stay away from the rallies against Mr. Purnama, and Muhammadiyah backed the Islamists against Mr. Purnama.

The 1965 blasphemy law is becoming a tool of Islamists to intimidate opponents. The conviction rate under the law

has been 100% for the past 12 years, and the number of cases has risen dramatically. While Mr. Purnama's case stands out as politically motivated, many innocent Indonesians have been jailed. Civil servant Alexander Aan served two years for doubting the existence of God.

In 2010 groups advocating religious tolerance challenged the blasphemy law before the Constitutional Court. The judges upheld its validity, finding that while the Indonesian Constitution guarantees religious freedom, Indonesians must profess one of the six recognized faiths and government has a responsibility to enforce piety.

On Monday the Indonesian government announced it would ban Hizb ut-Tahrir, one of the Islamist groups that campaigned against Mr. Purnama. But it could challenge the ban in court or re-form under a new name. The case of Mr. Purnama shows how groups like Hizb ut-Tahrir and FPI are driving non-Muslims out of the public square. If Indonesian leaders don't show some backbone and reverse this trend, it will become harder to contain the Islamist threat.

#### The Drug Lobby's In-House Hygiene

This week's non-Comey news file contains an encouraging development for U.S. medical innovation amid the running political debate over pharmaceutical prices. The main drug lobby ousted 22 members and adopted corporate-governance reforms.

On Tuesday the board of directors for the Pharmaceutical Research and Manufacturers of America (PhRMA) declared that in order for companies to belong to the powerful trade group, they must spend a three-year average of at least \$200 million a year on research and development and R&D must equal at least 10% of global sales. The changes follow a three-month internal scrub-down that led to exits

Big Pharma cleans out some of its bad actors on drug prices.

by multiple other drug makers.

The pricing furor started with expensive cures for diseases like Hepatitis C, but the critics must have realized that sailing state-of-the-art treatments for unmet medical needs wasn't a good look. Their targets shifted to bad actors like Marathon Pharmaceuticals or Martin Shkreli's former outfit whose business model is jacking up prices for old medicines.

These outliers don't represent the larger industry, which sinks about \$60 billion annually into the risky search for new therapies.

The pricing scolds won't notice, but the Americans who may one day benefit from this R&D

#### The James Comey Show



WONDER LAND  
By Daniel Henninger

in the FBI."

Mr. Rosenstein's memo makes meticulously clear the short version of this grandiose episode: Director Comey's behavior violated numerous standards of federal prosecutorial procedure and lines of authority inside the Justice Department.

Specifically, writes Mr. Rosenstein, "The Director was wrong to usurp the Attorney General's authority on July 5, 2016, and announce his conclusion that the case should be closed without prosecution."

Mr. Rosenstein cites a useful analysis of the Comey saga, published in the Washington Post, by former deputy attorneys general Jamie Gorelick and Larry Thompson. Mr. Comey's conduct, they wrote, was "real-time, raw-take transparency taken to its illogical limit, a kind of reality TV of federal criminal investigation."

That is an apt metaphor—a kind of reality TV—for everything the dazed public is reading and hearing now about James Comey, the federal investigation into a Russian connection with the Trump campaign, and reveries about Watergate.

But I know where to begin: with the news in March 2015 that Secretary of State Hillary Clinton created a private email server in 2009.

Hillary's email server is the reason for James Comey's rise, and why he has fallen. One could populate a political graveyard with figures who by choice or chance have sailed into the Clintons' personal Bermuda Triangle.

Add to that graveyard former Attorney General Loretta Lynch, whose tarmac tête-à-tête with Bill Clinton about "grandchildren" amid the server scandal caused Mr. Comey to misbelieve, fatally, that he was thereby made independent of any authority.

Again, quoting Deputy Attorney General Rosenstein: "The FBI director is never empowered to supplant federal prosecutors and assume command of the Justice Department. There is a well-established process for other officials to step in when a conflict requires the recusal of the Attorney General."

But what about the infinity of words produced Wednesday by the press, quoting Democrats and even themselves, that Mr. Trump fired Mr. Comey to subvert the FBI's investigation of the president's Russia entanglements? We say "entanglements" because nowhere has it been made remotely clear what the Trump-Russia connection may have been. What we read, endlessly, is that some strand or crumb "suggests that . . ."

As with Hillary's server, there is a Rosetta Stone for the Russia story. It is the Barack Obama/Loretta Lynch

decision in January to sign rules permitting the National Security Agency to disseminate "raw signals intelligence" to 16 other intelligence agencies without privacy protections for individuals.

Two months later, the New York Times reported that Obama administration officials had done this to dispense information across the intelligence bureaucracies "about possible contacts between associates of President-elect Donald J. Trump and Russians."

Of course, those "contacts" leaked into the water-collection barrels of the entire Washington press—either from officials inside 17 U.S. intelligence agencies or from Obama officials themselves, such as it-wasn't-me Susan Rice.

The predictable tumult from the Obama-originated mass leaks then intimidated Congress into sending the House and Senate intelligence committees chasing after these "suggestions" of collusion.

#### He becomes the latest to disappear into the Clintons' personal Bermuda Triangle.

Beyond Mike Flynn and Carter Page, why haven't we seen more leaks pushing past the original stories? Why have the leakers gone silent, unless they leaked everything they had? Indeed, why hasn't there been a megadump into the press by now of all the original NSA "raw signals intelligence" à la the Pentagon Papers?

Instead, calls are now bubbling up from this swamp—what else can you call it?—to appoint a special prosecutor, presumably to get to the bottom of the Russian collusion swamp, though without subpoena powers in Moscow.

No one outside Washington should be misled by the choruses calling for an "independent" prosecutor. This is special pleading.

For the political class it relieves them of responsibility for policing their own neighborhood. The media likes these prosecutors because they become Inspector Javerts, melodramatically chasing their targets for years, more often than not destroying reputations. The Justice Department's guidelines make clear these special prosecutors are accountable to virtually no one. They don't produce justice; they endanger it.

The "Trump is Nixon" narrative will rattle on, but it is a sideshow. The Trump White House can take care of itself (maybe). The serious issue revealed in all this—the server, the leaks, the investigations—is about institutional accountability, not just at the FBI, but across the intelligence bureaucracies, their masters in government, Congress and the media.

The American public deserves better than this endless Beltway spectacle. Rod Rosenstein deserves credit for saying that the road back to public seriousness had to start with firing James Comey.

Write [henninger@wsj.com](mailto:henninger@wsj.com).

#### No Relief Like Passing Checkpoint Charlie

By Peter Friedman

We are delighted that an American law graduate is interested in our legal system," said the East Berlin judge whose courtroom I had been observing. It was 1961 and I was on a Fulbright grant to study East German Law at the Freie Universität in West Berlin. I crossed into East Berlin to visit the courts whenever possible.

"Last year we had a West German lawyer visiting us," the judge continued. "Unfortunately, he turned out to be a spy for NATO. He is now sitting in prison here." The warning was not lost on me.

Like everyone who crossed from West to East, I would sign in with the U.S. military at Checkpoint Charlie. It made me feel good but hardly enhanced my security. The U.S. had not yet recognized East Germany, so if something happened to me during my visit, American authorities would have to call the Russians. There was no guarantee they'd pass the inquiry along to the East Germans, much less get an answer.

My sojourns could have resulted in "an unfortunate incident" involving teenagers in the Free German Youth. In the early days of the Berlin Wall they would sit along the elevated railroad tracks in East Berlin, cradling automatic rifles, "guarding our Socialist accomplishments" from troublemakers. I would try to look inconspicuous. The odds of a teenager yielding to an over-itchy trigger finger were slim, but I knew they were greater than zero, especially after a strong German beer or two.

The situation was tense in those days. Soviet Premier Nikita Khrushchev kept threatening that if the Western Allies wouldn't sign a treaty "normalizing" the status of West Berlin

lin—by which he meant ending their occupation rights there—the U.S.S.R. would sign a separate treaty with East Germany. Such a treaty would give East Germany control over all of the access routes to West Berlin, including the air corridors.

I had my own experience with the Soviets' drive for "normalization." I was frequently awakened around 3 a.m. by loud booms reverberating through the courtyard of my building as Soviet jet

#### Visits to East Berlin reminded me of how fortunate I was.

fighters broke the sound barrier over West Berlin. The first time it happened I thought we were being bombed. They were actually trying to scare residents into emigrating, leaving West Berlin easier pickings for East Germany.

No matter how many days I spent in East Berlin, I felt relieved each time I returned through Checkpoint Charlie. Unlike many West Berliners, I never felt bored or trapped within its 185 square miles. Nor did I share their frustrated penchant for driving fast.

West Berliners considered their 4-mile stretch of the autobahn a symbol of freedom—the one place where they could drive as fast as they wanted, although only for about three minutes. Still, it was better to have freedom in small quantities than none at all.

Life in West Berlin was limited, but I needed only compare it to what I saw on my trips to the courthouse in East Berlin to remind me how fortunate I was to have been born in the U.S. and not behind the Iron Curtain.

Mr. Friedman is a lawyer and the author of the novel "Ideal Marriage" (The Permanent Press, 2004).

## OPINION

# Where's the ACLU When You Need It?

By Wendy Kaminer  
And Alan Dershowitz

**H**ealth care access is a civil rights issue," declared a recent email blast. "Tell your representative to vote NO on repealing the ACA." It could have come from any progressive advocacy group, but what made it remarkable was its source: the American Civil Liberties Union.

The ACLU was once a nonpartisan organization focused on liberty and equality before the law. In recent years it has chosen its battles with an increasingly left-wing sensibility. In doing so, it has become considerably more equivocal and sometimes even hostile toward core civil-liberty concerns of free speech and due process.

**Its new guard reflects the left's turn against liberal values and toward progressive politics.**

When asked, ACLU officials are still apt to critique progressive efforts to censor "hateful" or "discriminatory" speech. If you look, you can find a page on the organization's website opposing campus speech codes. You can find instances of ACLU affiliates opposing campus "free-speech zones" and other acts of censorship. You can hear an ACLU attorney defend the speech rights of Milo Yiannopoulos and read her First Amendment critique of an incitement lawsuit against President Trump. But you will also find the ACLU attaching "trigger warnings" to blog posts.

On balance, the organization has been a quiet friend more than an active opponent of campus censorship. How often have you heard the ACLU speak out against progressive censors? How often have you seen it quoted defending speech in coverage of censorship news, like the violent protests of Charles Murray's talk at Middlebury College? Did you hear it criticize the wrongful removal of several Jewish students from a pro-Palestinian lecture at Brooklyn College? Did you hear the ACLU condemn the vilification of former Yale instructor Erika Christakis for urging students to "think critically" about rather than demand bans on "offensive" Halloween costumes? We didn't.

Instead, the ACLU responded to the Yale incident by chastising free-speech advocates for their "refusal to confront... discrimination and inequality on campus." Local ACLU officials offered a perverse free-speech defense of Muslim students who attempted to exercise a heckler's veto and shut down a speech by Israel's then-ambassador to the U.S., Michael Oren, at the University of California, Irvine.

And when the Northern California ACLU belatedly conceded Ann Coulter's right to speak at Berkeley, it did so equivocally, condemning "hate speech" and asserting that the Constitution doesn't protect speech that "harasses" individuals. In fact, the Constitution protects a lot of speech labeled harassment, at least by today's campus standards. ACLU national legal director David Cole subsequently issued a stronger statement disavowing the heckler's veto against Ms. Coulter, which we hope signals a new willingness to criticize student censors.



ASSOCIATED PRESS

An ACLU 'Resistance Training' event in Coral Gables, Fla., March 11.

The ACLU even sided with the Obama administration's crusade against due process for college students accused of sexual misconduct. "Title IX is pretty awesome because it is expansive," declares a 2014 ACLU blog post, referring to the antidiscrimination statute. "Title IX pushes universities to do a better job of creating a campus environment that discourages and, ideally, prevents sexual violence." The ACLU has been silent about the widely documented proliferation of campus kangaroo courts that presume guilt and deprive the accused of the most basic procedural protections. (The official who oversaw these directives for the Obama administration's last four years was a former ACLU attorney.)

How did the ACLU end up on the wrong side—or no side—of urgent debates about free speech and due process? In part the organization's trans-

formation is a result of generational shifts: The old liberal guard of ACLU leaders is aging. The new guard reflects the left's turn away from traditional liberal values toward a "progressive" politics with expansive definitions of discrimination and restrictive approaches to speech.

New generations have wrought policy changes before. The ACLU became more concerned about discrimination in the 1960s and '70s thanks to an influx of younger leaders shaped by the civil-rights movement. But for decades that agenda focused primarily on discriminatory actions, not speech, and the ACLU managed to balance the occasional conflict between civil liberties and civil rights.

Periodically its left wing, concentrated in Southern California, proposed adoption of an economic justice agenda, and periodically the proposals were defeated. Today, however, the left is the organiza-

tion's center of gravity, and achieving economic justice is an explicit ACLU mission.

Partisanship is an obvious pitfall for this ACLU, as its comprehensive—and enormously profitable—opposition to the Trump administration makes clear. Executive director Anthony Romero has tried to pre-empt or defuse charges of political partisanship with an unusual statement defending the ACLU's anti-Trump initiatives, like the creation of a grassroots "people power" project led by a former adviser to Nancy Pelosi and Harry Reid.

"We will be moving further into political spaces across the country as we fight to prevent and dismantle the Trump agenda," Mr. Romero says, vowing "to fight him at every step—both on traditional civil liberties fronts and new ones." This is nonpartisan, he claims, because the Trump administration "poses an unprecedented threat to our civil liberties."

That begs the question. Some of the ACLU's objections to the administration's policies are well-founded. The organization's constitutional challenge to the travel ban is justified by the defense of due process and religious liberty.

But the ACLU's concern for the due-process rights of visitors and immigrants contrasts with its refusal to defend the due-process rights of American college students. They can't rely on the ACLU to defend liberty and justice for all, regardless of politics or ideology.

*Ms. Kaminer is author of "Worst Instincts: Cowardice, Conformity and the ACLU" (2009). Mr. Dershowitz is a professor emeritus at Harvard Law School. Both are former ACLU board members.*

## The Possibility of a Prime Minister Corbyn



**POLITICAL ECONOMICS**

By Joseph C. Sternberg

A mystery of this season's parliamentary campaign in Britain is why people aren't more worried about Jeremy Corbyn. Yes, polls show the unreconstructed leftist is leading the Labour Party out of contention in the June 8 vote. But radicals of his ilk pride themselves on playing the long game, and it's worth considering that he might be playing that game much better than the pundits think he is.

Consider what were presented as his two big gaffes this week. The first and lesser of the two was his refusal to be drawn into a categorical statement that he would pull Britain out of the European Union. Mr. Corbyn describes the Brexit question as "settled" and rules out a second referendum. But he also dodged repeated questions from a reporter on whether he would definitely leave the EU no matter what deal results from negotiations with Brussels.

His ambiguous Brexit position infuriates most political activists. Centrist Labour worthies and some portion of the rank-and-file are desperate for a leader who promises to thwart Brexit. Brexiteers on both the right and the far left distrust his perceived failure to promise that Brexit really will happen.

But ordinary voters? Maybe they don't care as much about Brexit as the London media think they do. Polls over the past month have found wavering support for Brexit as formal negotiations with Brussels get under way, with Leave and Remain pulling even at around 45%.

The issue that most concerns voters is health care and the National Health Service, according to a survey released by polling firm Opinium last week. Brexit comes second. The NHS ranks as the bigger worry even among respondents who say they voted to leave the EU. And more of those who listed health care as their main concern trust Labour on that issue than trust the Tories, 36% to 23%.

At this point one should start worrying that Mr. Corbyn is the smartest politician in Britain. By

running a campaign that will try to sidestep Brexit, he's staking a claim on the economic disquiet many analysts believe motivated the Brexit referendum vote as a protest against an out-of-touch London elite. He's positioning a far-left Labour party as the next channel for that popular frustration after Brexit fails to improve living standards, as it probably will.

**Labour doesn't need to be competent. It only needs to seem more in-touch than the Tories.**

That impression is bolstered by the second and more serious putative gaffe, the leak late Wednesday of a draft Labour manifesto that appears to represent the unbound Corbyn. The document, perhaps released prematurely to discourage dilution by Labour moderates, promises renationalization of railroads, billions of pounds of additional spending on the NHS and social care, education and

government jobs, with no realistic prospect of paying for it all.

Critics branded the document the "most expensive suicide note in history." They're right about the expensive part. The program's spending would blow a hole in public finances exacerbated by the revenue collapse that would follow as tax hikes discourage investment and push wealthy individuals offshore. This fiscal irresponsibility supposedly bolsters Tories' claims to be the more competent party.

The last time Labour tried Mr. Corbyn's program, in 1983, it failed miserably. But that's because Margaret Thatcher was in office, and her agenda was reversing the decline of the 1970s and delivering prosperity to growing numbers of Brits.

Today's Tories, under Prime Minister Theresa May, are consumed with their own Brexit psychodramas at the expense of persuading voters on core economic matters closer to home. So while Conservatives fret about whether Brussels tried to influence the election by leaking news that an early summit went poorly, they have little to say about the squeeze households feel from inflation.

tion due to exceed 3% this year as wages stagnate. And that's before voters notice that elite Brexiteers seem to think this is evidence that Brexit and its concomitant devaluation of the pound are working.

As a consequence, the Tories are losing important arguments about the role of the state in the economy and about public finances. Mrs. May has co-opted an old Labour plan to cap household energy prices. Meanwhile, 78% of respondents in a YouGov poll last week said they'd support increasing the amount of tax "the richest" have to pay. It's as if Mr. Corbyn were running unopposed on these issues.

Mr. Corbyn's genius, if that's what it turns out to be, is in recognizing that maybe he doesn't need to be competent or even entirely sane. He and his comrades only need to be there in 2022, on the other end of a Brexit process unlikely to go well for many British households, with smug "I told you so" smiles and a program that, as disconnected from economic reality as it may be, seems more connected to the worries of normal people than the Brexit-traumatized Tories will appear.

## Farmers Know the Benefits of Trade

By Sonny Perdue

**S**ince I was a boy—born into a farming family in Bonaire, Ga.—I've had agriculture running through my veins. The goal of any farmer, after producing enough to feed his own family, has always been to find the best place to sell the year's crop. Now the U.S. Agriculture Department (USDA) is reinforcing that mindset through a significant reorganization. We're creating a new undersecretary for trade and foreign agricultural affairs, whose focus will be on promoting U.S. food, fiber and fuel around the world. This realignment will help me, as agriculture secretary, to be an unapologetic advocate for American products. My message for farmers is simple: "You grow it and we'll sell it."

## THE WALL STREET JOURNAL.

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Rather than simply add an eighth undersecretary, the department is remaking responsibilities. The result will be the same number of positions, but an overall organization that is better aligned and more consistent in its approach.

Under the existing structure the Foreign Agricultural Service, which deals with overseas markets, is housed in the same mission area as the Farm Service Agency and the Risk Management Agency, which handle domestic issues. It makes much more sense to situate the Foreign Agricultural Service under the new undersecretary for trade. The other two agencies will be placed under a domestically oriented undersecretary of farm production and conservation. The goal of that position is to provide a simplified one-stop shop for the USDA's primary customers: American farmers, ranchers and foresters.

The reorganization also will elevate the Rural Development agencies

to report directly to me. This will ensure that rural America always has a seat at the table. Nearly 85% of America's persistently impoverished counties are in rural areas. One in

**Each \$1 billion in ag exports supports 8,000 jobs. What America grows, the USDA will help sell.**

four rural children live in poverty, a rate not seen since 1986. Deep poverty—defined as having income less than half of the poverty threshold—is more prevalent among children in rural areas (12.2%) than in urban ones (9.2%). The vitality of small towns across America is crucial to the agricultural economy.

On the day I was sworn in as agriculture secretary, I joined President

Trump at the White House for a roundtable discussion with farmers, ranchers and other agricultural producers. We discussed ways to increase rural prosperity and access to international markets. The president signed an executive order establishing a task force on rural prosperity, which I chair. The unanimous conclusion around that table was that because America produces much more food than it can consume, expanding trade is imperative. Today the U.S. exports \$135 billion in agricultural products, up from \$71 billion 10 years ago.

Food is a noble thing to trade, and I have always been a grow-it-and-sell-it kind of guy. As American agriculture continues to grow everything from corn to fruit to cotton, the USDA and its new undersecretary will be here to sell it in markets around the world.

*Mr. Perdue is the secretary of agriculture.*

## Notable & Quotable: Rosenstein's Letter

*From the memo prepared by Deputy U.S. Attorney General Rod Rosenstein regarding former FBI Director James Comey:*

As you and I have discussed . . . I cannot defend the Director's handling of the conclusion of the investigation of Secretary Clinton's emails, and I do not understand his refusal to accept the nearly universal judgment that he was mistaken. Almost everyone agrees that the Director made serious mistakes; it is one of the few issues that unites people of diverse perspectives.

The Director was wrong to usurp the Attorney General's authority on

July 5, 2016, and announce his conclusion that the case should be closed without prosecution. It is not the function of the Director to make such an announcement. At most, the Director should have said the FBI had completed its investigation and presented its findings to federal prosecutors.

Compounding the error, the Director ignored another longstanding principle: we do not hold press conferences to release derogatory information about the subject of a declined criminal investigation. Derogatory information sometimes is disclosed in the course of criminal investigations and prosecutions,

but we never release it gratuitously. The Director laid out his version of the facts for the news media as if it were a closing argument, but without a trial. It is a textbook example of what federal prosecutors and agents are taught not to do.

The way the Director handled the conclusion of the email investigation was wrong. As a result, the FBI is unlikely to regain public and congressional trust until it has a Director who understands the gravity of the mistakes and pledges never to repeat them. Having refused to admit his errors, the Director cannot be expected to implement the necessary corrective actions.

## LIFE & ARTS

### ART REVIEW

# A Dubious Giacometti Makeover

BY ERIC GIBSON

London

**THERE IS MUCH** to celebrate in the Giacometti retrospective that opened Wednesday: its comprehensiveness and the inclusion of so many rarely or never seen works, in particular the newly restored plaster "Women of Venice" (1956) on view for the first time in 60 years. All this makes it a must-see event—the more so since, given the fragility of many of the plasters, it's one unlikely to be repeated.

It's a pity, then, that this revelatory exhibition is marred by the effort by the curators—Frances Morris and Lena Fritsch of the Tate Modern and Catherine Grenier and Mathilde Lecuyer of the Fondation Alberto et Annette Giacometti, Paris—to make Giacometti into an artist he wasn't, and by the ensuing distortions of the historical record.

Born in Borgonovo, Switzerland, Alberto Giacometti (1901-1966) briefly studied art in Geneva before moving to Paris in the early 1920s. There he produced abstract and semi-abstract sculptures in a Surrealist vein on themes of sexual violence, such as "Woman With Her Throat Cut" (1932).

Work making lamps and other decorative objects at the same time for a furniture designer provoked a crisis around 1935. Giacometti felt there was no difference between those objects and his sculptures. So beginning in the 1940s he returned to first principles, abandoning the invented language of modernism to copy what he saw. The aim was to represent the human figure as it appeared to the eye, frontally from a specific distance and within the space that surrounded it.

Thus resulted his signature images: tall, slender, almost hallucinatory figures that "read" only at a distance, and which at close range devolve into scabrous agglomerations of matter. The task was, as he often said, "impossible," yet one that occupied him for the rest of his life.

The central premise of the exhibition, which consists of more than



FROM TOP: TATE PHOTOGRAPHY: ALBERTO GIACOMETTI ESTATE, ACS/DACS, 2017



The newly restored plaster 'Women of Venice' (1956), above, on view for the first time in 60 years, and the bronze 'Woman With Her Throat Cut' (1932), left.

250 sculptures, paintings and graphic works, is that Giacometti was far more ad hoc in his approach to materials and techniques than previously thought. A sculpture in plaster is traditionally an intermediary stage on the way to the "final" stage in bronze. Giacometti looked on it as artistically equal, continuing to model the plaster after a bronze had been cast, even painting or drawing on it.

This point is vividly made through telling juxtapositions, such as that of two 1962 busts, the bronze and plaster versions, of his wife, Annette. The play of light and shadow across the plaster brings out the lumps, gouges and other traces of the artist's hand, making us almost eyewitnesses to Giaco-

metti in the studio.

Unfortunately, such insights come at a price: the show's "repositioning" of Giacometti as an artist relevant to the present moment. Thus at the press preview, Ms. Morris drew parallels between Giacometti's "nonhierarchical" approach to materials and current artistic practice. She goes further in the catalog, taking a slap at earlier writers who have "tended to collude in isolating the artist from his context" and instead arguing for him as "a man who was fiercely involved in politics, embedded in a brilliant artistic community filled with poets and writers...and who absorbed everyday life from the ring-side of the café"—in other words, just like one of today's politically committed, network-savvy artists.

This leads to some pretty strange turns. Evidently to align Giacometti with contemporary taste that sees no distinction between "high" and "low"—fine art, popular culture and straight kitsch—the wall text informs us that "Giacometti did not think of his design works as insignificant, and on several occasions they influenced his practice as a sculptor, and vice versa." The crisis of the '30s goes unmentioned, an astonishing airbrushing of history.

And presumably to paint him as socially engaged, the curators have dredged up the old saw about Giacometti's isolated, ravaged-looking figures being emblems of post-World War II Existential angst. This nostrum was first promulgated in a 1948 essay on the artist by Jean-Paul Sartre, who knew nothing about art.

Worst of all, Giacometti's singular aesthetic is all but written out of the presentation, with scarcely any attempt to explain to the visitor why his work looks the way it does—why some figures are minuscule and others life-size, why in the later works the torsos are massive and lumpy but the heads dispropor-

tionately small and finely wrought. To understand what Giacometti was really up to, ignore the spurious "repositioning" wall texts and watch the documentary showing the artist working and talking in his studio that runs on a continuous loop toward the end of the exhibition.

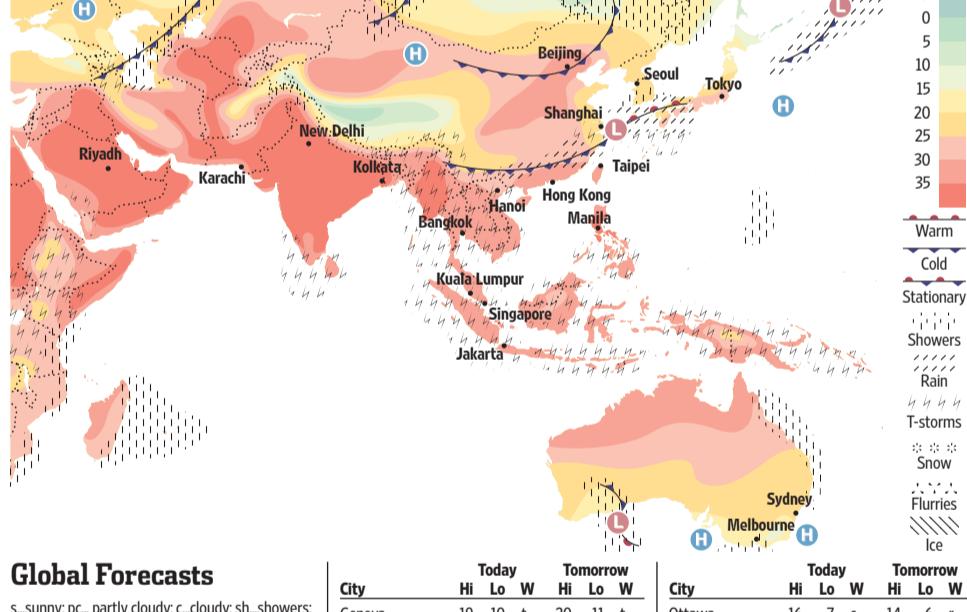
There in fact is a sense in which Giacometti relates to the present moment, but it's one few in the art world would want to acknowledge. He personified T.S. Eliot's dictum that "the progress of an artist is a continual self-sacrifice, a continual extinction of personality." As such, Giacometti is a rebuke to the spectacle-driven, play-to-the-gallery art of Jeff Koons, Damien Hirst (currently the toast of Venice) and others, in which personality, ever front and center, is the art's indispensable coefficient. Against this, Giacometti's example has never been more relevant—or necessary.

#### Giacometti

Tate Modern, though Sept. 10

Mr. Gibson is the Journal's Arts in Review editor.

#### Weather

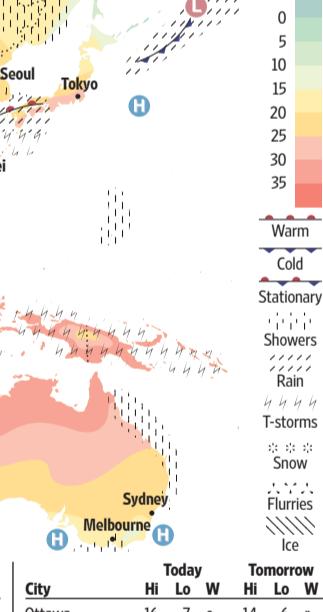


#### Global Forecasts

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

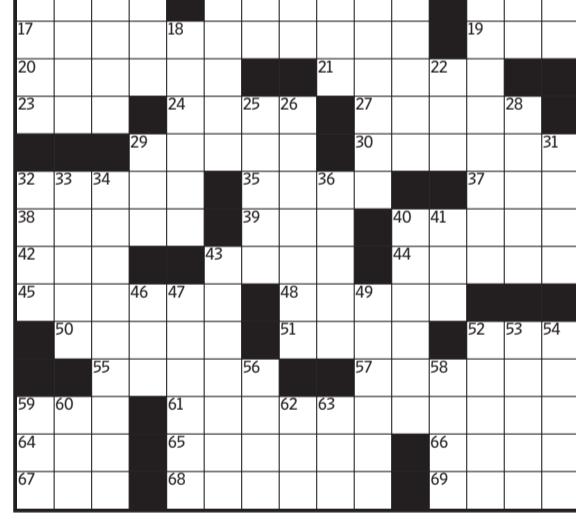
City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	18	12	sh	18	10	t
Anchorage	16	6	s	14	5	r
Athens	27	21	pc	32	22	s
Atlanta	28	17	r	24	13	t
Bahrain	39	21	s	37	20	pc
Baltimore	14	9	r	13	8	r
Bangkok	32	27	t	33	26	t
Beijing	31	13	s	29	12	s
Berlin	21	12	t	20	12	t
Bogota	18	11	sh	19	11	sh
Boise	13	3	c	14	4	pc
Boston	11	7	r	11	8	c
Brussels	20	12	t	19	10	t
Buenos Aires	18	14	sh	20	11	c
Cairo	32	19	s	35	21	s
Calgary	19	5	pc	15	2	pc
Caracas	31	26	pc	31	25	pc
Charlotte	23	15	c	22	11	t
Chicago	18	7	pc	24	10	pc
Dallas	27	15	pc	28	16	s
Denver	25	9	pc	28	9	pc
Detroit	17	6	c	20	9	pc
Dubai	38	29	s	38	30	pc
Dublin	15	8	sh	16	7	r
Edinburgh	15	10	c	16	9	sh
Frankfurt	21	12	c	22	12	t

#### AccuWeather.com



City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Ottawa	16	7	c	14	6	r
Paris	20	12	t	19	10	pc
Philadelphia	16	10	r	14	10	r
Phoenix	37	23	s	36	21	s
Pittsburgh	14	8	c	16	7	sh
Port-au-Prince	32	22	s	34	22	pc
Portland, Ore.	14	8	t	13	7	c
Rio de Janeiro	26	19	pc	28	21	s
Riyadh	37	24	sh	38	25	pc
Rome	23	13	pc	23	12	pc
Salt Lake City	30	11	s	19	8	s
San Diego	20	15	pc	20	14	pc
San Francisco	18	10	pc	18	10	pc
San Juan	30	24	pc	30	25	pc
Santiago	15	8	r	18	9	pc
Santo Domingo	31	22	s	31	23	pc
Sao Paulo	22	14	pc	27	19	s
Seattle	14	8	t	13	8	pc
Seoul	22	11	pc	24	10	t
Shanghai	21	16	t	29	18	s
Singapore	30	26	c	31	27	c
Stockholm	10	-1	pc	15	4	pc
Sydney	20	14	pc	22	15	pc
Taipei	33	24	pc	26	22	t
Tehran	31	18	pc	28	17	pc
Tel Aviv	26	17	s	28	18	s
Tokyo	25	17	pc	20	17	r
Toronto	14	7	pc	14	6	sh
Vancouver	14	7	sh	14	7	r
Washington, D.C.	15	10	r	14	10	r
Zurich	21	10	t	21	11	t

#### The WSJ Daily Crossword | Edited by Mike Shenk



#### DRIVING YOU CRAZY | By Matt Gaffney

The answer to this week's contest crossword is an automotive no-no.	19 D.C. baseballer	40 "En ___!"
Across	20 Garden store purchase	41 Basketball hoop
21 One of two in Alabama	42 Email app button	43 Leah of "The King of Queens"
23 Flexible wood	44 "The ___ near!"	45 Plays with, as a cat does a toy
24 Paul born in Ottawa in 1941	46 Kind of bond or column	47 Fiction fan
27 Ship sinkers	50 Nonnative, on Niihau	48 Are ___ pair?" (Sondheim lyric)
29 New Mexico senator Tom	51 More than impresses	52 Richard Feynman's alma mater
30 Oslo Accords participant	53 President labeled "His Accidency"	53 First part
31 TV producer Rhimes	55 Like some glazed cookies	54 Famed astrophysicist
32 Pretext	56 President labeled "His Accidency"	55 War on Poverty wager, for short
34 Prime minister who met with Trump in February	57 Like some glazed cookies	56 1960 Olympics host
35 "Like that would ever happen!"	58 Cornfield fun	57 "The Gold-Bug" author
37 Arles agreement	59 War on Poverty wager, for short	58 Abyss
38 Mogul emperor of India	60 "The Gold-Bug" author	59 Kosovar neighbor
39 Reversible nickname	61 Albums, sometimes	60 Otoroh-
40 "En ___!"	62 Meccan, e.g.	61 laryngologist, in 18 fewer letters

► Email your answer—in the subject line—to [crossovercontest@wsj.com](mailto:crossovercontest@wsj.com) by 11:59 p.m. Eastern Time Sunday, May 14. A solver selected at random will win a WSJ mug. Last week's winner: Claire Chatto, Parrish, FL. Complete contest rules at [WSJ.com/Puzzles](http://WSJ.com/Puzzles). (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday - Sunday, May 12 - 14, 2017 | B1

Yen vs. Dollar 113.8800 ▼ 0.36%

Hang Seng 25125.55 ▲ 0.44%

Gold 1220.00 ▲ 0.22%

WTI crude 48.06 ▲ 1.54%

10-Year JGB yield 0.051%

10-Year Treasury yield 2.398%

## Emirates Detours From Growth



MARK RALSTON/AGENCE FRANCE PRESSE/GT

Emirates Airline posted sharply lower profit and said it would withhold dividend payments amid weakening travel demand.

By NICOLAS PARASIE

DUBAI—**Emirates** Airline said profit plunged in its latest fiscal year, reflecting in part weak business travel and a drop in bookings to the U.S. tied to recent Trump administration travel directives.

Emirates said the downturn will force it to withhold dividend payments to its Dubai government-controlled owner for the first time in more than 20 years—a sudden reversal for an airline that has grown into the world's largest international carrier by passengers.

Profit for the fiscal year ended March 31 fell to \$340 million from \$1.94 billion the

year before, while revenue was flat at \$23.2 billion.

Emirates bookings to the U.S. slumped in January when President Donald Trump imposed a ban on immigration from several Muslim-majority countries. Bookings have been slow to recover even though U.S. courts have suspended the ban over concerns about its legality.

The airline, known for its luxury offerings in first and business class, said it won't pay a dividend to its owner, the Investment Corporation of Dubai, for the first time since fiscal 1996. It is a major setback for one of the world's most ambitious carriers, which

has stoked controversy with its rapid expansion and ability to steal traffic from U.S. and European rivals.

Emirates' chairman, Sheikh Ahmed bin Saeed Al Maktoum, said the airline's investments in recent years helped it "weather the destabilizing events which have impacted travel demand during the year."

Sheikh Ahmed cited a long list of issues for the airline, including Europe's immigration challenges and terror attacks, Britain's vote to leave the European Union and U.S. travel policies. The sluggish oil-and-gas industry and its effect on

Please see PROFIT page B2

## Official Could Unleash Lenders

By RYAN TRACY  
AND LIZ HOFFMAN

WASHINGTON—The U.S.'s main national bank regulator could act on its own to give banks relief from the Volcker rule trading ban, the agency's acting chief said in his first interview since taking the job.

Keith Noreika, on his third working day in office since becoming acting comptroller of the currency, also criticized aspects of the Depression-era Glass-Steagall law that had separated commercial and investment banking until its 1999 repeal, and said he wants to work to streamline banking rules.

"Safety and soundness is not always imposing yet another regulation," Mr. Noreika said Wednesday in his office, adorned with a "Make America Great Again" cap and pictures of his young triplet daughters. "Sometimes regulators need to step back and take stock and say: 'Well, gee, what works and what was piled on?'"

The 44 year-old, until recently a lawyer who advised banks on regulatory matters, is so new to the job leading the Office of the Comptroller of the Currency that he said he didn't immediately recognize the acronym identifying him as COC, for comptroller of the currency, on documents he received. But he appeared deeply familiar with the banking industry's concerns about the Volcker rule, a ban on certain types of trading activities that regulators adopted as a result of the 2010 Dodd-Frank financial-overhaul law.

He said regulators need to do a better job of clarifying what trading activities are permitted under the rule.

He suggested they could start by cataloging types of transactions or investments, and then evaluating whether to grant regulatory exemptions for those activities.

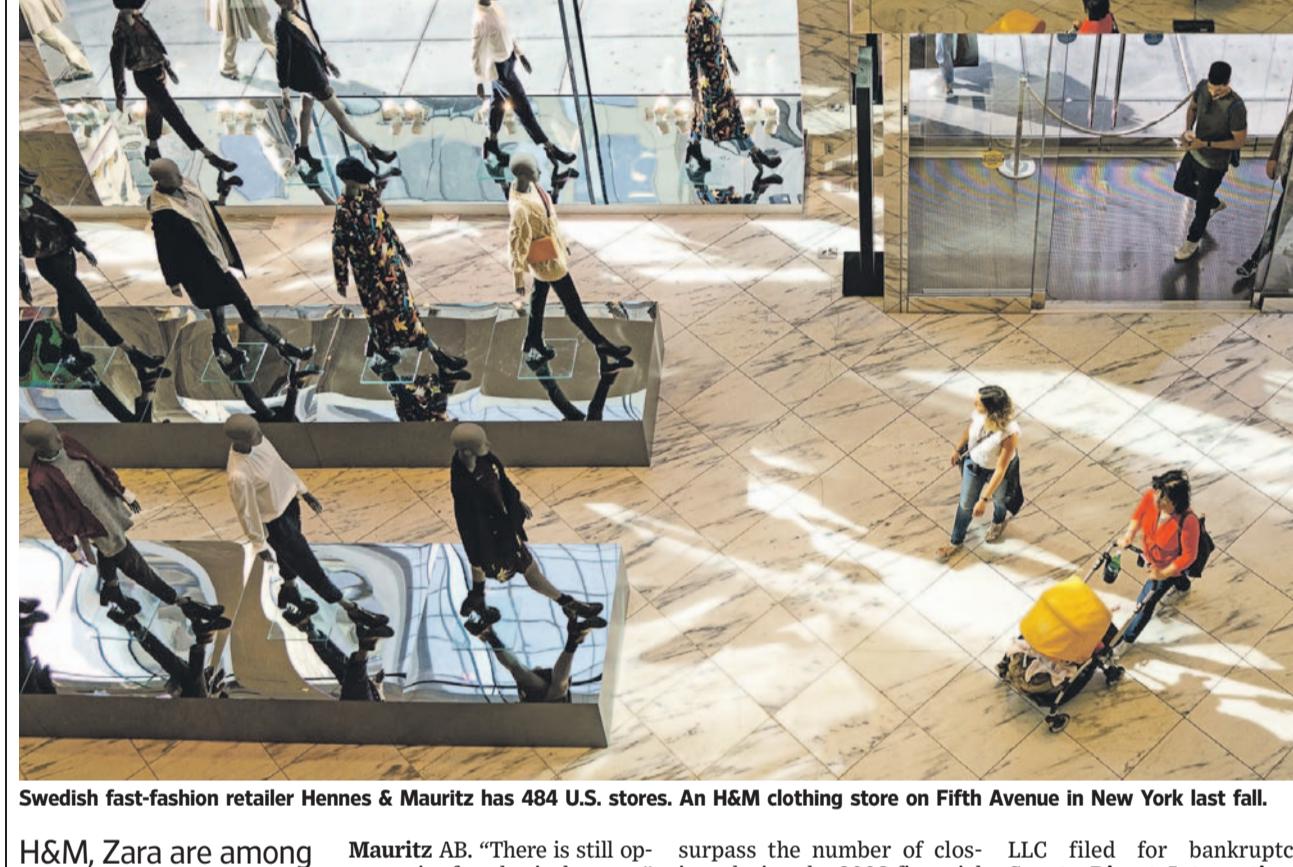
If a regulatory prohibition "has zero value and costs a lot, it is not furthering the safety and soundness of that institution," he said, especially because funds spent on compliance can't be put to more productive use.

"There's a lot that can be done" by the five agencies that enforce the rule, Mr. Noreika said. Then he added: "I hope we don't have to get to this, but there could be things that could be done even by our agency unilaterally if we had to," such as "reinterpreting what is proprietary trading."

The Volcker rule prevents banks from trading for their own accounts and seeks to

Please see BANKS page B2

## European Shopping Spree in U.S.



DREW ANGERER/GETTY IMAGES

Swedish fast-fashion retailer Hennes & Mauritz has 484 U.S. stores. An H&M clothing store on Fifth Avenue in New York last fall.

H&M, Zara are among retailers snapping up stores as American counterparts retrench

By SAABIRA CHAUDHURI

LONDON—European retailers hungry for growth are pushing deeper into the U.S., with some using the overexpansion of their American counterparts as a chance to pick up consumers and prime locations.

"We're not in all the malls we want to be in yet," said Nils Vinge, head of investor relations for Swedish fast-fashion retailer Hennes &

Mauritz AB. "There is still opportunity for physical stores."

H&M opened a net 16 new stores in the three months to Feb. 28, bringing its total number of U.S. stores to 484. Competitor Zara, the Inditex SA-owned fast-fashion chain, also continued to boost its American presence, opening a net 10 stores through 2016, bringing its U.S. total to 78 as of Jan. 31.

The expansion comes as American retailers, pressured by online shopping and cutthroat competition, are closing stores at a record pace.

Credit Suisse estimates retailers will close more than 8,600 locations around the U.S. this year, which would

surpass the number of closings during the 2008 financial crisis.

Already this year 19 retailers including Payless Inc. and RadioShack Corp. have filed for bankruptcy protection, compared with 18 in all of 2016, according to S&P Global Market Intelligence.

Despite this, the \$274 billion U.S. apparel market—the world's largest, according to Euromonitor—remains an attractive next step for European retailers looking to expand.

"A lot of peers are closing down and leaving their stores, which of course opens up opportunities," Mr. Vinge said on a March investor call.

After Eastern Outfitters

LLC filed for bankruptcy, Sports Direct International PLC last month swooped in to buy the Meriden, Conn.-based company's 50 Bob's Stores and Eastern Mountain Sports for \$101 million. Sports Direct, the U.K.'s largest sports clothing and equipment chain, said the move would give it a footprint in U.S. bricks-and-mortar retail."

As recognition of newer European retailers has grown in the U.S., so has their foothold. Discount clothing retailer Primark brought its brand of cheap chic to the U.S. in 2015,

Please see STORES page B2

◆ Macy's shares slide as results disappoint..... B2

## AIG Alumnus Poised to Return as CEO

By JOANN S. LUBLIN  
AND LESLIE SCISM

American International Group Inc. plans to name Brian Duperreault—a onetime lieutenant to former CEO Maurice R. "Hank" Greenberg—as the firm's chief executive officer, according to people familiar with the matter.

Mr. Duperreault, 70 years old, is the founder and CEO of Bermuda-based Hamilton Insurance Group Ltd. Mr. Duperreault and AIG are working out final details of his employment contract but are very close to final agreement, according to the people.

"He is going to get the job," said one of the people familiar.

AIG has faced a tumultuous six months. Just a few weeks after the firm posted disappointing fourth-quarter results, CEO Peter Hancock in March said he would resign from the insurance giant after less than three years at the helm. Many board members were unhappy about setbacks in the company's plan for boosting profitability, while several also feared a potential fight with AIG shareholder and

activist investor Carl Icahn.

Mr. Hancock agreed to stay until a successor was found.

Representatives for AIG and Mr. Duperreault declined to comment.

Mr. Duperreault spent just over two decades at AIG before leaving to run three other companies. His résumé includes a widely praised turn-

around of consulting and insurance-brokerage firm Marsh & McLennan Cos.

In returning to AIG, Mr. Duperreault will face the challenge of improving its financial results at a time of fierce industry competition. The insurance conglomerate has paid off a nearly \$185 billion U.S. government bailout extended

during the global markets meltdown of 2008, but had to sell many of its businesses to repay taxpayers. AIG's profit margins have notably lagged behind many of the insurer's rivals since its near collapse.

AIG executives are carrying out a two-year strategic plan unveiled in January 2016—in response to pressure from Mr. Icahn. Many goals are on track to be achieved, such as cutting costs and returning \$25 billion to investors, through dividends and share buybacks, analysts have said.

AIG board members don't expect their new leader to change the current strategic direction at the giant insurer, the people familiar said.

Mr. Duperreault was at AIG in the years when Mr. Greenberg was transforming it from a mediocre property-casualty insurer into a powerhouse with financial-services operations that spanned the globe.

The hiring of Mr. Duperreault will mark the second time AIG has recruited a chief

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## BANKS

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make them mere facilitators of their clients' trading activities. Bank executives complain that the line between the two is fuzzy, as they are permitted to build positions in securities they expect their clients to want, which can amount to a bet on the price.

"The ultimate problem with the Volcker rule is no one knows what prop trading is," he said.

Mr. Noreika said he hasn't been given any directives by the Trump administration. He said that he met recently with Treasury Secretary Steven Mnuchin, who appointed him to the acting comptroller job, and that the secretary said he respects the OCC's independence.

**'Safety and soundness is not always imposing yet another regulation.'**

He said his three priorities were improving morale at the agency—which has scored low on recent government surveys about job satisfaction, looking to streamline regulations and "defending and promoting" the federal charter for banks. Banks can seek either federal or state charters in the U.S., and the overall number of banks is declining.

One other policy area that Mr. Noreika discussed Wednesday was Glass-Steagall, which the Trump administration says it is considering trying to restore. Mr. Noreika said the administration is in the "very beginning stages" of looking at a new version of Glass-Steagall, but he seemed skeptical about the benefits of reinstating a strict separation between commercial and investment banking.

"There is a diversification element and even a safety and soundness element of having them affiliated," he said, referring to the idea that banks can benefit from having more diversified businesses. "But we want to make sure that risk from the affiliates doing this activity doesn't come back to the bank. And so that is our challenge."

Mr. Noreika was also critical of aspects of Dodd-Frank, saying the regulation it spurred hurt small banks and benefited big firms that could better handle the burden.

"People might want to say Dodd-Frank stopped 'too big to fail,'" he said, referring to the perception that the government will bail out big banks rather than letting them collapse. "But in some ways, it actually encouraged it because you are forcing [business] to these megabanks that you could never let fail."

"What about the next crisis when something happens to a megabank? Are you going to let it fail? I don't know the answer to that," he said, adding that the OCC's job is to adopt policies that make sure banks can be allowed to fail without "collateral systemic consequences."

Mr. Noreika was most recently a partner at Simpson Thacher & Bartlett LLP, where he worked on several bank mergers and advised banks on complying with policies he will have to enforce, such as laws to prevent trading blowups and money laundering.

He spent 18 years at Covington & Burling LLP, a white-shoe law firm, many of them as a protégé of John Dugan, who served as comptroller during the financial crisis.

His experience has drawn criticism from some Democrats and watchdog groups, who question whether he can be an impartial regulator of the industry he recently represented.

Mr. Noreika said in the interview that he believed he was chosen because of his expertise in banking law. An OCC spokesman said in a statement that Mr. Noreika is "divesting all assets that would give rise to a conflict of interest" and "will abide by all applicable ethics laws and guidelines and will recuse himself from any matter that it is appropriate to do so."

The new acting chief declined to take positions on two

key issues: The OCC's recent efforts to offer a charter to financial-technology companies and its crackdown on so-called leveraged lending, in which banks offer loans to companies that have high levels of debt. The acting comptroller said he needed to be briefed on those issues before taking a position.

He said his three priorities were improving morale at the agency—which has scored low on recent government surveys about job satisfaction, looking to streamline regulations and "defending and promoting" the federal charter for banks. Banks can seek either federal or state charters in the U.S., and the overall number of banks is declining.

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## BUSINESS & FINANCE

# Macy's Extends Its Swoon

Retailer's results fall short amid dwindling foot traffic at brick-and-mortar stores

BY ANNE STEELE

**M**acy's Inc. reported a worse-than-expected slide in revenue for the first quarter and stretched its swoon in same-store sales to more than two years as the retailer contends with broad weakness at brick-and-mortar stores.

Shares of the company dropped 14% to \$25.31 Thursday morning as profit also declined and came in sharply below market expectations. The stock has been pummeled this year, already falling 18% through Wednesday's close.

During the April quarter, sales at Macy's stores open at least a year declined 5.2%, worse than the 3% decrease analysts expected, according to Consensus Metrix, and marking the ninth straight quarter that same-store sales have fallen.

Foot traffic continues to dwindle at brick-and-mortar retailers as shoppers increasingly opt to make purchases online, and consumers are shelling out less for things like clothing and more on experiences.

Macy's is among a parade of retailers shutting stores and cutting jobs. Early this year it said it would slash more than 10,000 jobs and detailed plans to close dozens of stores after another holiday season of weak sales, further signaling that department stores have lost their once-central place in American retailing.



A Macy's store in Bowling Green, Ky., in March. The company's stock has been pummeled this year.

The retailer has been testing programs to lift sales in certain stores.

"We are encouraged by the performance of the pilot programs we tested last year in categories like women's shoes, fine jewelry, and furniture and mattresses," said Chief Executive Jeffrey Gennette, who took the reins at the 159-year-old retailer from Terry Lundgren in March.

He said Macy's will expand those programs nationally this year and anticipates they will have a measurable impact starting this quarter and building through the fall.

"In 2017, we are focused on taking actions to stabilize our brick-and-mortar business," Mr. Gennette said.

In all for the first quarter, Macy's posted a profit of \$71 million, or 23 cents a share, down from \$116 million, or 37 cents a share, a year earlier.

Excluding some costs, Macy's adjusted per-share profit fell to 24 cents from 40 cents, below analysts' expectations for 35 cents. Overall sales fell 7.5% to \$5.34 billion, below expectations of \$5.47 billion, in part owing to store closings.

Gross margin narrowed to 38.1% from 39.1%.

Still, Macy's backed its 2017 guidance for total sales to be down between 3.2% and 4.3% and adjusted earnings of \$2.90 to \$3.15 a share.

Meanwhile, Kohl's Corp. on Thursday said inventory management helped the retailer

improve its bottom line in the first quarter despite lackluster sales. Same-store and overall sales fell more than expected, but gross margin widened and adjusted earnings beat Wall Street estimates by a dime.

Kohl's CEO Kevin Mansell said, "We are encouraged by the significant improvement in sales and traffic for the March and April period, after a weak February start to the first quarter."

February same-store sales declined around 8%, while same-store sales in the combined March-April period were down just 1%.

Mr. Mansell said February could have been affected by the slower-than-usual receipt of tax refunds.

## STORES

Continued from the prior page  
opening a store on the former site of Filene's Basement in Boston's Downtown Crossing. The Dublin-founded retailer, which will open its eighth U.S. store in June in Braintree, Mass., recently expanded its first U.S. store by 20% to about 93,000 square feet, saying awareness of the Primark brand had grown.

"Some international retailers see this as a great opportunity to get into markets they couldn't afford or [to] accelerate expansion," said Brandon Famous, a senior managing director focused on retail in the Americas for real-estate services company CBRE Group Inc. But, he added, many smaller international brands



Dublin-founded Primark opened a store in 2015 on the former site of Filene's Basement in Boston's Downtown Crossing.

are unlikely to be helped by rising store closures since they tend to look for prime locations such as top-tier malls, where business remains strong.

Amsterdam-based Scotch & Soda has opened three to four new outlets every year since its first U.S. store appeared in New York City in August 2010. The hip, midrange label now

has 25 stores in cities including Miami, Chicago, San Francisco and Los Angeles. "Based on our positive business performance in the U.S.A., we are currently considering ramping up the rollout pace," a spokesman said.

**Reiss** Ltd., a favorite of Kate Middleton, took a more cautious approach as it entered the U.S. market, opening just eight stand-alone locations in cities like New York and Boston since 2005. But the family-owned British retailer has been bolder recently: Reiss opened two stores in New York last year and earlier this year opened one store in Miami. Superdry, which has 20 stores in the U.S., is also accelerating its expansion. The British casual clothing brand plans to open five stores over the summer and five more in the fall.

### Hitting Headwinds

After years of growth, Emirates is facing turbulence on a number of fronts

#### Revenue



Notes: Fiscal year ends March 31; \$1 = 3.67 United Arab Emirates dirham

Source: Emirates Group annual report

#### Profit



Dividend payout

\$700 million

600

500

400

300

200

100

0

0

0

0

0

## BUSINESS NEWS

# Car Sales Weaken in China as Tax Climbs

By TREFOR MOSS

SHANGHAI—China's passenger-car sales in April experienced their biggest decline in nearly two years as the world's largest car market continued to feel the effect of a higher sales tax, though several foreign auto makers bucked the trend by logging sales increases.

Total vehicle sales fell 2.2% year over year to 2.08 million, the government-backed China Association of Automobile Manufacturers said Thursday.

Passenger-car sales declined 3.7% to 1.72 million, their biggest fall since July 2015. Sales of commercial vehicles climbed 5.3% to 362,000.

The Chinese and U.S. auto industries posted record sales in 2016, but global auto makers are now grappling with cooling demand for new vehicles in both markets.

Car sales in China rose at their fastest pace in three years last year, but are expected to slow as a weaker sales-tax incentive puts pressure on demand. Purchases were brought forward in 2016 as consumers rushed to take advantage of the lower tax, analysts say.

Buyers of cars with engines



A Cadillac dealership in Shanghai. GM's sales were among those that fell in China last month.

no larger than 1.6 liters last year paid a 5% purchase tax. This year, buyers of such cars will pay a 7.5% rate.

Overall sales slowed nearly 20% compared with March. China's main annual auto show was held in Shanghai in April and usually dents monthly sales, said Yale Zhang, managing director of Automotive Foresight, as some potential

buyers delay their purchases until after new vehicles are launched at the show.

Despite a slow April, the Chinese auto market rose 4.6% in the first four months of the year compared with the same period in 2016, with 9.09 million vehicle sales. Most analysts have been predicting growth of 5% in 2017, a slower rate than in previous years, as

the China market matures.

The auto manufacturers' association forecasts "stable growth" of 5% this year, said Shi Jianhua, the group's deputy chief secretary. Higher inventory levels remain a challenge for dealerships, but recognition among auto makers that the market has slowed is likely to result in them taking measures to adjust, said

Chen Shihua, a senior association official.

"Everyone is cautious about the market," Mr. Chen said.

Some foreign car makers reported strong April sales, despite the sluggishness of the overall China market.

**Toyota Motor Corp.**'s China sales increased 7.2% in April to 108,300 vehicles, with sales in the first four months of the year up 3.1% to 404,400 vehicles, the company said.

**Volkswagen AG** reported 4.3% sales growth in April, with 226,000 vehicles sold. The German auto maker's sales fell 1.9% in the first four months of the year, however, to 921,600.

**Ford Motor Co.** recorded a strong April in China, with sales up 11% to 93,967. But 2017 has been tough for Ford overall, with China sales down 12% at 349,228 vehicles.

**General Motors Co.**'s sales fell 1.9% to 272,770 vehicles, with year-to-date sales off 4.5% to 1.19 million vehicles.

Sales of sport-utility vehicles rose 18% in the first four months of the year to 3.07 million. However, the growth rate of this popular segment is slowing even as more SUV products enter the market.

—Lilian Lin contributed to this article.

# Dairy Pursues Yogurt Company

By WAYNE MA

BEIJING—China's largest dairy company is preparing an \$850 million bid for U.S.-based **Stonyfield Farm Inc.**, which makes organic and Greek-style yogurt, a product that is increasingly popular with upscale consumers in China.

**Inner Mongolia Yili Industrial Group Co.** said it would seek to buy all of Stonyfield, which is based in Londonderry, N.H., and is a subsidiary of French dairy company **Danone SA**. The statement was made Thursday in a filing to the Shanghai Stock Exchange.

Yili, China's largest dairy company by sales, cautioned that the bid might not be successful, but didn't elaborate. Last month, Yili scrapped a bid to buy a 37% stake for \$679 million in Hong Kong-listed China Shengmu Organic Milk Ltd. after it failed to get Chinese regulatory approval, China Shengmu said in a regulatory filing.

Yili booked a net profit of 5.66 billion yuan (\$820 million) on sales of 60.61 billion yuan in 2016.

Stonyfield's organic and Greek-style yogurt products are gaining appeal in China as consumers become more health conscious, according to data provider Euromonitor International.

The perceived safety of Western brands is a selling point with Chinese consumers who have endured a series of tainted-food scandals.

Yili was among 22 Chinese dairies forced to recall its products in 2008, when melamine added to milk that it and others sold was blamed in the deaths of six infants and the poisoning of 300,000 other people.

# Nissan Expects U.S. Slowdown to Hurt Profit

By SEAN MCCLAIN

TOKYO—**Nissan Motor Co.** warned that a slowing U.S. car market and rising costs would weigh on earnings this fiscal year.

Japan's second-largest car company by sales said Thursday that net profit would decline 19% to ¥535 billion (\$4.7 billion) in the year ending in March.

Nissan forecast sales to grow in every market but the U.S., where it expects to sell roughly the same number of vehicles as last year.

"In the U.S. we took a con-

servative view considering the market outlook and intensifying competition," said Hiroto Saikawa, who took over as chief executive from Carlos Ghosn in April. Mr. Ghosn retained his other role as Nissan's chairman.

The decline in profit is exacerbated by the sale of Nissan's stake in auto-parts maker Calsonic Kansei Corp., which added ¥80 billion to Nissan's bottom line in the fiscal year that ended in March 2017. Without that boost, profit would have been expected to decline 8%.

Nissan joins other Japanese

car makers in predicting tougher times ahead as sales growth slows in the U.S. At the same time, costs are expected to rise as car companies offer more incentives on new vehicles, hitting sticker prices.

Nissan has been more generous than many of its rivals, offering an average of \$3,900 per vehicle in April, compared with \$2,500 for **Toyota Motor Corp.**, according to Jefferies LLC.

Those incentives helped Nissan to be the only mass-market car maker to increase its sales in the first four

months of the year. But sales are showing signs of softening, with the company posting a slight decline in April.

In response to a shift away from sedans and toward crossovers and sport-utility vehicles in the U.S., Nissan plans to churn out more trucks and SUVs, aiming to have them represent 60% of its sales volume, up from 50% last year.

Nissan also plans to cut back on leasing to try to bolster used-car prices, said José Muñoz, Nissan's North American chief.

A glut of lease vehicles are hitting the used-car market, and these low-mileage

cars are weighing on new-car demand and prices.

The current fiscal year marks the beginning of Nissan's new midterm plan, which it will unveil later this year. It follows the plan it called Power 88, in which Nissan aimed for an 8% operating-profit margin and 8% global market share. The company fell short of both targets, despite sales volume growing by more than one-third.

Nissan reported that net profit rose 27% to ¥663.5 billion in the year ended in March. Revenue fell 4% to ¥11.7 trillion.

## Bombardier Chairman Retreats

By JACQUIE McNISH

TORONTO—**Bombardier Inc.** on Thursday said Pierre Beaudoin has agreed to step down from his executive role amid an investor revolt, but that he will remain chairman of the beleaguered transportation company.

Mr. Beaudoin, 54 years old, will resign as executive chairman effective June 30, following opposition to his re-election by some of Canada's largest funds. A spokesman for the company said it won't name a replacement.

Mr. Beaudoin is the grandson of the company's founder, and his family has voting control of Bombardier through a class of supervoting shares. Some of Canada's biggest pension funds have opposed his re-election in a push for more independence on the board.

The opposition followed a controversial move last month to significantly improve the compensation of several Bombardier officials, including Mr. Beaudoin. The raises, which were rolled back, came after the company received about \$1 billion in financing from the Quebec and federal governments.

Mr. Beaudoin, who had been expected to win re-election at a shareholder meeting in Montreal on Thursday, said in a statement that he continues to support CEO Alain Bellemare.

Bombardier "is firmly on the right path, with a very strong leadership team now in place to execute its turnaround plan," he said.

Bombardier is under pressure to improve sales of its CSeries commercial jet program, which has been plagued by delays, equipment problems and sales disappointments. On an earnings call Thursday, Mr. Bellemare said Bombardier delivered one CSeries plane in the first quarter and expects another two deliveries in the coming year.

Bombardier hasn't received any new orders for the CSeries so far this year.



Shareholders asked about growth strategy at the annual meeting.

## Ford's Leaders Queried On Drop in Share Price

By CHRISTINA ROGERS

**Ford Motor Co.** shareholders put heat on Chief Executive Mark Fields and Chairman Bill Ford during the company's annual shareholders meeting Thursday morning, pressing the executives to explain why the stock price has lost more than one-third of its value during Mr. Fields's tenure.

The 114-year-old auto maker, like its Detroit rival General Motors Co., has booked substantial profits during a seven-year hot streak for U.S. car sales and strong appetite for lucrative trucks, but shares in domestic auto companies have been battered.

Ford and GM have long been subject to the industry's boom-and-bust cycle, and have struggled to sell investors on a strategy to escape that trend.

Tesla Inc., the Palo Alto, Calif., electric-car maker run by billionaire Elon Musk, surpassed Ford's and GM's market capitalization earlier this year, underscoring Wall Street's concerns about Detroit's ability to outgun Silicon Valley in developing must-have electric cars or autonomous driving capabilities.

Tesla sells a fraction of what Ford or GM delivers, yet has consistently won favor among investors impressed by the company's growth prospects.

Mr. Fields faced heightened scrutiny from the company's board this week, as directors scheduled an additional day of

meetings pressing the executive for clarity on strategy. Mr. Ford, great grandson of Henry Ford, also faced considerable criticism concerning the stock price during his tenure as chief executive early last decade.

Ford investors, submitting questions ahead of time for the virtual meeting, described the share price as "pathetic" and wanted to know what company executives are doing to increase value. Ford's earnings have resulted in hefty bonuses to its top executives, including Mr. Fields, and some shareholders feel left behind.

One shareholder, who wasn't named, asked why Ford isn't using its cash for additional share buybacks. GM has been repurchasing billions of dollars of shares, and Ford has employed similar tactics in recent years.

Ford has more recently offered regular and supplemental quarterly dividend payments.

Other shareholder questions ranged from asking about vehicle quality to requesting details on future products.

Under Mr. Fields, the company has pushed to expand into new ventures, such as ride-sharing and van-shuttle services, and has pledged to deliver a fully autonomous car with no steering wheel or pedals by 2021.

"The bottom line is the biggest strategic shift in the history of our company is well under way and gaining momentum," Mr. Fields told investors.



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### "THE BIRTH OF THE SUN KING"

6 MAY

(SAT) 8PM

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## TECHNOLOGY

WSJ.com/Tech

# Snap's Results Disappoint

Rival Facebook has been nibbling away at features that made Snapchat stand apart

BY GEORGIA WELLS

**Snap Inc.**, in its first quarterly report as a public company, showed it struggled to maintain strong user growth at its Snapchat vanishing-messaging app, sparking worries about its ability to challenge social-media titan **Facebook Inc.**

Snap, whose core business relies on selling advertising on the Snapchat messaging platform, reported 166 million daily users in the past quarter, up 8 million from the previous period and up 44 million from a year earlier—its slowest year-over-year growth rate in at least two years.

Meanwhile, Facebook's Instagram, a key competitor for Snap, last month said it has 200 million daily users of Instagram Stories, a feature of the photo-sharing app that mimics Snapchat's popular function.

"Everything for Snap starts with daily active users, because the more users Snap has, the more engagement Snap can have," said Ronald Josey, senior internet analyst with JMP Securities, who expected Snap to have faster user growth.

The Venice, Calif.-based company's shares plunged 23% in after-hours trading on Wednesday, hovering just above the \$17 threshold at which it went public in March. On Thursday, shares were down 19% to \$18.51 in early afternoon trading in New York.

"You can't miss out of the gate," said Michael Nathanson, senior research analyst at MoffettNathanson.

Investors have clamored for Snap since its initial public offering, the highest-profile tech listing in years. But the comparisons with Facebook and Twitter Inc.—its two biggest rivals—raise questions about whether Snap can elbow its way into a crowded social media market.

Snap's traditional core of users are teens and young adults, a valuable demographic that marketers are eager to reach. Snap has pitched itself as an alternative to traditional forms of media, such as television, rather than a competitor to the bigger social-media net-



Snapchat co-founders Bobby Murphy, left, and Evan Spiegel at the New York Stock Exchange.

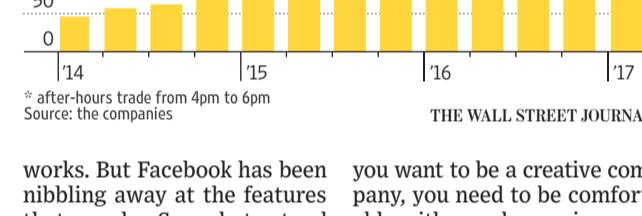
### Network Effect

How Snap stacks up against older rivals in their first quarters as listed companies

#### First quarter as a public company

	Q1 2017	NET LOSS	STOCK REACTION
	<b>\$149.6 million</b>	-\$2.2 billion	-23%*
	<b>\$242.7 million</b>	-\$51.5 million	-23%
	<b>\$1.18 billion</b>	-\$157 million	-14%

#### Snap daily active users



pled from a year earlier, it failed to exceed Snap's fourth quarter revenue of \$165.7 million. Snap's research and development costs jumped to \$78 million in the quarter, as it worked on new products such as an ad-buying platform that automates purchases, an approach used by Google and Facebook.

Snap has focused on users in more developed markets with the most ad dollars, leaving global ubiquity to the other social media giants to chase. That increases the pressure to make more money per user. In the first quarter, it rose to 90 cents, from 32 cents during the same period a year ago. As a comparison, Facebook made \$4.23 per user globally in the first quarter.

Snap said 30% of new users during the quarter are on Android, Google's operating system that Snap has de-emphasized in favor of iPhones.

In one area, Snap's numbers stand out: stock compensation. Tech companies often have high stock compensation tied to their initial listings because that is when many of the awards are triggered. But Snap's \$2 billion payout surpassed its annual revenue by a wide margin. Twitter and Facebook paid out compensation equal to a fraction of their revenue at the time.

Despite the doubts over its growth, Snap resisted pressure to lift sentiment by pumping up its prospects. Mr. Spiegel said Snap wouldn't resort to "growth hacking" methods, such as push notifications.

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In a survey last month of 3,000 Americans conducted by Goodwater Capital, 25% of respondents said they prefer Stories on one of Facebook's platforms, compared with the 12% of users who said they prefer Snapchat's Stories.

Chief Executive Evan Spiegel defended Snap's position. "I think the bottom line is if

you want to be a creative company, you need to be comfortable with people copying your products," he said. "Just because Yahoo has a search box, it doesn't mean they're Google."

Snap on Wednesday posted a net loss of \$2.2 billion, compared with \$104.6 million a year ago, due to a \$2 billion one-time hit from stock-compensation expenses related to its March IPO.

Snap's costly efforts to ramp up advertising deepened its operating loss, which more than doubled to \$188 million and surpassed its revenue of \$149.6 million. While revenue in the quarter nearly quadrupled from a year earlier, it failed to exceed Snap's fourth quarter revenue of \$165.7 million. Snap's research and development costs jumped to \$78 million in the quarter, as it worked on new products such as an ad-buying platform that automates purchases, an approach used by Google and Facebook.

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## FINANCE & MARKETS

# Two Sigma Tees Up a Global Play

By ALEXANDER OSIPOVICH

As the high-speed trading industry endures a wrenching period of consolidation, Two Sigma Securities is looking to come out on top.

The secretive firm, an affiliate of the \$45 billion quantitative hedge fund **Two Sigma Investments**, said this week that it had agreed to buy the global options market-making business of **Interactive Brokers Group Inc.**, which helped pioneer electronic trading in the 1980s.

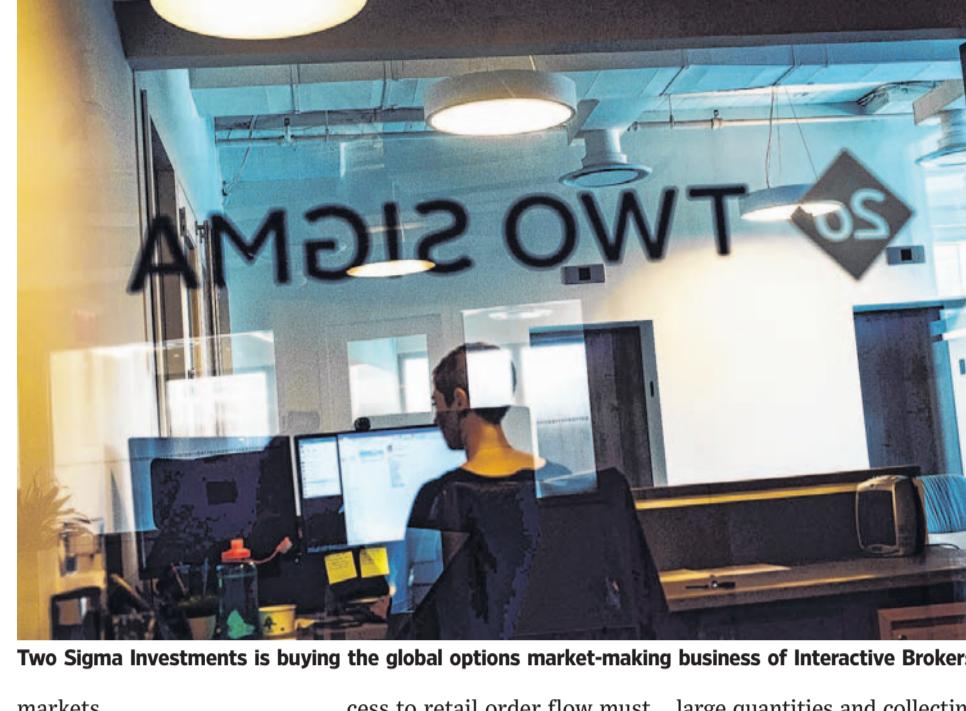
The deal is designed to push Two Sigma Securities—a relative upstart founded in 2009—into the big leagues, alongside global giants such as **Citadel Securities LLC**, which account for a huge portion of trading activity in the U.S. and overseas.

"Over time, I see us expanding into other asset classes and other geographies," Two Sigma Securities Chief Executive Officer Simon Yates said in an interview.

Scale has become more important for high-speed trading firms as the industry struggles with unfavorable market conditions, especially low volatility, which reduces their ability to profit from price swings. The revenues of such firms from U.S. stock trading were an estimated \$1.1 billion last year, down from \$7.2 billion in 2009, according to research firm Tabb Group.

The tough environment has spurred deal making. Virtu Financial Inc. announced last month its \$1.4 billion agreement to acquire rival KCG Holdings Inc.

New York-based Two Sigma Securities says it trades more than 300 million shares daily, which means it handles from 4% to 5% of the shares that change hands each day in U.S.



Two Sigma Investments is buying the global options market-making business of Interactive Brokers.

markets.

By comparison, Citadel accounts for about 20% of U.S. daily volume, and Virtu expects to have a market share similar to Citadel's if it completes its acquisition of KCG.

Two Sigma Securities enjoys such huge volumes, in part, because it takes part in a controversial practice called "payment for order flow," meaning it pays online brokerages such as TD Ameritrade Holding Corp. and Charles Schwab Corp. to execute orders submitted by individual investors.

Critics have attacked the practice because of fears that it lets high-speed traders exploit mom-and-pop investors. Trading firms and brokers that engage in the practice say it results in better prices for investors.

It is also a key source of profits for high-speed traders. Electronic traders that lack ac-

cess to retail order flow must face off against other ultrafast traders on exchanges.

That exposes them to the risk of buying or selling shares in the split second when a price is about to turn against them.

With payment for order flow, that scenario is much less likely to happen because the electronic traders are facing slower, less savvy retail investors.

"If you're a market maker, payment for order flow is really essential," Mr. Yates said. "If you don't do it, you lose access to retail flows, which is an important part of the market."

Virtu's bid for KCG was also partly motivated by the value of KCG's large retail-facing business.

Market-making is a core strategy for high-speed trading firms. It involves buying and selling the same assets in

large quantities and collecting a small "spread" from the difference between the buying and selling price.

Speed is crucial for market makers, which adjust their trades in millionths of a second as market conditions fluctuate.

But Two Sigma Securities is less focused on speed than some rivals, according to Mr. Yates.

Instead, it derives its competitive advantage from powerful computer models, Mr. Yates said. Trading strategies based purely on speed are "now a break-even business," he said.

With the acquisition of Interactive Brokers' market-making arm, called **Timber Hill**, Two Sigma Securities would continue its push from equities into options. It also bought KCG's options platform last year. Mr. Yates said his firm expects to start paying

for retail order flow in options, a business it isn't currently involved in.

The Timber Hill deal, expected to close in September, also positions Two Sigma Securities to go global. The firm has just one office, in New York, though its parent company has offices overseas.

Meanwhile, Timber Hill is active on exchanges in Asia and Europe.

Mr. Yates said the unit he oversees is walled off from its owner, Two Sigma Investments, which employs dozens of Ph.D. scientists to craft trading algorithms based on the torrents of digital information streaming around the world, including news reports and Twitter.

Customer trading data from Two Sigma Securities isn't shared with the hedge-fund parent company, Mr. Yates said.

Even the access cards used by employees of Two Sigma Investments to enter the firm's headquarters in SoHo won't get them into the areas that house the market-making arm, he said.

Founded in 2001, Two Sigma Investments is among the top destinations for quantitative trading experts, said Evan Zivotovsky, a New York-based recruiter specializing in hedge funds.

"Two Sigma is mostly always in the mix when speaking to the best candidates from both Wall Street and Silicon Valley," he said.

Mr. Yates is betting the Timber Hill deal will pay off when volatility returns, rewarding market makers that have survived the wave of consolidation.

"It is a tough time for the industry," he said. "But I have reasonable confidence that it is a cyclical industry."



Noble Group's Richard Elman

## Shares of Noble Dive After Loss

By GAURAV RAGHUVANSI AND P.R. VENKAT

SINGAPORE—**Noble Group** Ltd. shares plunged to their lowest level in 15 years as the Singapore-listed commodities supplier swung to a net loss in the first quarter after its hedging bets on coal went wrong.

Shares closed 32% lower Thursday at 87.5 Singapore cents (62 U.S. cents), the lowest since October 2002. Noble shares didn't trade on Wednesday due to a public holiday.

The decline eroded the company's market capitalization to less than US\$1 billion from US\$4.5 billion at the end of March 2016.

Noble swung to a net loss of US\$129.3 million in the March quarter from a profit of US\$40.5 million a year earlier. The company announced late Tuesday that it expected to report a net loss of about US\$130 million as a drop in coal prices upended its hedges and resulted in an exceptional loss.

"The dislocation in coal markets weighed on profitability, against the background of higher oil prices," Noble said.

Meanwhile, Noble's septuagenarian founder, Richard Elman, announced that he is stepping down from his role as executive chairman, bringing an end to a career spanning decades.

Mr. Elman said Paul Brough will take over as the company's chairman. Mr. Elman will stay with the company as founder and chairman emeritus, he said.

Noble said it expects to return to profitability over the next two years and has made progress cutting expenses, including a reduction in head count.

Selling, administrative and operating expenses fell nearly 45% to US\$91 million during the first quarter.

Total costs of sales and services rose 13% from a year earlier to US\$12.56 billion, nearly matching total revenue of US\$12.57 billion.

## FINANCE WATCH

### UNICREDIT

#### Net Result Improves

**UniCredit** SpA posted a first-quarter net profit, a comeback after a fourth-quarter loss that reflected a cleanup of its balance sheet.

The bank said profit was €907 million (\$986 million), compared with a year-earlier €406 million. In the fourth quarter, the bank posted a loss of €13.56 billion.

The fourth-quarter loss was mainly the result of €12.2 billion in one-time charges for bad-loan provisions and other items.

Net interest income dropped by 2.5% from a year earlier to €2.56 billion, while fees and commissions were up 4.5% to €1.48 billion.

The bank is pushing to gener-

ate higher fees. Proceeds from lending have been hit by ultra-low interest rates.

—Manuela Mesco and Giovanni Legorano

### ASSICURAZIONI GENERALI

#### Insurer Reports Decline in Profits

**Assicurazioni Generali** SpA said first-quarter net profit dropped by 9% from the year-earlier period, mainly because of lower investment gains and higher taxes.

The Italian insurer said net profit stood at €535 million (\$581.5 million), compared with €588 million in the 2016 period.

Generali said that the decline in profit was mainly due to lower realized gains of around

€100 million, particularly in its bonds and real-estate portfolio, which the insurer said was consistent with its strategy of preserving the future value of investments amid market volatility.

The company also said its tax burden increased to 30.7% for the quarter from 28.5% for the year-earlier period.

—Giovanni Legorano

### CRÉDIT AGRICOLE

#### Earnings Triple

French bank **Crédit Agricole SA** said first-quarter net profit more than tripled from a year earlier, aided by its fixed-income business and a pickup in loan demand.

Net profit rose to €845 million (\$918 million) from €227

million. This year's results beat analysts' expectations for a profit of €701 million, according to the data provider FactSet.

In the year-earlier quarter, the bank booked a €448 million charge to restructure part of its debt and help cut costs. Revenue rose 24% to €4.7 billion.

Like French rivals **BNP Paribas** SA and **Société Générale** SA, Crédit Agricole benefited from a rebound in bond trading.

—Noémie Bisserbe

### ITAÚ UNIBANCO

#### Bank Negotiates Over Stake in Broker

**Itaú Unibanco Holding** SA, one of Brazil's largest banks in terms of assets, is in advanced

talks to acquire a 49% stake in local investment broker **XP Investimentos**, according to a person close to the deal.

If the purchase goes ahead, Itaú will pay about 6 billion reais (\$1.9 billion) for the stake, which is currently owned by U.S.-based private-equity firm **General Atlantic**, the person said. XP will likely cancel an initial public share offering it had planned if the deal is completed, the person said.

XP is controlled by its founder, Guilherme Benchimol, and a group of partners who together hold a 51% stake in the company.

It started in 2001 as a brokerage and expanded into portfolio management. It also has an unit that advises corporate clients on debt and equity operations. —Luciana Magalhaes

# Wells Fargo to Cut Costs

By CHRISTINA REXRODE

**Wells Fargo** & Co. said Thursday that it plans to cut an additional \$2 billion in expenses by the end of 2019, more than analysts had expected.

The expense savings, to be announced at Wells Fargo's investor day, come on top of the bank's January announcement to cut \$2 billion in costs by the end of 2018.

Wells Fargo, which has been under pressure since its sales-practices scandal last fall, said the cuts would bolster its bottom line. The bank said it plans to consolidate "similar operational activities" and automate more of its manual processes.

As part of its focus on costs, Wells Fargo said it plans to close about 450 branches in 2017 and 2018. The bank said the closures will be across the country, but will include "saturated markets" and "redundant locations." It also said it would focus the cuts on branches with lower deposit growth and income. Wells Fargo currently has about 6,000 branches.

The bank also said it would apply "industry best practices" to its call centers and reduce physical facilities. Wells Fargo had noninterest expenses of \$52.4 billion last year.

Wells Fargo is under pressure to improve its financial performance following relatively disappointing first-quarter results. The bank's profit



The \$2 billion in cuts is in addition to other planned reductions.

was flat from the year-earlier period, while revenue dropped, missing analyst expectations.

Following those results, Chief Executive Timothy Sloan told analysts that expenses are "outside our range." Mr. Sloan added, "I want to make it very clear that operating at this level is not acceptable; we're committed to improve our efficiency."

Wells Fargo's efficiency has suffered since its sales scandal. The bank said in presentation materials for its investor day that it expects an efficiency ratio this year of 60% to 61%. That is worse than the two-year target it set last year of 55% to 59%. The bank said its efficiency ratio was also hurt by lower loan growth and higher funding costs.

Last year, Wells Fargo also

set two-year targets for return on efficiency and return on assets. The bank said Thursday that it expects to operate at the low end of both target ranges this year, although it left unchanged the two-year goals set last year.

In terms of the scandal, the bank said in presentation materials that its settlement related to sales practices reduced first-quarter loan origination volume by 3%.

Mr. Sloan, finance chief John Shrewsbury and other Wells Fargo executives were due to make presentations throughout Thursday as part of the bank's investor day. The announcement of additional cost cuts was in presentation materials for Mr. Shrewsbury the bank posted online ahead of the investor event.

Last year, Wells Fargo also

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

■ Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866 Fax No: 65-6835-8865, Website: [www.cam.com.sg](http://www.cam.com.sg) CAM-GF Limited OT MUS 05/10 USD 304756.22 0.9 4.7 -5.7

NAV FT LB DATE CR NAV YTD 12-MO 2-YR

VP Class-Q Units AS EQ HKG 05/10 USD 132.50 16.5 29.4 -4.4

VP Class-I Units AS EQ HKG 05/10 USD 16.85 4.6 29.5 -4.6

VP Class-C Units AUD H AS EQ HKG 05/10 AUD 13.91 4.5 4.5 -4.1

VP Class-C Units CAD H AS EQ HKG 05/10 CAD 13.46 16.2 29.9 -5.2

VP Class-C Units HKD H AS EQ HKG 05/10 HKD 11.42 15.9 28.2 NS

VP Class-C Units NZD H AS EQ HKG 05/10 NZD 13.96 15.8 29.4 -3.5

VP Class-C Units RMB H AS EQ HKG 05/10 CNY 11.73 12.6 32.8 NS

VP Multi-Asset Fund Cls A HKD OT OT HKG 05/10 HKD 11.39 18.5 32.4 NS

VP Multi-Asset Fund Cls A USD OT OT HKG 05/10 USD 10.27 6.8 NS NS

VP Multi-Asset Fund Cls A USD OT OT HKG 05/10 USD 10.39 6.3 9.1 NS

VP Taiwan Fund AS EQ CYM 05/10 USD 19.08 13.9 30.8 7.8

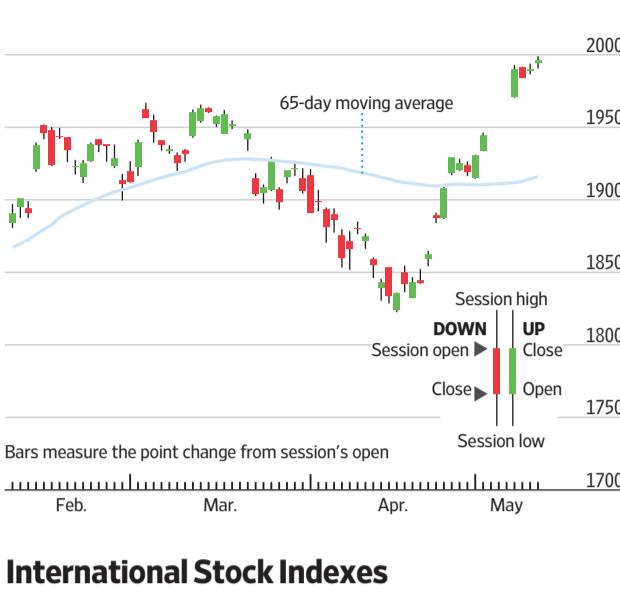
For information about listing your funds, please contact: Freda Fung tel: +852 2504; email: [freda.fung@wsj.com](mailto:freda.fung@wsj.com)

## MARKETS DIGEST

### Nikkei 225 Index

**19961.55** ▲ 61.46, or 0.31%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

### STOXX 600 Index

**394.39** ▼ 2.06, or 0.52%

High, low, open and close for each trading day of the past three months.



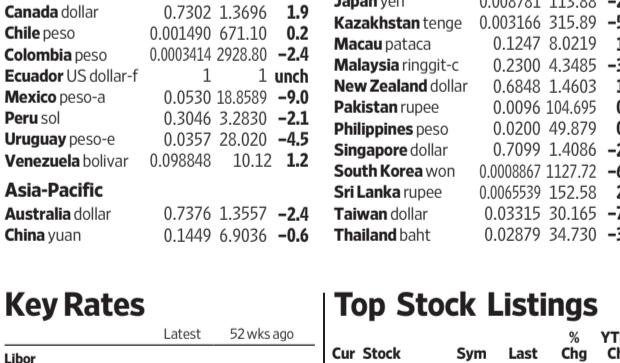
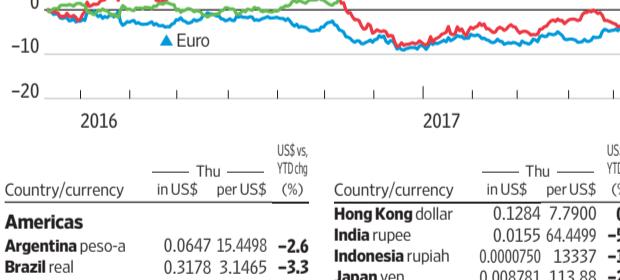
### International Stock Indexes

Region/Country	Index	Data as of 12 p.m. New York time					
		Close	NetChg	% chg	52-Week Range	Close	YTD % chg
<b>World</b>	<b>The Global Dow</b>	2739.34	-7.77	<span style="color: red;">-0.28</span>	2193.75	2755.95	8.4
	<b>MSCI EAFE</b>	1858.85	-3.94	<span style="color: red;">-0.21</span>	1471.88	1956.39	8.3
	<b>MSCI EM USD</b>	1001.02	5.93	<span style="color: green;">+0.60</span>	691.21	1044.05	26.0
<b>Americas</b>	<b>DJ Americas</b>	574.41	-2.88	<span style="color: red;">-0.50</span>	480.90	577.99	6.3
Brazil	Sao Paulo Bovespa	67529.85	180.13	<span style="color: green;">+0.27</span>	48066.67	7203	12.1
Canada	<b>S&amp;P/TSX Comp</b>	15589.66	-43.55	<span style="color: red;">-0.28</span>	13609.58	15943.09	2.0
Mexico	<b>IPC All-Share</b>	49563.05	-367.49	<span style="color: red;">-0.74</span>	43902.25	50154.33	8.6
Chile	<b>Santiago IPSA</b>	3681.90	-12.92	<span style="color: red;">-0.35</span>	2998.64	3786.05	14.2
<b>U.S.</b>	<b>DJIA</b>	20863.49	-79.62	<span style="color: red;">-0.38</span>	17063.08	21169.11	5.6
	<b>Nasdaq Composite</b>	6096.25	-32.89	<span style="color: red;">-0.54</span>	4574.25	6133.00	13.2
	<b>S&amp;P 500</b>	2387.54	-12.09	<span style="color: red;">-0.50</span>	1991.68	2403.87	6.6
	<b>CBOE Volatility</b>	10.89	0.68	<span style="color: green;">+6.66</span>	9.56	10	26.72 -22.4
<b>EMEA</b>	<b>Stoxx Europe 600</b>	394.39	-2.06	<span style="color: red;">-0.52</span>	308.75	395.45	9.1
	<b>Stoxx Europe 50</b>	3251.15	-12.61	<span style="color: red;">-0.39</span>	2626.52	3264.56	8.0
France	<b>CAC 40</b>	5383.42	-17.04	<span style="color: red;">-0.32</span>	3955.98	5442.10	10.7
Germany	<b>DAX</b>	12711.06	-46.40	<span style="color: red;">-0.36</span>	9214.10	12783.23	10.7
Israel	<b>Tel Aviv</b>	1422.53	2.42	<span style="color: green;">+0.17</span>	1372.23	1490.23	-3.3
Italy	<b>FTSE MIB</b>	21482.52	-70.29	<span style="color: red;">-0.33</span>	15017.42	21696.78	11.7
Netherlands	<b>AEX</b>	534.24	-1.42	<span style="color: red;">-0.27</span>	409.23	537.84	10.6
Russia	<b>RTS Index</b>	1105.83	-5.81	<span style="color: red;">-0.52</span>	873.58	1196.99	-4.0
Spain	<b>IBEX 35</b>	10861.40	-173.40	<span style="color: red;">-1.57</span>	7579.80	11184.40	16.1
Switzerland	<b>Swiss Market</b>	9064.88	-24.92	<span style="color: red;">-0.27</span>	7475.54	9121.10	10.3
South Africa	<b>Johannesburg All Share</b>	54114.00	-140.35	<span style="color: red;">-0.26</span>	48935.90	54704.22	6.8
Turkey	<b>BIST 100</b>	95114.06	-1080.14	<span style="color: red;">-1.12</span>	70426.16	96491.03	21.7
U.K.	<b>FTSE 100</b>	7386.63	1.39	<span style="color: green;">+0.02</span>	5788.74	7447.00	3.4
<b>Asia-Pacific</b>	<b>DJ Asia-Pacific TSM</b>	1586.63	5.85	<span style="color: green;">+0.37</span>	1308.52	1587.75	11.5
Australia	<b>S&amp;P/ASX 200</b>	5878.30	2.90	<span style="color: green;">+0.05</span>	5103.30	5956.50	3.8
China	<b>Shanghai Composite</b>	3061.50	8.72	<span style="color: green;">+0.29</span>	2806.91	3288.97	-1.4
Hong Kong	<b>Hang Seng</b>	25125.55	110.13	<span style="color: green;">+0.44</span>	19694.33	25125.55	14.2
India	<b>S&amp;P BSE Sensex</b>	30250.98	2.81	<span style="color: green;">+0.01</span>	25230.36	30250.98	13.6
Indonesia	<b>Jakarta Composite</b>	5653.01	...	<b>Closed</b>	4704.22	5726.53	6.7
Japan	<b>Nikkei Stock Avg</b>	19961.55	61.46	<span style="color: green;">+0.31</span>	14952.02	19961.55	4.4
Malaysia	<b>Kuala Lumpur Composite</b>	1775.39	8.83	<span style="color: green;">+0.50</span>	1614.90	1778.47	8.1
New Zealand	<b>S&amp;P/NZX 50</b>	7489.71	65.51	<span style="color: green;">+0.88</span>	6664.21	7571.11	8.8
Pakistan	<b>KSE 100</b>	51426.01	322.48	<span style="color: green;">+0.63</span>	36048.76	51426.01	7.6
Philippines	<b>PSEI</b>	7816.40	22.23	<span style="color: green;">+0.29</span>	6563.67	8102.30	14.3
Singapore	<b>Straits Times</b>	3271.11	21.14	<span style="color: green;">+0.65</span>	2729.85	3271.11	13.6
South Korea	<b>Kospi</b>	2296.37	26.25	<span style="color: green;">+1.16</span>	1925.24	2296.37	13.3
Taiwan	<b>Weighted</b>	10001.48	33.16	<span style="color: green;">+0.33</span>	8053.69	10001.48	8.1
Thailand	<b>SET</b>	1550.27	-10.04	<span style="color: red;">-0.64</span>	1381.69	1591.00	0.5

Source: SIX Financial Information/WSJ Market Data Group

### Currencies

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



Country/currency

### London close on May 11

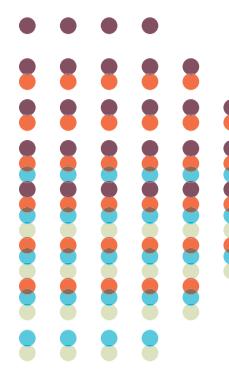
Country/currency	US\$ vs.		
	Thu	in US\$	per US\$ (%)
Europe			
Bulgaria leva	0.5557	1.7996	<span style="color: red;">-3.2</span>
Croatia kuna	0.1464	6.831	<span style="color: red;">-4.8</span>
Euro zone euro	1.0868	0.9202	<span style="color: red;">-3.2</span>
Czech Rep. koruna-b	0.0409	24.467	<span style="color: red;">-4.7</span>
Denmark krone	0.1460	6.8477	<span style="color: red;">-3.1</span>
Hungary forint	0.03504	285.40	<span style="color: red;">-3.0</span>
Iceland krona	0.009498	105.28	<span style="color: red;">-6.8</span>
Norway krone	0.1163	8.5966	<span style="color: red;">-0.6</span>
Poland zloty	0.2577	3.8808	<span style="color: red;">-7.3</span>
Russia ruble-d	0.01755	56.992	<span style="color: red;">-7.0</span>
Sweden krona	0.1126	8.8833	<span style="color: red;">-2.5</span>
Switzerland franc	0.9932	1.0068	<span style="color: red;">-1.2</span>
Turkey lira	0.2794	3.5792	<span style="color: red;">1.6</span>
Ukraine hryvnia	0.0378	26.4225	<span style="color: red;">-2.4</span>
UK. pound	1.2876	0.7766	<span style="color: red;">-4.1</span>
Middle East/Africa			
Bahrain dinar	2.6516	0.3771	<span style="color: red;">-0.01</span>
Egypt pound-a	0.0554	18.0533	<span style="color: red;">-0.4</span>
Israel shekel	0.2770	3.6095	<span style="color: red;">-6.2</span>
Kuwait dinar	3.2803	0.3049	<span style="color: red;">-0.2</span>
Oman rial	2.5977	0.3850	<span style="color: red;">-0.003</span>
Qatar rial	0.2746	3.641	<span style="color: red;">0.02</span>
Saudi Arabia riyal	0.2666	3.7505	<span style="color: red;">-0.01</span>
South Africa rand	0.0749	13.459	<span style="color: red;">-2.5</span>
WSJ Dollar Index	90.46	-0.03	<span style="color: red;">-0.04</span>

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 12 p.m. ET

Coupon	Maturity, in years	Yield
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# MARKETS

## Taiwan Stocks Reach Milestone

BY ESE ERHIERIENE

Taiwan's main stock index finished at a 17-year high Thursday and closed above 10,000 points after two months of testing the milestone, as continued iPhone-related hopes bolster the trade hub's growth prospects.

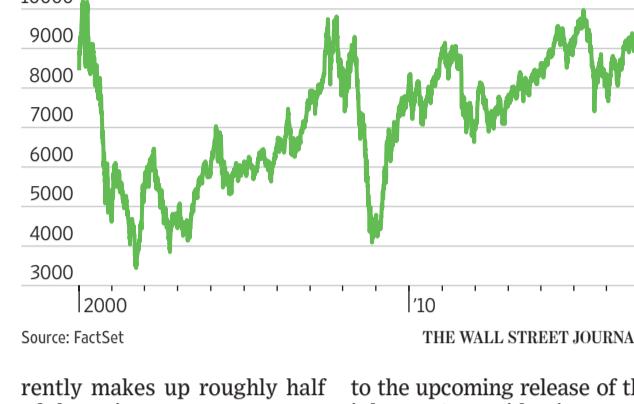
The Taiex stock index ended Thursday up 0.3% at 10,001.48, and has gained 8.1% this year. It has risen steadily for the past year after bottoming out just below 8,000 last May. Strong global demand for consumer electronics and technology products has been fueling gains, Commerzbank said recently.

Taiwan's exports have risen for seven consecutive months from a year earlier, including April's 9.4% growth amid an 11% increase in electronics components.

While the Taiex has moved above 10,000 points during intraday trading recently, it always fell back before the close. The last time it closed above 10,000 points was in 2000, just before the U.S. tech-stock bubble burst. Tech cur-

### Taiex Takeoff

Hope for strong demand for electronic components made in Taiwan is boosting the index.



THE WALL STREET JOURNAL



MIKE SEGAR/REUTERS

Apple suppliers call Taiwan home.

rently makes up roughly half of the Taiex.

Taiwan has been a hot destination for foreign equity investors in emerging markets, in part because of how it is leveraged to Apple Inc. Many of the company's iPhone suppliers are based on the island, and the 10th anniversary edition due out this year has been eagerly awaited.

"Electronics demand should remain buoyant during the peak season this year, thanks

to the upcoming release of the iPhone 8," said Singapore-based investment bank DBS.

Apple shares have been reaching a series of records, and many Taiwan stocks have followed. Apple stock was up 32% this year through Wednesday, while in Taiwan camera-lens module maker Largan Precision has jumped 31% and casing supplier Catcher Technology is up 44% as of Thursday's close.

Then there is the index

heavyweight, Taiwan Semiconductor Manufacturing, with a market cap of NT\$5.38 trillion (US\$177.8 billion). The stock has been hitting repeated records—rising 14% this year and up 41% from a year earlier—amid persistent growth in demand for its chips. The company has logged double-digit revenue growth each of the past five years.

Whether the Taiex can add to its gains could well be up to Apple's performance. Hopes

surrounding the coming iPhone have helped stoke Apple shares in recent months. But if before the projected September unveiling of the new handset there doesn't seem to be a wow factor, Apple's stock likely won't be the only one that pays the price.

Other risks also loom for Taiwan stocks. "Lingering uncertainties surround [President Donald] Trump's trade policy stance," Commerzbank noted as an example.

Still, investors remain broadly positive on the outlook for Taiwan tech stocks. Those companies' customers reach far beyond Apple to include heavyweights in South Korea and China, among other locales.

"We still quite like the tech sector overall," said Caroline Yu Maurer, head of Greater China equities at BNP Paribas Investment Partners. The firm is overweight on just TSMC amid caution on some companies' valuations after the recent rally, she said, but is always looking for companies to invest in.

—Kevin Kingsbury contributed to this article.

## Earnings Weigh On The Dow

BY RIVA GOLD AND AKANE OTANI

U.S. stock indexes pulled back as disappointing earnings reports dragged down shares of consumer-discretionary companies.

THURSDAY'S MARKETS Near midday in New York, the Dow Jones

Industrial Average was down 78 points, or 0.4%, to 20,865. The S&P 500 lost 0.5% and the Nasdaq Composite shed 0.5%.

The moves represented one of the biggest swings in U.S. indexes this month. While individual stocks have gyrated in response to corporate earnings reports, stock indexes have barely budged, hovering around all-time highs.

Consumer-discretionary shares in the S&P 500 fell 0.8%, making them one of the worst-performing sectors in the broad index, after retail giants including Macy's and Kohl's posted tepid quarterly results. Shares of Macy's shed 14% after the firm reported a bigger-than-expected slide in revenue for the first quarter. Kohl's, which said same-store sales fell more than expected, lost 7%.

Technology shares, one of the best performers in the stock market this year, fell 0.5% in the S&P 500. Shares of Snapchat parent Snap plunged 19% after the company said Wednesday afternoon that it was struggling to maintain strong user growth.

The Stoxx Europe 600 slid 0.5%. In Asia, Japan's Nikkei Stock Average rose 0.3% and Hong Kong's Hang Seng Index added 0.4%, with both indexes finishing at their highest levels since 2015.

South Korea's Kospi climbed 1.2% to a fresh closing record.

## OPEC Takes Gloomier View on Oil

BY SUMMER SAID

OPEC boosted its forecast for oil-production growth from countries outside the cartel by more than 60%, the latest evidence surging U.S. production is dragging down efforts to raise prices.

In a monthly report, the Organization of the Petroleum Exporting Countries raised its estimate of 2017 production growth from non-OPEC producers to 950,000 barrels a day over last year's volume, up from last month's forecast of 580,000 barrels a day.

The new forecast is based largely on higher-than-expected output growth by U.S.

shale-oil producers and Canadian oil-sands operations. Both need relatively high oil prices to be profitable, and gains in recent months have given them an incentive to produce more.

For the U.S. alone, OPEC raised its outlook for production growth by 285,000 barrels a day to 820,000 a day compared with last year. It now estimates the U.S. will produce 14.45 million barrels a day this year of total liquids, which includes crude and similar substances.

"U.S. oil and gas companies have already stepped up activities in 2017 as they start to increase their spending amid a

recovery in oil prices," OPEC's Vienna-based research department said in the report. "In addition to the growth in the U.S., higher oil production is expected in Canada and Brazil."

The rise in non-OPEC supplies will reduce demand for OPEC's oil this year to 31.9 million barrels a day, down from last month's forecast of 32.2 million barrels a day, the report said.

The rising non-OPEC production, and reduced demand for OPEC oil, underscore the dilemma the cartel faces as it tries to boost oil prices by limiting its production. A six-month agreement struck in

November between OPEC and some non-OPEC suppliers capped output, but the resulting rising oil prices prompted North American producers—who didn't sign on to the agreement—to pump more.

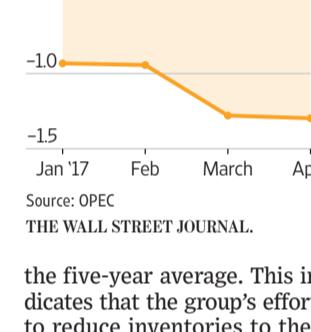
Now, OPEC is debating an extension to the earlier output reduction.

OPEC said its production declined by 18,000 barrels a day in April from a month earlier to average 31.73 million barrels a day.

OPEC said that stockpiles in the most industrialized nations increased from the fourth quarter by 31 million barrels to just over 3 billion, or 276 million barrels above

### Deeper Cuts

Change since December in OPEC crude-oil production, in millions of barrels a day



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the five-year average. This indicates that the group's efforts to reduce inventories to their five-year norm haven't paid off.

## HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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## Chief-to-Be At AIG Has Standing to Battle Icahn

American International Group Inc. is poised to choose a strong hand to restore confidence in the insurance giant.

AIG plans to name industry veteran Brian Duperreault as chief executive. The Wall Street Journal has reported. Mr. Duperreault spent more than two decades at the company, leaving in 1994. His experience running three other companies since then makes him a good choice now.

Most notably, as chief executive of ACE Ltd., Mr. Duperreault gained a reputation as a prudent underwriter who priced plans and set reserve levels conservatively.

This is precisely what AIG needs now, having taken surprisingly large increases in reserves in its property and casualty book twice in two years. The most recent, \$5.6 billion reserve boost prompted the resignation of Chief Executive Peter Hancock. AIG's reinsurance deal with Berkshire Hathaway should cap losses on policies written through 2015, but questions hang over AIG's underwriting since then.

Mr. Duperreault should have the credibility to reassure investors. He has the stature to stare down challenges from activist investors like Carl Icahn, a thorn in Mr. Hancock's side.

Mr. Duperreault's main shortcoming may be his age. At 70, he is unlikely to have a long tenure. That is a pity, since he will be the insurer's sixth chief executive in 12 years. At the moment, however, stabilizing the situation at AIG is the priority. Mr. Duperreault looks to be the right man for the job.

—Aaron Back

## BHP's Fight to Keep It Together

Breaking up is tough, but in the mining world, staying together may be even tougher.

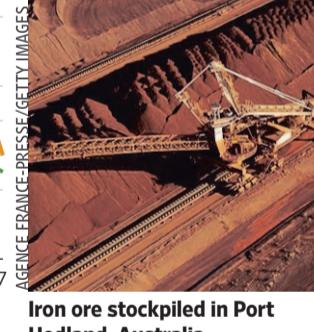
Despite a big rebound in profit last year, it has been a rough few weeks for the world's largest miner, BHP Billiton. Prominent shareholders Tribeca Investment Partners and Elliott Management have both called for it to shed some or all of its prized U.S. oil business. BHP, big in iron ore, copper and coal, has long argued that having an oil enterprise smooths revenue and sets it apart from pure mining peers like Rio Tinto PLC.

It is true that over the past two decades, BHP's stock has been less volatile than Rio's. Major ratings firms say BHP's oil assets keep earnings more stable when metal prices fall. That is one factor behind BHP's lower cost of capital—its bonds yield around 0.3 to 0.4 percentage point less than Rio's across different maturities, according to Thomson Reuters, despite a net-debt-to-equity ratio more than 10

### Crunch Time



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AGENCE FRANCE PRESSE/GETTY IMAGES

Iron ore stockpiled in Port Hedland, Australia

percentage points higher.

The problem is that BHP lacks the full advantages of a true oil major—it doesn't have an enormous refining operation to make up the difference when the price of crude falls. And producing oil is expensive, especially using techniques like fracking, which requires continually drilling holes to maintain output. The cash it eats up could be invested elsewhere or returned to share-

holders, although energy consultancy Woodmac says BHP's break-even costs in its premium Permian Basin shale acreage have fallen rapidly to around \$30 a barrel. The company has indicated it is considering unloading some higher-cost properties in the Fayetteville and Hawkbill shales.

As for BHP's argument about the benefit to investors, total shareholder returns have lagged behind

Rio's over both the past five years and 20 years. A chart of its underperformance against Rio in recent years looks very much like one of oil's underperformance against iron ore.

Right now, iron ore is selling off on signs of slowing Chinese growth, while oil has been flitting around \$50 a barrel. If oil truly crushes iron and copper in the years ahead, then BHP's bet will pay off, particularly for its low-cost conventional wells. But given the continuing explosion in U.S. fracking activity, that is far from guaranteed.

Meanwhile, investors who view BHP as an unwieldy hybrid of petroleum and metals businesses might prefer the company to stick to its mining knitting, investing wisely at the bottom of the metals price cycle and sending more cash their way—rather than down shale-oil wells—at the top. Absent clear evidence that its oil business is a must-have, the onus is now on BHP to prove its worth.

—Nathaniel Taplin

## Snap Fails First Test as Public Firm

Snap may have gotten its initial public offering out the door in the nick of time.

The Snapchat parent reported its first quarter of results as a public company late Wednesday, and the news wasn't pretty. Snap's loss of \$2.21 billion on revenue of \$149.6 million was far below what analysts expected. The results were hit hardest by \$2 billion in IPO-related compensation expenses.

But the more important metric was daily active user growth, which decelerated significantly year over year, marking Snap's fourth consecutive quarter of declines. Revenue fell from the previous quarter.

Shares plummeted 19% to \$18.58 by midday Thursday, near the IPO price of \$17.

It isn't uncommon for companies to pull out all stops in the quarter leading up to their IPO. Even Facebook faltered after its IPO.

For Snap, it is difficult to see how things will get better from here. The company has struggled to sustain its user growth as Facebook's Instagram has adopted many features that imitate Snapchat.

For its part, Snap said it was "just scratching the surface" in terms of its ability to show more ads to users. But even if that is true, Twitter has shown that there is a limit to how effective that revenue-growth strategy can be if user growth doesn't pick up.

Snap Chief Executive Evan Spiegel laughed when asked if Facebook scared him. "Just because Yahoo has a search box, doesn't mean they're Google," he said.

Few investors were laughing with him.

—Miriam Gottfried

## European Shares on the Verge of a Breakthrough

### Still Trying



THE WALL STREET JOURNAL

European stocks can be attributed to relief at the outcome of the French elections.

But that is really just a catalyst. The underlying outlook is more positive than when the previous record was set.

European earnings have been a disappointment for years now. But the first-quarter results season so far has been strong.

Crucially, earnings estimates for 2017 have been upgraded slightly, while recent years have seen consistent downgrades by this point, Morgan Stanley notes. Unloved sectors have started to show signs of life: Euro-

pean bank stocks have outperformed this year; Spanish stocks, still far below their pre-crisis peak, are up 17%.

Europe should also benefit as a play on global growth, given the region's exposure to emerging markets. Even with some concerns emerging around China and commodities prices again, the global growth outlook is still solid.

At the peak in 2015, the Stoxx 600 traded on a lofty 17 times forward earnings; it is now at 15.6 times.

If the index is to decisively break into new territory, European companies will need to keep delivering good news.

—Richard Barley

The wine  
many people  
mistake for a  
mere mixer



W4

# OFF DUTY



Gas vs.  
electric: two  
motorbikes go  
head to head

WS

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## A Video Auteur, You?

Blurry, shaky videos are all the rage, but do you really want to preserve your precious memories as a pixelated mess? Here, an easy guide to making your everyday footage more Spielbergian



JOE CARDIELLO

BY MICHAEL HSU

**G**IVEN HOW MUCH TIME I spend obsessively hate-watching crappy videos on Instagram and Snapchat these days, you'd think I'd be sold on the whole vernacular of smartphone video. In truth, I'm anything but.

Look, I'm fully aware that the off-the-cuff footage we record with our phones isn't supposed to be perfect. I get that the shaky shooting style conveys immediacy and realism. But I'm also concerned that we're trading our memories—hazy and fallible yet rich—for snippets of digital mush. We will end up with years of babies' first steps, girls' nights out and improbable holes-in-one preserved as nothing more than jittery blurs.

Not to sound alarmist, but I believe we're on the cusp of a collective mnemonic catastrophe.

The good news? We can easily save ourselves. Shooting a great video isn't much more difficult or time consuming than shooting a bad one. We just have to decide to do it.

This all hit me recently while I was watching a clip I'd recorded of my daughter's birthday. I had flubbed my duties as designated family videographer on a few prior occasions. (Once, I somehow failed to tap the record button and wasn't actually filming when I thought I was. Another time, my phone ran out of storage.) When this birthday rolled around, I'd learned my lesson: I triple checked that my phone was in working order. I scouted the ideal spot to stand—close to the action but not so near that I'd get in the way of the festivities.

Singing commenced. Candles flickered. Then came the momentous inhale and subsequent gale, followed by seven ten-drills of smoke and my daughter's ear-to-ear grin.

Did I notice the can of whipped cream crowding the frame

Please turn to page W2

## OFF DUTY

# CINEMATIC HOME FLICKS

Continued from page W1

as all this was happening? No, because I hadn't taken the time to check the composition before recording. In hindsight, I estimate that moving the offending canister out of the frame would have taken seven seconds.

I'm not saying we need to film our every backyard barbecue with Terrence Malick-like reverence. But if we're going to bank our memories to the cloud, don't we owe it to ourselves to make the videos as

### AUTEUR THEORIES // PRO TIPS ON SHOOTING SUPERIOR SMARTPHONE VIDEOS

#### Lose Your Jitters

"Be aware of the image while shooting, and notice if the shot is too jumpy. You can tell how much it's moving by looking in the corner of the frame. Move the camera smoothly and rather slowly. It'll feel like you are moving too slowly while shooting, but later, when you look at what you've shot, you'll find it looks right."

—Eleanor Coppola, director of "Paris Can Wait," in theaters this week

#### Ban the Pan

"I think people do too much panning—standing in place and pivoting your body. I really don't get it. Panning is hard on the eyes. It makes you nauseous. Instead, walk toward or away from someone or move to the left or the right. Use your feet to be your own camera dolly." —Barry Sonnenfeld, a director on "A Series of Unfortunate Events"

#### Go Wide

"The big one is obviously whether to shoot with the phone horizontal versus vertical. It's infuriating as a cinematographer to see vertical, but I just don't see us winning this battle. Nobody holds their phone horizontally, ever. But just shoot horizontally! This matches how we see the world. Our eyes are side by side." —Kieran Crilly, cinematographer of the Oscar-winning documentary "The Lady in Number 6"

#### Film With Abandon

"Use your smartphone camera to create video that breaks the rules. Once, I turned my camera on and ran as fast as I could along a dry grassy field." —Ms. Coppola

#### Move On Up

"Audio is also key to distinguishing better video. If people are talking, get close. Or better yet, use a plug-in mic." —Director Morgan Neville, whose series "Abstract: The Art of Design," was filmed in part on an iPhone.

#### Leverage Canine Talent

"What's really fun is to shoot video of your dog biting down on a ball that squeaks, because when you play it back in slow motion, it sounds exactly like a whale. Shooting footage of your dog making funny sounds in slow motion—that's a big one for me." —Mr. Sonnenfeld

—Edited from interviews by Chris Kornelis

competent and vivid as they can be?

A bunch of you are likely with me on this. "Yeah," you're thinking, "I am going to start taking great video!" But something is telling you that, as gung-ho as you may be now, the next time you pull your phone out of your pocket, you'll fall back to your old ways. Taking the time to frame your shot properly may be easy, but somehow you won't bother.

Travel writer Paul Theroux has described the act of snapping photos as "a way of forgetting." Indeed, researchers have found that people who photographed art in a museum remembered fewer details about the works than those who hadn't—perhaps because by stepping behind the camera, we step out of the moment. When I need a kick in the pants to take better video, I remind myself that hitting record doesn't supplement memories; it supplants them.

Once you delve seriously into the craft of smartphone videography, you'll find a sea of specialized equipment to buy, most with steep learning curves: anamorphic lenses to give your shots a cinematic depth of field, pricey Steadicam-like devices for capturing expert tracking shots. But you needn't spend a lot of money or learn what "desqueezing" video entails to considerably up your game. There are plenty of easy steps you can implement tomorrow, as well as practical add-ons to tap your inner Spielberg.

To start, keep in mind that all the basic rules of photography apply when filming on a smartphone: If you're shooting people, hold the camera high to avoid the unflattering up-the-nose view. Don't leave too much space above your subjects' heads (step closer if you need to). Avoid recording someone standing directly in front of a bright light or window—which will backlight your subject. If you're tracking scampering puppies or other fast-moving objects, don't center them in the frame—leave some extra space in the direction they're moving, so they don't feel like they're about to run off the screen.

This is a no-brainer, but try to hold your phone straight, people. Admittedly, it's easier said than done. If you botch this and are kicking yourself after the fact, don't sweat it. You can manually tilt the clip using the Chromic app for iOS (free, \$5 for full version).

The beauty of smartphone videography is that you don't have to know a thing about exposure settings or focusing to do it at least semi-right. If the area you want to zero in on looks blurry or too bright or dark, just tap it and let the software do the rest.

And if you're going to use your phone primarily as a camera, make it just a camera. When recording a video more than a few minutes long, put your phone on airplane mode. The Wi-Fi and cellular components can make subtle noises that you definitely don't want to memorialize along with your child's cello recital.

Last, less is often more. As tempting as it may be to swoop and pan, you'll find your videos a lot less tiring to watch if you keep your camera still. A small tripod like the GripTight ONE GP Stand (\$35, joby.com) will allow you to set and forget it.

### STEADY ON // THREE WAYS TO SMOOTH YOUR SHOTS WITH A SELFIE STICK



**GRIPPING DRAMA** You don't have to be a narcissist to adore the selfie-stick. It's one of the handiest tools for shooting jingle-free video of others (not yourself). The key is to hold the stick with two hands and to keep your elbows locked against your body.



**SMOOTH MOVES** Use your selfie stick to record a tracking shot by walking sideways. No matter how smooth your gait, you'll get some jitter, but that is easily remedied by running your video through a stabilization app. Emulso (\$3 for full version) for iPhone works wonders. If you're on Android, try the stabilization feature of Google Photos (free, feature available only in Android app).



**ZOOM TIMES** The same technique as above applies for a track-in shot: Walk gingerly toward your subject while holding your selfie-stick firmly with two hands.

ARTHUR MOUNT; NETFLIX (SONNENFELD); F. MARTIN RAMIN/THE WALL STREET JOURNAL (ACCESSORIES)

### LIGHTS, CAMERA ACCESSORIES, ACTION! // THREE EASY-TO-POCKET GADGETS TO BESTOW YOUR PHONE'S CAMERA WITH SERIOUS CHOPS



#### The All-Encompassing Lens

Want to squeeze more into your shot without having to frantically pan back and forth? Attach the **Amir 2-in-1 Professional HD Camera Lens Kit** (\$29, [amazon.com](http://amazon.com)), which includes a 0.6x superwide-angle lens as well as a 15x macro lens. Not only does it excel at capturing sprawling landscapes, it comes in handy when you can't back up far enough to frame everything you want (like your child's 60-member elementary-school orchestra). This admittedly imposing lens may be larger than other clip-on models, but it significantly expands your view with minimal distortion—at a price that's hard to beat.

The near-universal design allows it to work with pretty much any smartphone.



#### The Degrabbling Mic

You've probably watched videos where everyone sounds like they're talking under a pillow. The probable culprit? The videographer's hands. Because the smartphone's mics sit across from the camera lens, they're easy to block as you try to hold the phone steady. The cure is simple: Grip your phone by the long edges, away from the mics. In noisy environments, it also helps to attach a stereo external microphone, like the **Shure MV88** shown (\$150, [shure.com](http://shure.com)), which is compatible with newer iPhones, or the **AmpRidge MightyMic S** (\$50, [ampridge.com](http://ampridge.com)), which works with most smartphones that have a headphone jack. These will highlight sounds that are directly in front of them, accentuating what's visible in the frame.



#### The Shot-Saving Light

Smartphones are getting eerily good at recording in low light, but they still struggle to shoot in very dark locations (trendy restaurants, outdoor garden parties on moonless nights). In these situations, outfit your phone with a clip-on light, like the **Pickogen Flash** shown above (\$18, [amazon.com](http://amazon.com) for **Universal Clip-On Mini LED Light**) or **Amir 2-in-1 Cellphone Lens with Beauty LED** (\$17, [amazon.com](http://amazon.com)). Their LEDs cast a glow that's adequate for filming but not blindingly bright. Just make sure to stick close to your subject—a couple of feet away at most—as the lights aren't powerful enough to illuminate from a distance.

## OFF DUTY



**A**  
**is for Ancient**  
A true classic, the lace-up gladiator takes its cues from Athens's glory days. **Lucile Sandals, \$231, [kjacques.fr](http://kjacques.fr)**



**B**  
**is for Birkenstock**  
Give this summer wardrobe workhorse an upgrade with metallic leather. **Gizeh Sandals, \$135, [birkenstock.com](http://birkenstock.com)**



**C**  
**is for Cactus**  
A rare species in the sandal world but far from dry. **Xacactus Sandals, \$945, [Manolo Blahnik, 212-582-3007](http://ManoloBlahnik.com)**



**D**  
**is for Denim**  
Artfully frayed one-straps are the footwear equivalent of your favorite cutoffs. **Lola Sandals, \$695, [gianvitorossi.com](http://gianvitorossi.com)**



**E**  
**is for Embellished**  
A flood of beads dresses up the shower slide. **Sandals, \$995, [lanvin.com](http://lanvin.com)**



**F**  
**is for Platform**  
Elevation without the aches. Effortless as summer should be. **Flap Sandals, \$625, [robertclergerie.com](http://robertclergerie.com)**



**G**  
**is for Gingham**  
Fun, feminine and reminiscent of 1960s Brigitte Bardot. **Alexandre Birman Sandals, \$525, [bergdorffgoodman.com](http://bergdorffgoodman.com)**



If Cookie Monster got a pearly makeover, it might resemble this fuzzy friend. **Slides, \$950, [miumiu.com](http://miumiu.com)**



**I**  
**is for Island**  
A festive, fruity topping adds flair to breezy white dresses. **Tropical Tara Sandals, \$695, [charlotteolympia.com](http://charlotteolympia.com)**



**J**  
**is for Jazzy**  
With a dance-till-dawn heel, this shoe would earn the approval of Zelda Fitzgerald and her ilk. **Francesco Russo Sandals, \$990, [net-a-porter.com](http://net-a-porter.com)**



**K**  
**is for Knotted**  
Tied-up leather nobs high-fashion returns, especially in a burnished gold hue. **Sandals, \$650, [alumnae.nyc](http://alumnae.nyc)**



**L**  
**is for Logo**  
Icons never go out of style. Case in point: this emblematic 'H' flat from Hermès. **Oran Sandals, \$690, [hermes.com](http://hermes.com)**



**M**  
**is for Mismatched**  
Now sanctioned by Céline, odd couples are no longer a misstep. **Sandals, \$790, [Céline, 212-533-3700](http://Celine.com)**

## Open-Toe Season

With sandal styles proliferating like dandelions, the time is right for an A-Z guide. Here, 26 fresh, fun pairs—plus a few summery nail-polish combinations

BY CHRISTINE WHITNEY

**IT'S UNCLEAR IF** there's a scientific correlation between temperature and the expressiveness of accessories. But as the weather heats up and women show more skin, they seem to gravitate to more conspicuous trimmings. "Shoes especially need to make more of a statement," said Jennifer Mankins, owner of Brooklyn-based boutique chain Bird.

She's referring mostly to sandals, the alpha-shoes of summer footwear. Ms. Mankins, who recently opened a Los Angeles outpost, is stocking more designs than ever this season—from Loeffler Randall's floral-print platforms to one-strap Birkenstocks in unexpected colors like olive and turquoise.

Sandals certainly deliver more free-

dom, both physically (no more suffocated toes) and aesthetically (with their endless fantasias on strappiness). Stephanie von Watzdorf, founder and creative director of summery, bohemian label Figue, thinks sandals hold an emotional draw. Currently she's pulled in by metallics and hot colors, which can be dressed down for day and up for evening; cue flowy dress. We reserved "T" in our A-Z for her tasseled Scaramouche sandals in icy blue.

While you can't err with a simple slide, a more dramatic pair can really make a summer look. "Why is someone going to pick up another sandal?" asked Ms. Von Watzdorf. "It has to have something about it that is different." We found 26 footloose pairs that tick all the boxes.



**O**  
**is for Over-the-Top**  
More is never too much in sandal form—even with beads, feathers, studs and animal prints. **Voo Doo Sandals, \$1,250, [Aquazzura, 347-328-0080](http://Aquazzura.com)**



**Q**  
**is for Quilted**  
A Chanel bag translated into summery footwear. **Sandals, \$995, [Chanel, 212-355-5505](http://Chanel.com)**



**S**  
**is for Sporty**  
The outdoorsy Teva, elevated to go beyond the trails. **Sandals, \$495, [Prada, 212-334-8888](http://Prada.com)**



**W**  
**is for Wedge**  
A shoe with the altitude of a stiletto and the stability of a flat is always alluring. **Sandals, \$1,550, [Salvatore Ferragamo, 866-337-7242](http://SalvatoreFerragamo.com)**



**T**  
**is for Tasseled**  
Tassels add a dash of bohemian whimsy. Jewel colors, optional. **Scaramouche Sandals, \$225, [Figue, 631-527-5111](http://Figue.com)**



**U**  
**is for Understated**  
Subtle, classic and go-anywhere, a one-strap, low block-heel is a staple. **Sereno Sandals, \$228, [mgemi.com](http://mgemi.com)**



The work of Italian glass-master Carlo Scarpa provided inspiration for this high-art pair. **The Row Sandals, \$1,050, [barneys.com](http://barneys.com)**



**X**  
**is for XX**  
Chromosomes, that is. It doesn't get more feminine than a pretty, crystal-encrusted silk flat. Cinderella should have been so lucky. **Mia Sandals, \$690, [oscardelelarenta.com](http://oscardelelarenta.com)**



**Y**  
**is for Yellow**  
The sunshiny hue is an instant mood—and outfit—enhancer. **Paul Andrew Sandals, \$495, [Stanley Korshak, 214-871-3600](http://StanleyKorshak.com)**



A simple sandal shape like this can temper a zebra print's wildness. **Srl Sandals, \$875, [sergirossi.com](http://sergirossi.com)**

LACQUER SUPERIOR // SANDALS AND PEDICURES GO TOGETHER LIKE PB & J. HERE, OUR EXPERT TIPS ON MATCHING SHOES AND POLISH SHADES



**Nude + 'Nostalgia'**  
Hues like 'Nostalgia' (\$18, [jinsoon.com](http://jinsoon.com)) are universally flattering and amp up a nude sandal's leg-lengthening effect.



**Sport + 'Shut Up and Dance'**  
Temper the sweaty connotation of Teva-like sandals with a hot pink a la 'Shut Up and Dance' (\$20, [deborahlippmann.com](http://deborahlippmann.com)).



**Gingham + 'Gitane'**  
A glossy, vixenish red like 'Gitane' (\$28, [chanel.com](http://chanel.com)) takes folksy gingham from sweet to considerably sassy.



**Ancient + 'African Violet'**  
Classics, like the natural-hued strappy flat, can get staid. Update them with the pop of 'African Violet' (\$36, [tomford.com](http://tomford.com)).



**Over-the-Top + 'Optic White'**  
The unexpected power of 'Optic White' (\$27, [dior.com](http://dior.com)) stands up well to Aquazzura's intense maximalism.

## OFF DUTY

ON WINE LETTIE TEAGUE



# The Wine Lover's New (Old) Best Friend

**WHEN I TOLD** a friend I was writing a column about vermouth, she responded with surprise. "But vermouth isn't wine!" she replied. In fact, this venerable, spice-infused, fortified drink is made from wine. Christopher Tracy, winemaker of Channing Daughters Winery in Bridgehampton, N.Y., told me that quite a few visitors to his tasting room were taken aback by this news as well. "But they love it when they taste it," he said.

Mr. Tracy is one of a new breed of American vermouth makers producing novel and exciting versions of an old staple. While some, like Mr. Tracy, are professional wine-makers, others, like New York lawyer Adam Ford of Atsby, are making their vermouths on the side. They all share a passion some admitted was not necessarily wise.

Neil Kopplin of Oregon-based Imbue Vermouth jokingly characterized his decision to make this drink with two friends—one a winemaker and both now his business partners—as a "dinner conversation gone horribly, horribly wrong." They knew it was a product few people understood, yet they hoped to appeal to "young professionals with discerning taste who can grasp that this is a wine-based product you can pour over ice and drink by itself," Mr. Kopplin said.

A tall order, perhaps, but that's how vermouth is usually consumed in Europe—not as a component in a Manhattan or martini, as in the U.S. Back in 1786, in Turin, Italy, Antonio Benedetto Carpano created vermouth to be sipped as an aperitif. He infused a white wine with herbs and spices, and it was an immediate hit, so popular that Turin cafes reportedly had to stay open day and night to meet the demand.

The Carpano Antica Formula 1786 vermouth remains the standard by which other sweet vermouths are judged, and Italy is considered the de facto home of sweet vermouth. But we have France to thank for dry vermouth. Almost three decades after Mr. Carpano's invention, a French herbalist named Joseph Noilly infused white wine with his own secret combination of herbs and spices—and presumably less sugar. (Dry vermouth today is drier than sweet vermouth but can still be rather sweet; those looking for the driest should seek out "extra-dry" bottles.) Noilly Prat vermouth, named for Mr. Noilly and his son-in-law, Claudius Prat, endures today, though it's now owned by Bacardi.



F. MARTIN RAMIN/THE WALL STREET JOURNAL

Even drinkers who don't know much about vermouth know these basic types, sweet and dry. They probably also think that sweet is red and dry is white (not always true), and that red vermouth is made with red wine. (Often it's white wine with coloring added.) They probably don't know that unlike other fortified wines such as Port, which has a

the E.U. must be no less than 75% wine. (In some cases, the percentage is as high as 95%).

The wine itself, made from grapes of the producer's choice, may be aged in a barrel for years or just a short time. The addition of a fortifying neutral spirit raises the alcohol level, and sweetness most often comes from sugar syrup or honey (a lot or a little). The producer's proprietary blend of botanicals and spices may be infused into the neutral spirit before blending or added afterward to the fortified wine.

That last step is where vermouth can get a bit wild—particularly some of the new American styles. While traditional European vermouths might be infused with spices like cloves, cinnamon, juniper and coriander, some American vermouths are also infused with vegetables such as wild celery, mushrooms, cucumbers and zucchini.

Another difference between American vermouths and their European counterparts: While the latter must contain wormwood, a bitter plant also used in the production of absinthe, it's not required stateside.

(The word "vermouth" actually derives from the German word for

wormwood, "wermut.") Some European producers question American vermouth's authenticity because of this, something Mr. Kopplin believes makes no sense. "That conversation needs to go away," he said.

Mr. Kopplin's Imbue Bittersweet Vermouth was one of the 12 vermouths I purchased for my recent tasting of European and American brands. It was a particularly diverse tasting, not only in terms of flavors but in terms of bottle size and price, too. The bottles ranged from \$4 to \$45 and from half bottles to 500 ml (a size between half and full) to full size. Alcohol levels ranged from 16.5% to a whopping 21.5%, though most were between 17% and 18%. The labels were also among the most colorful and interesting of those found on any group of wines I've tasted lately—a fact not lost on the five friends, all artists, whom I invited to join my tasting.

All five were regular wine drinkers, yet only one, Jen, knew vermouth was a wine. "I was once a bartender," she explained. Jen and Allison brought gin and vermouth and other cocktail components along, but I asked everyone to taste the vermouths alone and then de-

cide if they wanted to drink them over ice or mixed into cocktails.

I arranged the vermouths more or less from driest to sweetest and from simplest to most complex. First up was the Tribuno Extra Dry (\$4, half bottle), in which everyone detected a basil aroma and not much more. Something to use in cocktails or cooking. The Noilly Prat Extra Dry (\$8, half bottle) rated a half-step up: slightly spicy, slightly sweet, a decent (cheap) aperitif. The Dolin Dry Vermouth de Chambéry (\$10, half bottle) soared a league upward and was a universal hit. "I'm going to drink all of this," Tom declared. It was well-balanced and lively with a slightly bitter note. The Dolin Blanc (\$15, 750 ml bottle) was also good but deemed a bit too sweet to drink on its own. "Better in a mixed drink," Nancy said.

The universally approved Imbue Bittersweet Vermouth (\$27, full bottle) was the only bottle left completely empty at the end of the night. Unlike the others, it tasted "like a wine first," with interesting spice side notes. The Hammer & Tongs Sac'Résine Fine Vermouth (\$30, full bottle), made in Oregon with a label declaring it "Safe, Sure & Pleasant," went down exactly as advertised. Another hit, the Contratto Bianco Vermouth (\$14, half bottle), sported a label as much admired as the wine itself, which the group found "attractive, like a light Amaro," though a bit sweet.

The vermouths from Uncouth, Channing Daughters and Atsby attracted both criticism and praise for their strong characters. The Uncouth (\$35, 500 ml) had a "pronounced vegetal character," said Sue—Nancy called it "kale juice"—but Allison liked its "honey" aromas. Sue detected in Channing Daughters' VerVino Vermouth (\$28, full bottle) notes of "pickled cucumbers, pickled vegetables," and everyone thought it was bitter. Jen considered the Atsby Armadillo Cake (\$38, full bottle) the vermouth best suited to a cocktail and mixed it into a superb Negroni. The Carpano Antica Formula 1786 (\$14, half bottle) was deemed a great dessert vermouth, with aromas of chocolate and ginger—perfect over ice paired with angel food cake, said Allison.

Who knew that vermouth was not only a wine but a wildly interesting and mysterious one as well? As Mr. Kopplin noted, "Vermouth is not just agriculture. It's alchemy."

► Email Lettie at [wine@wsj.com](mailto:wine@wsj.com).

## OENOFILE // 5 VERMOUTHS FIT FOR SIPPING



**Imbue Bittersweet Vermouth** \$27 (full bottle)  
Oregon-based partners Derek and Jennifer Einberger and Neil Kopplin craft a classic dry sipping vermouth from Pinot Gris and top-secret botanicals. Just a touch sweet and a little bitter, a wonderfully balanced aperitif.



**Contratto Bianco Vermouth** \$14 (half bottle)  
Owned by the Rivetti family of the acclaimed La Spinetta winery, Contratto makes this sweet white vermouth from a 19th-century recipe. Marked by heady floral and citrus aromas, it's best over ice as a digestif or aperitif.



**Dolin Dry Vermouth de Chambéry** \$10 (half bottle)  
A firm founded in the early 19th century, Dolin makes the rare PDO (Protected Designation of Origin) vermouth: light bodied, mildly herbal, slightly bitter and compulsively drinkable. Great for cocktails and on its own, on the rocks.



**Hammer & Tongs Sac'Résine Fine Vermouth** \$30 (full bottle)  
A waft of incense that Andrew Taylor of Oregon's Hammer & Tongs encountered in his youth inspired him to create this aromatic, lively, dry, savory vermouth made from Pinot Blanc.



**Carpano Antica Formula 1786** \$14 (half bottle)  
This Italian sweet vermouth, from a recipe dating to 1786, is the one by which all others are measured. It's rich and luscious, with aromas of chocolate, orange peel and gingerbread. Serve it with cake or even ice cream.

## HOW TO

### TRIM AND COOK AN ARTICHOKE

This spiny vegetable may look daunting, but it's actually a cinch to prepare. Here, a step-by-step guide

**ARTICHOKEs WERE** all the rage in the 1960s Los Angeles of my childhood. We lived just a few hours south of Castroville, "Artichoke Capitol of the World," and my appetite for this food only increased when I learned that Marilyn Monroe had once been queen of the town's annual artichoke festival.

Artichokes possess a certain glamour, to be sure, and a whiff of exoticism, too. Encountering one for the first time, some people are downright intimidated. But eating an artichoke is a simple and highly satisfying matter of pulling off one leaf at a time; dipping the fleshy end in melted butter, vinaigrette or mayonnaise; and dragging the leaf across your teeth to scrape off the luscious flesh. Once you reach the heart, remove the fuzz or "choke" with a knife or spoon, and sink your teeth into the succulent meat beneath.

Trimming and cooking an artichoke isn't much harder. You'll find the globe variety in supermarkets year round, and

right now is peak season. I like to boil them whole. The recipe at right includes a vinaigrette for dipping, punched up with curry and shallots. When a recipe calls for the hearts only, I cook whole artichokes first rather than enduring the more common—and tedious—process of removing the leaves and choke with a sharp knife while still raw. Once cooked, the choke comes out easily, and then you have the serendipitous snack provided by the cooked leaves. —Gail Monaghan



1. Cut off stem so base of artichoke is flat.



2. Cut off top third of artichoke.



3. Snip remaining thorny tips from leaves.



4. Voilà, trimmed and ready to use in the recipe at right.

## Whole Artichokes With Curry-Shallot Vinaigrette

Choose artichokes that feel firm and heavy for their size. A fresh artichoke will be a healthy deep green and still tightly closed; it should emit an audible squeak when you squeeze it.

TOTAL TIME: 45 minutes SERVES: 4

Make curry-shallot vinaigrette: In a medium bowl, combine 1 cup finely minced shallots, 1 clove garlic, minced, 1/4 cup minced chives, 1/4 cup minced parsley, 1/4 cup minced tarragon, salt and pepper to taste, 1/2 teaspoon mild curry powder, 1 large pinch of sugar, 1 tablespoon white wine vinegar, 1 tablespoon balsamic vinegar, 1 tablespoon fresh lemon juice and 1 cup olive oil. Whisk thoroughly. Let sit 15 minutes, then adjust seasonings to taste. Whisk again before serving. // Boil artichokes: Trim 4 medium or large globe artichokes and place in a lidded pot large enough to comfortably hold them and cover with salted water by at least 1 inch. Place a plate on top of artichokes to keep them submerged. Bring to a boil over high heat. Reduce heat to low, cover pot and simmer until outer leaves can easily be pulled off, 25–35 minutes (depending on size of artichoke). // Serve artichokes hot with individual ramekins or small bowls of curry-shallot vinaigrette, melted butter or room-temperature mayonnaise.

LIBBY VANDERPLUG



She's a fan.



To find out why Isabelle Huppert is a fan visit [mandarinoriental.com](http://mandarinoriental.com) ATLANTA • BANGKOK • BARCELONA • BODRUM • BOSTON • GENEVA • GUANGZHOU • HONG KONG • JAKARTA • KUALA LUMPUR • LAS VEGAS • LONDON • MACAU • MADRID • MARRAKECH • MIAMI • MILAN • MUNICH • NEW YORK • PARIS • PRAGUE • SANYA • SHANGHAI • SINGAPORE • TAIPEI • TOKYO • WASHINGTON D.C.

## OFF DUTY

# Welcome to the Jungle

Bushwhacking may no longer be required when touring Papua New Guinea, but the country's wild side is still very alive

BY SARAH GOLD

In a bush plane buzzing high above the jungle of central Papua New Guinea, I peered through the windshield from my passenger seat. Below, a dense carpet of green spread in every direction. Not a single road or sign of humanity interrupted it—only the Karawari River, winding through the trees like a thick, glittering snake. Suddenly, a few inches from my face, a hairy, mouse-colored spider the size of a toddler's hand emerged from a crevice between the plane's windshield and instrument panel. As it scuttled across the dials, the pilot grabbed his flight-log clipboard and delivered a mighty wallop to the intruder. It crumpled into a fuzzy wad between my shoes.

It was a near-perfect illustration of a lesson I'd learned repeatedly in Papua New Guinea: No matter how peaceable things seemed there, the wildness found a way in.

Most people would be hard-pressed to find Papua New Guinea on a map. The eastern half of a bird-shaped island off the northeastern tip of Australia (the western half belongs to Indonesia), it's about as far off-the-beaten track as you can get. Even those who have heard of the country likely only know it as a menacing backwater where young explorer Michael Rockefeller was devoured by cannibals in 1961. Can you blame tourists for staying away?

Even now, the country remains largely undeveloped. Much of the terrain is formidable, with thickly forested peaks rising as high as 15,000 feet. Many Papuans work as subsistence farmers or herders, residing in primitive villages, practicing the same tribal customs and speaking the same languages (more than 800 distinct tongues) as they have for centuries.

In the 1970s, when I was a child, my geologist uncle lived in Papua New Guinea with his family, apparently undaunted by cannibals. He'd



send photos of iridescent blue butterflies, wildly spotted possums and tribesmen clad only in paint and leaves—a real-life Land That Time Forgot sans dinosaurs.

When I finally went myself, last summer, I realized my presumptions about the place were shamefully outdated. Flying into Port Moresby, the country's capital, I passed over office towers and highways. I didn't stay in the capital—only stopped to change planes for Mount Hagen, a town in the Central Highlands—but

A hairy spider the size of a toddler's hand emerged from the windshield.

If I had, I could have booked the Port Moresby Crowne Plaza or Holiday Inn Port Moresby, both frequented by business travelers calling on one of the many foreign-owned mines or drilling rigs operating throughout the country. Still, beyond the capital and a few other highly populated areas, creature comforts in Papua New Guinea remain relatively rare.

Fortunately, for travelers like me who want to explore beyond the city without roughing it, touring options are becoming more plentiful and

cushier. Established outfitters like Abercrombie & Kent and Mountain Travel Sobek, which have offered bespoke or occasional trips there in the past, now run several group trips each year. The company I chose, Cox & Kings, arranged a guided itinerary for me, and two other American tourists, that took in three distinct regions of the country: a bustling hub, a frontier town and a far-flung jungle community. We stayed in three comfortable lodges, flew from place to place in bush planes and met new guides in each region.

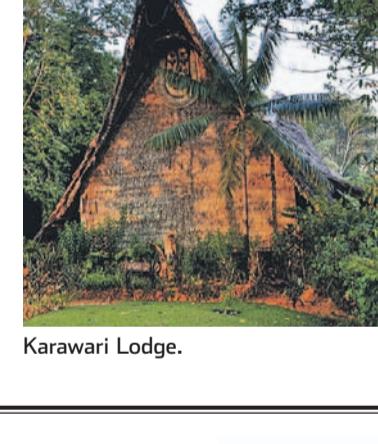
Our first few days were spent in Mount Hagen, a lively mountain town with open-air markets abundant with produce. We stayed at Rondon Ridge, a newly renovated lodge that accommodated a Rolling Stone a few years back, so our guide, Michael, eagerly told us. As with Port Moresby, Mount Hagen, with its paved roads and cell towers, looked more modern than I had expected, but on excursions from the lodge to nearby villages, we learned that deep-rooted traditions continue to hold sway.

Most local residents still live in bamboo-thatch huts, go barefoot, and till their coffee and sweet-potato fields with hand tools. We saw ceremonial dance performances that enacted tribal legends, the spookiest performed by "mud men" in baked-clay, helmet-like masks. We also met

farmers who had paid exorbitant bride prices (usually in pigs) for their multiple wives. One day we came across a solitary hut in the forest, not far from a modern medical clinic, where a man in a bark-cloth apron and feather headdress sat silently: a spirit doctor, holding office hours.

Our next stop was Tari, a high-mountain town that's been a home base, since the early 2000s, for a number of mining, oil drilling and natural-gas pipeline projects. There, the indigenous customs seemed much more fraught. Amid Tari's misty peaks and thunderous waterfalls live many of the local Huli people, whose cultural rituals are among the island's most colorful—no small claim. Local "wigmen," for example, sequester themselves for years at a time to grow, and then ceremonially harvest, their hair—which is used, along with feathers and bird wings, to make elaborate wigs that sell for great sums among other Huli men.

Other tribal codes in Tari, though, were far more unsettling. It turned out we'd arrived just as a long-simmering conflict between local clans had escalated to violence. The clash, according to our hosts at Ambua Lodge, the lushly landscaped, walled-in compound where we stayed for three days, ignited over land rights. My companions and I were warned not to stray off the lodge property, except on guided



Karawari Lodge.

minibus trips to visit other villages. On these rides, we passed crowds of tribesmen patrolling the roadways—all carrying machetes, axes or homemade single-shot rifles that had been cobbled together from scrap metal and steel pipe.

I was more than a little freaked out by the time we arrived in the remote Karawari River valley, our final destination. The Iatmul people there had, for centuries, stayed mostly cocooned from the outside world. They had also once been some of the country's fiercest head-hunters.

My unease lifted soon after we landed. Life along the wide, mud-colored river seemed the picture of serenity. Motoring in a small launch on our first day, I spied smoke rising from palm-roofed riverbank homes, fishermen drifting quietly in their dugout canoes.

Over the next few days, we visited local villages along the riverbank, where we found residents weaving fish baskets or grinding sago-palm flour. But not everything in the Karawari was idyllic. We met teenagers whose backs were patterned with raised "crocodile" scars from painful initiation ceremonies, and came across village "blood stones," stone pillars, which half a century ago warriors would decorate with the severed heads of their enemies.

On my last evening, over beers at Karawari Lodge with another guide, Chris, I asked him a question I'd been pondering: Could Papuans still maintain their traditions, with more new-world emissaries like me turning up? "I can only speak for myself," he said. "But I can tell you my culture is strong inside me. It always will be."

Just then, a twinkly arpeggio issued from his back pocket. Frowning, he pulled out a flip phone—the first I'd seen on the Karawari. "Sorry," he said. "I need to take this."

► For details on visiting Papua New Guinea, see [wsj.com/travel](http://wsj.com/travel).

## BECOME A LAYOVER PLAYER

To finagle two vacations for the price of one, choose your airline strategically

**LAST YEAR**, I flew from New York to Berlin for a conference, but cleverly squeezed in an en-route day in Oslo, taking in the delightfully gloomy Edward Munch paintings at a national art museum and savoring a leisurely lunch at an outdoor cafe. I not only sneaked in a side trip to a city I'd never visited, but shaved \$500 off the price of flying nonstop.

Airlines often throw in a "free" stopover to encourage travelers to spend a few days in their home airports (the "free" simply means that the fare won't rise if you choose to linger in the layover town.) The most popular pit stops are typically those on the edge of a continent, located part way to the ultimate destination. Iceland is currently the mother of all stopover points, thanks to Icelandair's aggressive ad campaign and cheap fares.

I got my Oslo fix thanks to Norwegian Air Shuttle, whose schedules allowed for a gap between connections long enough (seven hours) to let me swing by the city. Other airlines take a packaged approach, throwing in hotel and sightseeing discounts for stays ranging from a few days to a week. Here, six places well worth loitering in.

—Barbara Peterson



### 1 Lisbon

The Airline TAP Portugal

**The Deal** If you're heading anywhere in western Europe, or to North or sub-Saharan Africa, consider stopping off in the Portuguese capital. Portugal's flagship airline, TAP, recently added daily trans-Atlantic flights to the city from four U.S. gateways, including New York's Kennedy and Boston's Logan, and introduced stopovers of up to 72 hours, sweetening the deal with a free domestic flight to the wine hub of Porto.

**Power Pairing** Three days in Lisbon, then a week sunning and diving in Mozambique. That's a great one-two punch. [flytap.com](http://flytap.com)



### 2 Helsinki

The Airline Finnair

**The Deal** Finnair lets you stay up to five nights in the Finnish capital en route to more than 20 European, Middle East, and Asian destinations. For around \$150, you can get a two-day, one-night hotel and sightseeing package, saunas and airport transfers included. Up to around \$1,000 and hang around for the three-day package, which includes a side trip to the Arctic Circle.

**Power Pairing** Three days in Helsinki, taking in the sleek Nordic design scene, followed by five days in St. Petersburg touring the grand palaces and art museums. [finnair.com](http://finnair.com)



### 3 Reykjavik

The Airlines Icelandair and WowAir

**The Deal** Both airlines give free stopovers to passengers connecting through Iceland on flights from U.S. cities to European destinations. Icelandair will pair a traveler with a "stopover buddy," one of the airline's employees who will play tour guide/companion. Late, however, requests for this service have outnumbered available employees.

**Power Pairing** Three days in Iceland soaking in mineral baths and hiking the moon-like terrain followed by a four-day gastronomic feeding frenzy in Paris. [icelandair.us](http://icelandair.us), [wowair.us](http://wowair.us)



### 4 Abu Dhabi and Dubai

The Airlines Etihad Airways and Emirates

**The Deal** With Etihad you can spend up to two nights in Abu Dhabi on flights from the U.S. to dozens of destinations in Asia and Australia, plus discounts on activities like golfing. With Emirates, spend up to 96 hours in Dubai on flights from 11 U.S. cities to over 100 international destinations.

**Power Pairings** A desert safari in Abu Dhabi followed by a week of trekking in Nepal, or two nights at Dubai's glitzy Jumeriah Beach hotel, before moving on to a tropical resort in the Seychelles. [etihad.com](http://etihad.com), [emirates.com](http://emirates.com)



### 5 Singapore

The Airline Singapore Airlines

**The Deal** Passengers can get two free, unlimited-stay stopovers on each ticket, as well as hotel discounts at 30-plus hotels, including the Ritz-Carlton Millenia (from around \$300 a night for two, including airport transfers, and sightseeing and shopping discounts). You also score free drinks at the 1-Altitude bar and nightclub, on the 61st, 62nd and 63rd floor of One Raffles Place.

**Power Pairing** Two days roaming the street markets and skyscrapers of Singapore followed by a sojourn in Laos's ancient city of Luang Prabang. [singaporeair.com](http://singaporeair.com)

## OFF DUTY

# A Glutton's Guide to Bilbao

Few places merit a tasting tour like this Spanish city, whose stand-and-eat bar snacks are way more than just nuts



### STICKING TO IT

Café Iruña, a fine place to sample the Basque snack food pintxos, usually held together with a toothpick and paired with wine or beer.

BY J.S. MARCUS

**S**PAIN'S BASQUE Country fosters one of the world's great regional cuisines, but its symbol isn't a fancy foam or a funky animal part—it's the ordinary toothpick. The pick, it turns out, is the essential ingredient in the pintxo, a Basque snack food and a close relative of the tapa, eaten with a glass in hand. Named in honor of the stick that holds it together, the modern pintxo (pronounced "pincho") comes in every guise, from a tiny, pierced ham sandwich to an impaled column of festooned foie gras. What matters is that it can be eaten in a bite or two. Customers are often allowed to help themselves from open display trays; servers tally the bill by adding up the sticks.

Pintxos may be found in most Spanish cities these days, but to experience the form in all its variations, you have to go to Bilbao, the Basque Country's lone metropolis. Bilbaínos, as residents are called, like to space out several pintxos throughout the day. The bars, which may be open for breakfast and close after midnight, manage to cross coziness with elegance, like a mix between an old-fashioned American diner and a French wine bar. Two or three pintxos and a glass of wine will rarely set you back more than 10 euros (about \$10). In San Sebastian, the Basque beach resort and

culinary hub an hour away, the same meal can easily cost double.

Bilbao bars occur in clusters, encouraging bar hopping, and they tend to be short on seats, requiring you to combine leaning, drinking and noshing. Teresa Barrenechea, a Bilbao native and noted Basque cookbook author, describes the pintxo bar's requisite balancing act as "the art of eating while standing."

The city itself made a sudden splash internationally back in 1997, when Frank Gehry's Museo Guggenheim Bilbao first opened. But Bilbao has long been known among Spaniards for its prosperity and panache, marked by more than a solid century of industrial and financial prowess. Bilbao manages to be serenely classy and quaintly gritty. Now dominated by a much-improved waterfront, the city is highly walkable. Here, a strolling-and-snacking tour by neighborhood.

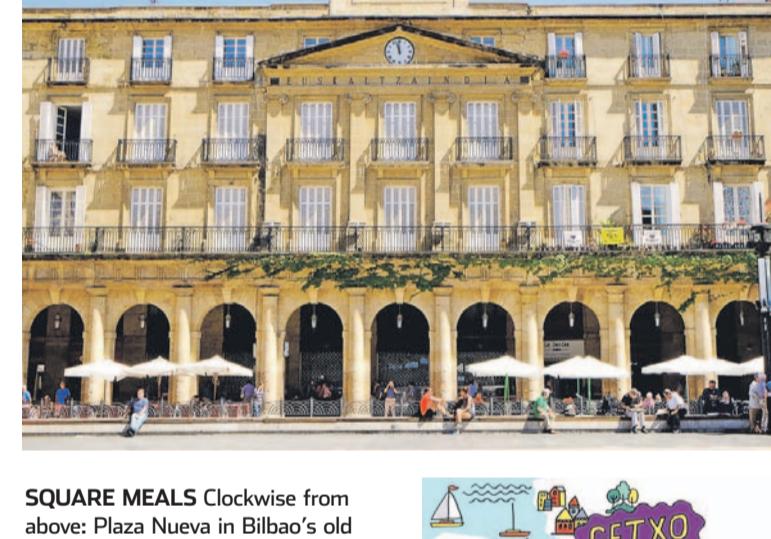
#### Abando

Around 1900, Bilbao's newly flush bourgeoisie built up the Abando district, and it's been the heart of the city ever since. Its architectural styles range from patently Parisian to something called "neo-Basque," which transferred the rustic, pitched-roof look of Basque farmhouses to factories and mansions. These days, Abando is also the place to find prime pintxo purveyors, notably set back on small, lively Maestro García Rivero street. Start at **El Huevo Frito**, a yolk-yellow hole-in-the-wall where a quail egg is the default ingredient for classic pintxos, like the *gilda*, combining olives, anchovies and pickled peppers along a single toothpick (*Maestro García Rivero 1; elhuevofrito.com*). Across the street at dark-hued **Bar Okela**, try the *pimento rozo relleno de rape o bacalao*, an earthy red pepper stuffed with a light fish soufflé (*Maestro García Rivero 1; barokela.com*).

Bilbao is Spain at its most Anglo-

#### BASQUE BOUNTY HUNTERS

Left: Bar El Globo, where tourists and Bilbaínos wait in line for freshly made crab pintxos. Below: A few offerings at Sorginzu.



**SQUARE MEALS** Clockwise from above: Plaza Nueva in Bilbao's old town; an eel sandwich at Gure-Toki; assorted pintxos at Café Iruña.

phile, and Abando's Jardines de Albia, an early 20th-century plaza-like park, looks like a Spanish riff on a green London square. It's also lined with pintxo bars. At **Café Iruña**, the neo-Moorish, Belle-Époque interior makes an apt backdrop for a *moruno*, or Moorish, pintxo—the lamb pieces, first grilled to order then pungently spiced, are eaten right off the skewer (*Colon de Larregui, 13; cafeirunibalo.net*).

Abando's elliptical Plaza de Federico Moyúa, once a sprawling mid-20th-century oddity, underwent a 1990s makeover thanks to the opening of subway stations designed by Norman Foster. The architect livened up the monumental square with surreal station entrances that look like giant Slinkies. One street away, on a key pintxo thoroughfare called Calle Diputación, **Bar El Globo** dishes up luscious gratinéed spider crab in a warmly lit room (*Diputación 8; barelglobo.es*). At Globo's neighbor, barebones **La Viña del Ensanche**, patrons crowd in at all hours to gobble down variations on a ham sandwich (*Diputación 10; lavinadelensanche.com*).

The northern end of Abando once gave way to an industrial area but is now home to the Guggenheim and other prestige projects. This is also the place to find Bilbao's modern bourgeoisie, living it up in bars that emphasize the wine as well as the food. At **Singular**, a sparsely stylish space with rough-hewed stone walls, the pintxos are a local legend. Marvel at the pocket-size perfection of small slices of Iberian ham dressed with a leek salad, on a thin slice of chewy, crusty bread (*Lersundi 2; singularbar.com*). Around the corner at an ornately tiled bar called **Mr. Marvelous**, the common tortilla—Spain's ubiquitous



omelet—gets a flavor upgrade thanks to caramelized onions (*Los Heros 18*).

#### Casco Viejo

Pintxo bars abound in Casco Viejo, Bilbao's historic old town, but few are standouts. Exception: a fine pair

hidden in the corner of Plaza Nueva, an arcade-lined neoclassical square. At the floodlit **Sorginzu**, order the *kokotxas de bacalao al pil-pil*, a Basque delicacy featuring succulent, expensive flesh from a cod's neck, and served with a labor-intensive, garlicky fish sauce. It's usually reserved as a dish for a formal dinner, but at Sorginzu it's a fast mouthful (*sorginzu.com*).

Next door, **Gure-Toki** brings wit to

its pintxos—in one, a yakitori chicken skewer serves as a swizzle stick, rising out of a shot glass

filled with silky potato cream (*guretoki.com*).

#### Getxo

Back in Bilbao's early 20th-century heyday, city industrialists abandoned Abando in the summer and reconvened in Getxo, a town at the mouth of the city's Nervion River, right at the Bay of Biscay. Once the Newport of Spain, it's now an upscale Bilbao suburb. Take a slow stroll on the waterfront **Muelle de Las Arenas**, a designated architectural walkway that offers views and

information on Getxo's grandest private houses hovering just above. Then duck into wood-lined **Bar Galea**, for some grand pintxos, starting perhaps with a fried pepper, stuffed with cod mousse and dressed with a rich sauce made with seafood stock (*Calle Mayor 22*).

#### San Francisco

As hilly as its American counterpart, and still mostly dodgy, San Francisco is now the requisite hipster hood. At **Peso Neto**, where tattoos and nose rings dominate, the pintxos on offer one May day included a portion of albondigas, or typical Spanish meatballs, atypically made from Black Angus beef topped with chipotle sauce and served in individual Mason jars (*San Francisco 1; pesoneto.es*).

Pintxos, no matter how small or humble, are meant to combine a range of flavors and textures. At Michelin-starred **Mina**, chef Álvaro Garrido asks diners to make a meal out of 14 pintxo-size and small-plate courses, including *guisante lágrima*—rare, tear-shaped peas, grown near the Basque coastline—set in rosemary and hen broth (*Muelle Mariana, restaurantemina.es*). Many Bilbaínos measure Mina as the city's culinary trendsetter. In the not-too-distant future, you might just walk into an ordinary bar anywhere in Bilbao and find a few extraordinary peas, just waiting to be picked up by a toothpick.



## OFF DUTY



EASY RIDERS BMW's gas-powered R nineT Scrambler (left) and the all-electric Zero DSR.

VALERO DOVAL

RUMBLE SEAT DAN NEIL



## Tale of Two Scramblers: A Gas vs. Electric Duel

**LARGELY OWING** to the European Union's new rules on motorcycle-tailpipe emissions and noise, known generally as Euro 4, a fleet of new and freshened two-wheelers have hit the market, and a lot of old bikes will never be the same. One of our guests, the BMW R nineT Scrambler, is a good for-instance of a Euro 4-compliant bike. Trainspotters may note the generous exhaust plumbing, the nice-sized catalytic converter between the foot pegs, and the big, upswung silencers. Be very quiet.

But just three years from now, by 2020, Euro 5 regulations will take another bite out of allowable emissions and noise. In the interim, cities in the EU will be fashioning low and no-emission zones that could ban gas-powered vehicles altogether by mid-decade. One way or another, European regulators aim to zero out urban motorcycle emissions.

"Zero" happens to be the name of our other test bike, the Zero DSR. Built in California around a very sexy box of batteries (13.0 kWh), it's fair to say the Zero embodies the end of the rainbow for Europe's clean-air authorities, about a decade hence: no tailpipe emissions, nearly silent, minimal charging requirements. Let's call that Euro 10.

Why should Americans care about Euro whatever? Because, with about 1 million sales annually, Europe is one of the world's largest markets for full-size motorcycles. Manufacturers who want to play in this sandbox must build bikes that comply with the EU's rules. And since it is uneconomic to build bikes that are only regionally compliant, Europe's rules effectively raise standards around the world.

That's right: Those waffle-eating bastards in Brussels are stealing

your freedom.

The BMW and the Zero are thus two bikes on the same timeline. They are both pricey, handsome dual-sport motorcycles, with hatched up bellies, enduro-style tires, comfortably upright rider posture, and added suspension travel for light off-roading. Both are rich in amour-propre, the reflected glory of ownership-signalling, if you like. Please, feel free to ask me about my progressive motorcycle.

What divides these bikes is their relation to the hastening future, to modernity itself. The BMW—the "scrambler" version of the protean R

Give the Zero's throttle a good twist. This thing will pull your arms off.

nineT series—glories in '60s nostalgia, in retro-bike details such as the round headlamps and analogue speedometer, the front telescopic fork with rubber gaiters. Authenticity yields to engineering in a few cases, such as BMW's Paralever cast-aluminum single-sided swing arm. The bikes have oil coolers, but BMW hopes you won't notice.

The most beguiling anachronism is the horizontally opposed twin "boxer" engine, 1,170cc displacement, here regulated to produce 110 hp at 7,750 rpm. This is an engine that, when you rap the throttle—*Verrrrrooom!*—the torque-jacking effect of the suddenly accelerating crankshaft pulls the bike over to the left, as if it were a dog wanting to roll over on its back.

Although not loud, the BMW's au-

ral textures—the rhythmic shuffling of pistons at idle, the mighty frap at full throttle—are pitch-perfect and immaculately curated. If you believe cool can be store-bought then the BMW is extra cool. It might as well come with a clip-on man bun.

The Zero, encased in videogame-like armor, emphatically self-identifies as futuristic and post-petroleum. It is certainly not the material equal of the BMW. The Zero's exterior design is sportbike generic; the plastic bodywork practically screams Chinese two-stroke; and the aluminum frame is pretty basic, from a manufacturing perspective.

Nor is the electric bike faintly as sensual, or charismatic, or companionable. At stop lights, the BMW thuds seductively at idle. The Zero is impassive, like a distant spouse.

But give the Zero's throttle a good twist. Yah. Whoa. Sheesh. This thing will pull your arms off, especially going from 0-30 mph. They should call it the Wookiee.

Propelled by a massively torquey electric motor (116 lb-ft) that is the company's secret sauce, the Zero's aim-and-squirt, no-shift acceleration in traffic is intoxicating, godlike. I'm serious when I say this bike's millisecond access to monster torque constitutes a safety feature. It's like Ali: too fast to hit. Weirdly, though, and unforgivably, the Zero doesn't feature traction control.

The Scrambler is a big, powerful bike, too, but the power rolls up with the gathering force of an ocean wave. And you have to be in the right gear. No gas-powered bike I've ridden could hope to have the finger-snap immediacy of the Zero humming through city traffic.

At touring speeds, the trade-offs for the electric bike accrue. The top sustained speed is given as 90 mph.

I wrung it out to about there, no biggy. It's happier at 75 mph.

The Zero's electric bits consist of the raging e-motor (70 hp at 3,500 rpm), bristling with gold-anodized cooling fins, situated under the saddle. Belt-driven, fixed gear-ratio. Nothing surprises about the Zero powertrain except the effrontery of torque. This bike, the "R" version of the DS model (hence the name), gets a whopping 775-amp, three-phase controller that allows it to unleash the big electrons.

Packaged low in the frame is the lithium battery brick, providing a nominal 147-mile range in city riding, says Zero. Or you can just remember: 70 miles at 70 mph. Hidden inside its faux gas tank is a 1.3-kW charger and a few feet of glorified extension cord. It's brilliant. I rode it through the backyard and up to an exterior outlet, where I left it plugged in overnight. The next morning was another 100 miles of range, several days worth for me. The battery pack carries a five-year,

unlimited-mileage warranty.

As with electric cars, the low center of gravity (c-of-g) defines the riding and handling. I had a chance to trail ride the Zero. Standing on the pegs, wheeling over broken ground at walking speeds, I struggled to modulate the e-throttle and front brake lever precisely, to balance the bike against the brakes and not fall over. The Zero's low-speed torque can't be feathered like the BMW's. But the Zero's low c-of-g makes it a stable platform off-road.

The BMW comes by its low c-of-g the old-fashioned way: with horizontal cylinders. It rides amazeballs, all the time, everywhere. Honestly, do these bikes even need any more praise?

The Zero is a preview of coming attractions: a technically superior, emotionally inferior motorcycle, effortless to ride, crazy fast, fetishy tech, and all electric.

And bikes like the BMW? We will certainly miss them.



### THE HEAD-TO-HEAD SPECS

#### 2017 ZERO DSR

**Price, as tested** \$15,995

**Powertrain** battery electric: air-cooled permanent-magnet, brushless DC motor; clutchless direct drive, with regenerative braking; 13.0 kWh lithium battery pack; integrated charger

**Power/torque** 70 hp at 3,500

rpm/116 lb-ft

**Wheelbase/weight** 56.2 inches/419

pounds

**0-60 mph** <4 seconds

**Top speed** 102 mph

**Range** 147/88 miles, city/highway

(55 mph)

#### 2017 BMW nineT Scrambler

**Price, as tested** \$14,145

**Powertrain** air/oil-cooled, four-stroke 1,170-cc flat twin with four-valve heads; single dry-plate clutch, hydraulically operated; six-speed gearbox; rear shaft drive

**Power/torque** 110 hp at 7,750

rpm/86 lb-ft at 6,000 rpm

**Wheelbase/weight** 60.1 inches/485

pounds

**0-60 mph** 3.6 seconds

**Top speed** 125+ mph

## BEACH BUDDIES

Upgrade your downtime in the sand and surf this summer with this ingenious trio of luxe, shore-friendly accessories



### FOR KICKING BACK ASSUREDLY Alite Calpine Chair

This scaled-down butterfly chair offers a full-size back rest and 15 inches of elevation, yet weighs a modest 3.3 pounds and collapses to fit in a bag just 27 inches tall and 6 inches thick. Unlike feeble beach chairs that wind up dented by mid-July, the Calpine, with its burly aluminum frame and legs, should survive many summers unscathed. \$100, [alitedesigns.com](http://alitedesigns.com)



### FOR ROCKING OUT BY THE SEA LifeProof Aquaphonics AQ10

Not only can this tough-guy Bluetooth speaker handle just about anything your trip to the beach can throw at it—wanton sand exposure, immersion in up to 3.3 feet of salt water, 4-foot falls onto the hellishly hot concrete by the concession stand—it also floats serenely. A sealed storage compartment gives you a spot to stash credit cards and keys. \$200, [lifeproof.com](http://lifeproof.com)



### FOR BLASTING SAND OFF WEARY BODIES WORX Hydroshot

For sun-workshopping neat freaks, this rechargeable "power cleaner" is a game changer. Using a special connector out next month, screw on a 2-liter bottle filled with fresh water, then pull the trigger to unleash a 59- to 320-psi spray. Before climbing into the car, blast every last grain of sand off your feet, foot-wear, beach gear and delighted offspring. \$120, [worx.com](http://worx.com)

# MANSION

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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THE WALL STREET JOURNAL.

*I like large parties. They're so intimate. At small parties, there isn't any privacy.'*

—F. Scott Fitzgerald, *'The Great Gatsby'*

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**GREAT ESTATE** The former Percy Pyne estate in Roslyn Harbor, N.Y. includes this roughly 15,000-square-foot Georgian Revival house built around 1930. Originally 90 acres, the property is now about 4 acres; the rest of the land was subdivided for residential development. Owners Arthur and Lisa Robbins are moving to Florida, and the property has been on the market since September for \$5.85 million.

## A New Boom on Gatsby's Gold Coast

Long Island's North Shore is heating up as a new crop of buyers bid fiercely for slivers of land in villages that were once the gilded estates of industrial tycoons.

BY CANDACE TAYLOR

**DRIVING THROUGH THE GATES** of the Sands Point Preserve on Long Island's North Shore reveals a 100,000-square-foot, turreted castle built in the early 1900s by Howard Gould, son of railroad tycoon Jay Gould. He also built 40-room

Hempstead House next door, which had a walnut-paneled library copied from the palace of King James I and an aviary housing exotic birds.

Now part of a public park, these structures serve as a ghostly reminder of the vast estates that once stood on the jagged coastline of Long Island's Gold Coast, built by the likes of industrialists J.P. Morgan and Payne Whitney. The 62-

room Woolworth Mansion in Glen Cove had solid-gold bathroom fixtures. The John Shaffer Phipps estate had two private polo fields.

Immortalized as West Egg and East Egg in F. Scott Fitzgerald's "The Great Gatsby," these communities east of Queens are resurgent, but with a different population: young families look-

Please turn to page W12

## AN EXILED BALLERINA'S SAFE HAVEN

A villa on the French Riviera, listed for more than \$32 million, has a famous Russian dancer and a scandalous love story in its past; a top-to-bottom renovation by its current owner nods to its history.



BY RUTH BLOOMFIELD

**THIS 1901 VILLA** on the French Riviera recently underwent a top-to-bottom renovation. But nothing could erase the home's unusual history—a tale of an exiled Russian aristocrat and his lover, a famous ballerina who fled the Russian Revolution.

Now, more than century later, the seven-bedroom, seven-bathroom Villa Marizzina is on the market for €30 million, or about

\$32.87 million.

Its current owner is a Russian billionaire who bought the rundown villa in 2010. Since then, he has spent part of his fortune—amassed by manufacturing railcars—to rescue the property from dilapidation, said Neil Galloway, a British developer hired to oversee the project.

"It was in a terrible state, everything was rotten—the sort of place you want to have a shower as soon as you've been inside it," said Mr. Galloway, who declined to name the owner.

Restoring a decaying French landmark building is no simple task. Obtaining building permits alone took a year, which meant construction didn't start until late 2011. The five-year project involved rebuilding most of its interior. The only parts of the original property that remain are its four retaining walls and the balustrade that guards its marble staircase.

The reconfigured design includes a new entryway

Please turn to page W12



**LIVING HISTORY** Villa Marizzina, left, built in 1901 in Cap d'Ail; above, a 1916 photograph of Mathilde Kschessinska, a former resident.

**HOUSE OF THE DAY**  
[wsj.com/houseoftheday](http://wsj.com/houseoftheday)



**United States**  
A Manhattan loft in a former basketball court



**United States**  
A Spanish Revival home in Encino, Calif.



**Australia**  
A Sydney house, restored to its roots

BRIAN THOMAS JONES

SYDNEY SOTHEBY'S INTERNATIONAL REALTY

DOROTHY HONG FOR THE WALL STREET JOURNAL (4)

## MANSION

ANNOTATED ROOM | LEIGH KAMPING-CARDER

# A Boy's Room, Down to a Science

A mother enlists a designer for a room that speaks to her 6-year-old's interests

**MADELAINE LAM** describes her 6-year-old son as studious but not nerdy, and she wanted his bedroom to suit him.

Ms. Lam and her family moved into their five-bedroom, 6½-bathroom home in University Park, Texas, in 2013. When Preston turned 5, she got serious about redecorating his room, a roughly 180-square-foot suite that includes a bathroom and study area with a built-in desk

and pocket doors.

"Since he's very much into science we thought, 'Why don't we embrace that?'" said Ms. Lam, 43, who owns a surgical center with her husband.

Ms. Lam enlisted Dana Frieling, a South Lake, Texas-based designer at Homepolish, to help create a whimsical, science-and-nature-theme room that would withstand the abuse of a

growing boy while continuing to serve him as he got older.

The three-month project, started in April 2016, cost \$10,000. Many of the items were purchased online from retail stores, rather than custom-made, because Ms. Lam didn't want anything too delicate.

"We kept it not so little boyish, so it would have some longevity," Ms. Frieling said.



1. Inspired by a poster Ms. Frieling found on online marketplace Etsy, the **faux chalkboard** propelled the look of the entire room. Artist Dana Kaunitz painted the designs—numbers, insects, chalk smudges, an outline of Preston's hand—in acrylics and pastels, then used a flat acrylic sealer to preserve them.

The background color is Benjamin Moore's French Beret.

**Price:** \$900

2. This **porter's trunk** from Restoration Hardware provides a polished, sturdy spot to store toys. "Kids are kids and they climb on things," Ms. Frieling said.

**Price:** \$824

3. The **brass bedside lamps**, which Ms. Lam purchased online from the lighting store Candelabra, have a subtle molecule-like shape on the base.

**Price:** About \$300 each

4. Purchased on eBay, the **egg chair** is a riff on an Eero Aarnio design. Bonus: The rounded shape cancels

out noise, giving the sitter the feeling of being on a rocket ship.

**Price:** \$1,100

5. Ms. Lam loved Ms. Frieling's idea of lining the study area in **artificial turf**, a tactile and outdoorsy material she had seen on hotel walls.

**Price:** About \$36 per linear foot

6. Scientific touches include a **telescope**, colorful **prints** of beetles above the desk, a **globe** that doubles as a nightlight and Preston's own canvas wall hanging that is stuffed with easy-to-care-for air plants.

**Price:** Levenhuk Strike 80 NG telescope, \$150; Wisteria beetle prints, \$249 each; Wild & Wolf globe light, \$175

CODY ULRICH/HOMEPOLISH (4)

PRIVATE PROPERTIES | CANDACE TAYLOR

## One Florida Estate, Three Prices, Three Agents

Frank Luppi is trying an unusual tactic to unload his Florida estate: He's putting the elaborate Italian Renaissance-style compound on the market as three separate parcels—and listing each of them with a different real-estate agent.

Mr. Luppi's compound spans about 12 acres on Jupiter Island from the Atlantic Ocean to the Intracoastal Waterway. Last year he listed roughly 8½ acres of it for \$65 million, then took it off the market in March. Now it is returning to market, plus some additional acreage, for a total of \$51 million.

The largest piece, a 5.34-acre oceanfront parcel with the main house and four other structures, will list for \$32 million with Ken Meierling of Engel & Völkers and his wife, Kandyce. The home is being sold fully furnished, Mr. Meierling said.

A second parcel on 1.7 acres with frontage on the Intracoastal, containing a four-bedroom house, a swimming pool and pool house, is listed for \$10.5 million with Jennifer Hy-

land of Illustrated Properties.

An additional vacant parcel on 1.7 acres with a dock on the Intracoastal is listed for \$8.5 million with Susan Turner of Waterfront Properties and Club Communities, who last year had the \$65-million listing. Mr. Luppi said he is keeping one guest house for himself.

Mr. Luppi said he decided that marketing the parcels separately would increase the chances of getting the best price possible. "Not too many people have \$65 million to buy a property," he said. Moreover, he said he hopes using three different brokers will increase the property's exposure with buyers.

Mr. Luppi said he built the estate over the course of 30 years, importing vast amounts of marble and transporting European craftsmen to work on the house. A retired businessman based in Europe, Mr. Luppi said he owns homes all over the world. He said he's selling the Jupiter property because at 82, he no longer travels there as often as in the past.



CLOCKWISE FROM TOP: DANIEL NEWCOMB ARCHITECTURAL PHOTOGRAPHY; AGENCE FRANCE PRESSE/GETTY IMAGES; PLANOMATIC

## CYNDI LAUPER LISTS SONGWRITING GETAWAY

Pop star Cyndi Lauper is asking \$1.25 million for the Connecticut home she has long used as a songwriting getaway.

Ms. Lauper purchased the home in the 1980s, around the time her hit record "True Colors" was released, according to listing agent Michael B. Leventhal of Berkshire Hathaway HomeServices New England Properties. The house is located in a rural area of Stamford, about 45 miles outside Manhattan, and "it was a real creative place for her to get away and write and record," said her husband, actor David Thornton. "There's a lit-

tle guesthouse which she turned into a studio. It was a way for her, a girl from Queens, to get away into the woods."

She has since written several albums and much of the Broadway musical "Kinky

Boots" there, said Mr. Thornton, who married Ms. Lauper in 1991.

Later, the couple started spending large amounts of time at the home because their son had started playing "serious ice hockey," Mr. Thornton said.

Ms. Lauper, 63, and Mr. Thornton have long lived primarily in a rental apartment in Manhattan, he said.

They are selling because they are now spending more of their time in Manhattan—their son, now 19, is focused on pursuing hip-hop music and no longer plays ice hockey.



## MANSION

### BALANCE SHEET

# Soaking Up Open Space, Free Time in Spain

A U.K. couple, skittish about leaving a vacation home unattended, finds peace of mind at a golf resort

BY J.S. MARCUS

#### KEVIN AND ROSEMARY

Murphy had been thinking for some time about buying a continental vacation home. Then they would think again.

"We wondered what would happen when we're not there," says Mr. Murphy, chairman of ExCeL London, an exhibition and convention center in the city. "Will it be secure? Who will look after the garden and the pool?"

The U.K. couple, both in their early 60s, found the security they were looking for in Spain—at a front-line golf villa on the grounds of the PGA Catalunya Resort outside Girona, about an hour's drive from Barcelona.

They chose a two-story villa in the process of being built as a model home. It has a radical, built-in flexibility: The four-bedroom, five-bathroom villa contains a network of sliding doors and retractable glass walls.

When the couple is there, they can turn much of the upstairs into a vast master suite, or close it off into smaller bedrooms that accommodate grown children and grandchildren.

Downstairs, they can slide open walls and extend the terrace into the living room, and they can close off the kitchen or add it to the terrace.

And when they're not there: "We can lock the doors, and not think about it," says Mrs. Murphy. The resort has 24-hour security, and homeowners can pay a fee of about \$700 a month for pool and ground care.

In the summer of 2015, after reading about PGA Catalunya on a website and going down for a visit, the couple bought the home, designed by Barcelona's Lagula Architects. The exterior was near completion, while the interior needed some essential elements before it could be furnished.

Within months, the two nongolfers moved into their completed, 5,800-square-foot home. Mr. Murphy now considers himself semiretired—and a golfer.

The resort is a gateway to the varied landscapes and acclaimed cuisine of Catalonia. It is a 20-minute drive to Spain's Costa Brava coastline and a 90-minute drive to ski slopes in the Pyrenees. On its own grounds, the resort's challenging Stadium course is regarded as one of the best in Spain.

The couple paid about \$1.68 million to buy and fur-



**CHANGING COURSE** Rosemary and Kevin Murphy, and their villa at PGA Catalunya Resort near Girona, Spain.

neighbors. "I'm a London girl, and the one thing I can't handle is being cut off. I don't mind hearing other people at all."

The couple spent \$49,500 on landscaping and an additional \$31,600 on the infinity pool, which overlooks a scenic hole on the resort's user-friendly Tour course.

The glass-and-concrete villa has contemporary detailing, such as naked steel beams for the home's cantilevers in the terrace area. Heat-sensitive solar panels on the roof provide nearly all the hot-water needs; a gas boiler handles the rest.

The couple spent about \$71,000 on the underfloor heating and air-conditioning systems. Their architect, Ignacio Lopez Alonso, says the position of the house—aided by insulation, ventilation and the shading cantilevers—cuts down on the need for air conditioning.

Though situated in a somewhat remote corner of northeastern Spain, the villa is accessible from the couple's English home, a renovated 700-year-old barn in Kent, southeast of London. Girona's airport is a 90-minute flight from London Stansted Airport, which "makes long weekends possible," says Mr. Murphy.

In 2016, during the Murphys' first full year of ownership, they spent about 12 weeks at the home. "I never had time to golf," adds Mr. Murphy. "But I do now."

They have done roughly the same since. The rest of the time, the villa is vacant. The resort offers to find and manage renters while the two are away, but they have decided against it.

They want their home to be stocked and their own things left undisturbed, arriving with only their carry-ons for their stays, says Mrs. Murphy.

Mr. Murphy adds: "We don't want to rent it out. I do lots of boys' trips with my male friends, and I know what a bunch of guys can do, especially if they're on a golf weekend."

nish the property, including about \$473,000 for the lot—just over  $\frac{1}{2}$  acre.

The Bulthaup kitchen, which comes with German Gaggenau appliances and artisan add-ons, cost \$47,200. They splurged on outdoor furniture from Dedon, another German company, at a cost of more than \$43,700.

The open-plan concept indoors extends to the resort itself. It promotes natural landscaping and prohibits fences between the properties, which are often compact with the homes close together.

"I don't have a problem with that," says Mrs. Murphy of the proximity of her



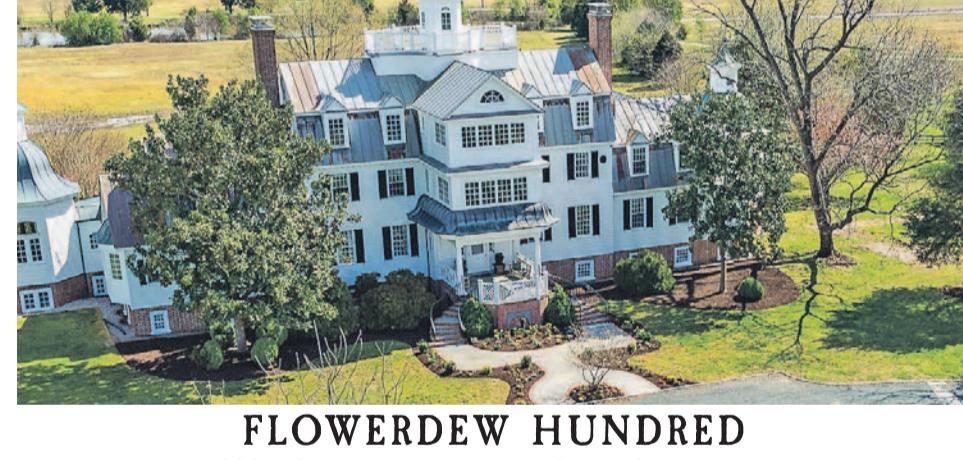
**ROOMS TO MOVE** The open living and dining areas of the villa.

#### KEY COSTS

Lot	\$473,000
Engineering & license	\$112,500
Construction	\$706,500
Landscaping	\$49,500
Heating & cooling	\$71,000
Electrical	\$60,700
Swimming pool	\$31,600
Bathrooms	\$42,300
Kitchen	\$47,200
Furniture and decoration	\$88,000
<b>TOTAL</b>	<b>\$1,682,300</b>

## FOR AUCTION OWN A PIECE OF HISTORY

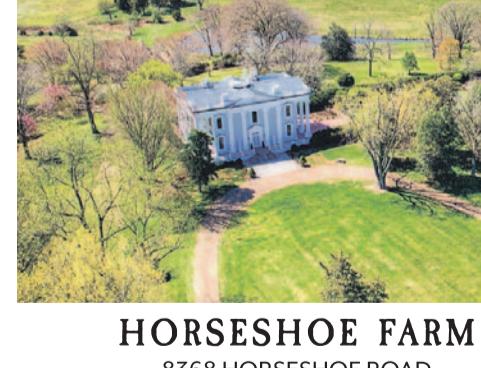
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## MANSION



KELLY MARSHALL FOR THE WALL STREET JOURNAL (5)



## A NEW BOOM ON GATSBY'S GOLD COAST

*Continued from page W9*  
ing for good public schools and alternatives to nosebleed New York City home prices. Instead of seeking sprawling properties with large amounts of acreage, these buyers are fighting over postage stamp-size properties with easy commutes to Manhattan.

A recent surge in demand has led to intense competition in certain parts of the North Shore market. Long Island (excluding the Hamptons and North Fork) saw 5,754 home sales in the first quarter of 2017—the highest number of first-quarter sales in 14 years, according to a quarterly market report by Douglas Elliman Real Estate. The median sales price on Long Island grew 4% in the first quarter; other New York City suburbs—many with higher taxes or longer commutes—are seeing a similar uptick in activity but have been slower to see rising home prices, according to the Elliman report.

Modest houses on tiny pieces of land in Great Neck, Manhasset and Port Washington are being torn down

and replaced with larger, more luxurious homes, while multi-acre properties farther from the city linger on the market. The current crop of buyers “are not interested in tons of acreage,” said real-estate agent Ann Hance of Daniel Gale Sotheby’s International Realty. “They’d rather have a small piece of property and be able to walk to the train station.”

She said buyers are flocking to the 837-home Village of Munsey Park. Built on the site of newspaper magnate Frank Munsey’s estate, the village contains stately rows of well-kept Colonial and Tudor homes. Manhattan’s Empire State Building can be seen from the nearby Americana Manhasset shopping center, where stores like Hermès, Prada and Gucci cater to affluent locals. A recently renovated Munsey Park fieldstone Colonial that Ms. Hance listed for \$2.299 million snagged multiple offers in a number of hours, she said, ultimately selling for over the asking price to a buyer moving from Park Slope, Brooklyn.

The uptick is most keenly felt in sought-after North



Shore school districts where commutes to Manhattan hover around 30 minutes, real-estate agents said.

Brett Cappens, 37, and her husband, Brad, 35, last summer moved with their two children from Manhattan to a house in Manhasset’s Plandome village. They can walk or ride their bikes to the train station for a 27-minute ride to Manhattan, where he works in private equity. After outbidding another family, they paid \$2.25 million for a four-bedroom home on roughly a third of an acre.

Prices have jumped 20% to 30% in the past year for homes in some areas near the Port Washington train line, which offers express service to Manhattan, said real-estate agent Jason

Friedman of Coldwell Banker Residential Brokerage. “The houses fly, within 24 hours sometimes,” said Keri Prestia, 39, who with her husband and two young sons recently moved to a four-bedroom Colonial on a quarter of an acre in the Village of East Hills. The couple paid \$998,000 for the house after spending more than a year looking at homes on the North Shore and losing several to bidding wars.

Another reason for the surge in demand on the North Shore is an influx of international buyers and immigrants from Asia and elsewhere. Great Neck and Manhasset in particular have drawn a number of buyers from mainland China, who are looking to invest in U.S. real estate and are attracted to the area’s schools,

real-estate agents said. Willy Wang, 35, who moved to the United States from Taiwan five years ago to attend Columbia University, bought a two-bedroom condo at the Ritz Carlton Residences in the Village of North Hills last year for \$1.35 million. His wife

works in Manhattan while he works in the hospitality industry on Long Island, he said, making North Hills a convenient choice. The couple, who have a baby on the way, also liked the school system and the convenience of condo living.

To meet the demand, builders are snapping up small houses in coveted areas, demolishing them and constructing larger homes, said developer Pete Worrell of the Worrell Group in Syosset. He said depending on the size of the lot they also sometimes buy a piece of land, raze the house and build two in its place. His company recently built an 8,500-square-foot spec home in Laurel Hollow, which is asking \$1.595 million.

Those who are willing to travel farther from the city often find more land and less competition. After years of owning a bayfront weekend home in the Hamptons, Manhattan residents Janice and Andrew Silver wanted to

try something different. They had little trouble finding a cedar-shingle home on roughly 2 acres in Oyster Bay Cove, about 20 miles east of Great Neck. They signed a contract a few months ago to pay \$1.53 million, a little under the asking price of \$1.599 million.

The large, historic estates can take longer to sell. Arthur and Lisa Robbins live in the former Percy Pyne estate in Roslyn Harbor, an ivy-covered brick manor house built around 1930. Originally a 90-acre estate, the roughly 15,000-square-foot Georgian Revival house now sits on about 4 acres.

The couple, enchanted by the charm of the historic home, bought it in 1987, preserving features like the original refrigerator, and using the ballroom and other grand formal rooms to house their art collection. For years, Mr. Robbins commuted to work on Wall Street. Now they’re selling because they’re moving to Florida, and the house has been on the market since September for \$5.85 million.

Mr. Robbins said he wants to find the right buyer for the house, and doesn’t mind if it takes a while. “We want the person who buys this house to love it the way we do,” he said.

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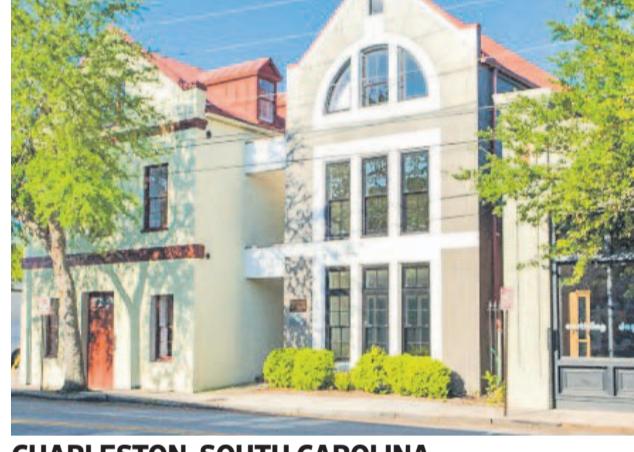


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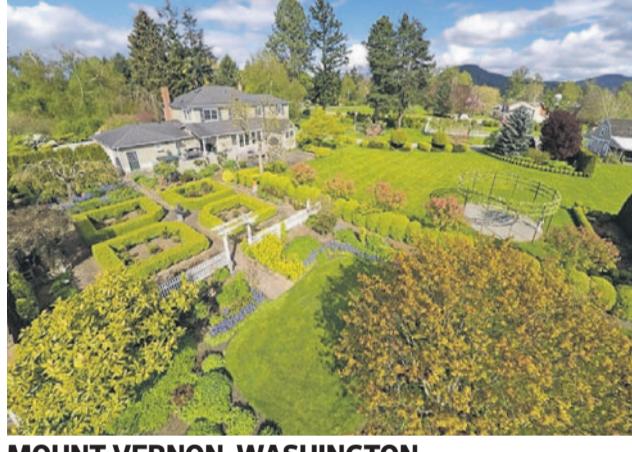


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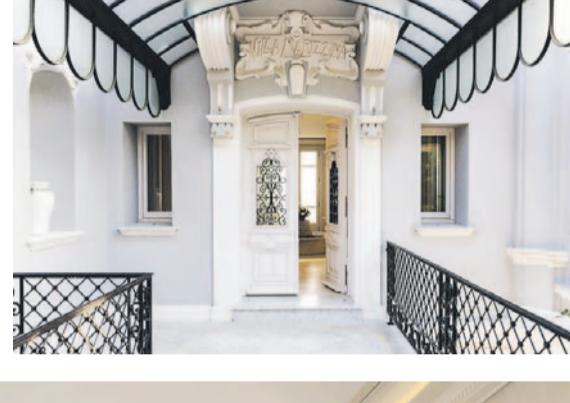
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## MANSION



**ROOMS WITH A VIEW** Clockwise from above: the villa's terrace; the view from a formal reception room; the canopied entrance; a new entrance lobby with French windows overlooking the gardens and the sea.



ANTHONY LANNERETTE FOR THE WALL STREET JOURNAL (4)

## A BALLERINA'S SAFE HAVEN

*Continued from page W9*

with a large picture window with sea views. There are two kitchens, seven bedrooms with en-suite baths, a screening room, a wine cellar and staff quarters.

Although this is essentially a new home in a historic shell, the renovation aimed to keep the past alive. The owner commissioned and installed replicas of the villa's original tall doors and windows, and of the silver-plated hardware on the front door. He added bespoke cornicing to the living and dining rooms, where its first owner, believed to be an Italian countess, once entertained.

The next woman to call the villa home will be familiar to students of Russian history. Mathilde Kschessinska was a gifted young dancer who caught the eye of the future czar Nicholas II during her graduation performance with Russia's Imperial Ballet in 1890. The teenager—she was just 17—and the czar-in-waiting had a three-year relationship, parting only when he married.

With her career as a prima ballerina blossoming, she moved on to overlapping relationships with two grand dukes: Sergei Mikhailovich and Andrei Vladimirovich, cousins and members of the Romanov dynasty. The story is documented in Kschessinska's memoirs, published in the 1960s and in Coryne Hall's biography, "Imperial Dancer," published in 2005.

The Russian Revolution put a stop to this scandalous arrangement, and Kschessinska and Vladimirovich fled to France. Fortunately, he had bought the villa, in the village of Cap d'Al, as a summer house some years earlier.

Life on the Riviera should have been idyllic for the couple, who were accompanied by Kschessinska's teenage son. (He enjoyed the title Prince Romanovsky-Krasinsky,

but his actual parentage is unclear.) Sadly, the exiled Kschessinska quickly developed an over-fondness for the nearby gambling tables of Monte Carlo. In 1929, she and the former grand duke had to sell the house to pay off her debts.

They moved to Paris, got married, and Kschessinska opened a ballet school to support them. The school proved a success, and she taught many of the great names of 20th-century ballet before her death at age 99 in 1971.

The villa's next resident was a wealthy Italian aristocrat, Princess Odescalchi, who lived there until her death in 1980, according to Mr. Galloway. She bequeathed the

house to a servant, a generous gesture that marked a turning point in the villa's fortunes.

Without the means to run the house, the loyal retainer lived in just a couple of its 14 rooms while the rest of the villa decayed around him. When he died, his son put the 5,447-square-foot

mansion up for sale and, after several years lying empty, it was sold to the Russian billionaire.

Despite having spent large sums to renovate the property, the owner now plans to sell without having spent a single night at Villa Marizzina, which is listed with Engel & Völkers. Mr. Galloway said the owner already has a home nearby. The villa's neutral décor of off-whites and pale grays suggests the renovation was undertaken with a sale in mind.

Still, the watchful eye of the Bâtiment de France, the conservation body that oversees work on landmark buildings, ensured that the villa has retained its historic character.

"Inside we were allowed to make some changes," said Mr. Galloway. "But from the outside it is the same building it would have been 100 years ago."

### HOUSE CALL | PAM GRIER

## The Odyssey of Foxy Brown

The actress on a childhood of serial moves, and the Colorado ranch where she now feels at home

I spent much of my early life feeling powerless. Hard to believe, I know, given my film roles as a tough, self-assured woman. But early on, I had to keep difficult experiences to myself, a decision that left me with a stutter.

I grew up in many different areas of the country and in England. My father, Clarence, was in the Air Force and worked on B-52 bombers. We moved every two years until I was 12.

I enjoyed the moves. Each trip was an adventure, with new friends, new food, new culture.

My mother, Gwendolyn, took care of my younger brother and sister, Rod and Gina, and me, and put herself through nursing school.

Even though my father was light-skinned, blacks in the service in the 1950s typically stayed in substandard housing off the base. My mother found us better places to live.

In 1955, we lived in Denver at my Aunt Mennon's house. She looked after us. My father was at Lowry Air Force Base and my mother worked as an operating-room nurse.

That summer, just after I turned 6, I was sexually assaulted. My aunt was out and three boys playing in our home attacked me. I had no idea what was going on, only that one had hurt me and I was ashamed. They warned me not to tell anyone, so I didn't. Overnight, I became a shy, stuttering girl.

In 1956, my father was transferred to Swindon, England. Even though the war had ended years earlier, there still was a lack of utilities, food and luxuries. Mom

found us the perfect house, a two-story brownstone, and my dad rented out the upper rooms.

The town embraced us. Everyone wanted to know about rock 'n' roll and the blues. Mom taught everyone to dance, and her friends taught her to make English biscuits.

In 1958, my dad was transferred to California's Travis Air Force Base.

One of his military buddies gave me karate lessons to help my shyness.

When I was 12, we moved back to Denver. My mother found a lovely three-level brick house for us. By then, my mother's parents had moved to Denver, but they still kept their old sugar-beet farm in Wyoming, a couple of hours over the border. I loved that place.

My grandfather, Daddy Ray, taught me to be self-sufficient. One day, I went alone to the pasture and climbed a post fence to reach a huge draft horse. Big Horse could have killed me. Instead, he moved slowly and I fell asleep on his back. When Daddy Ray and my uncle came looking for me, I told them Big Horse and I were just napping. For some reason, I didn't stutter on the horse.

In 1962, my father retired from the Air Force. But without his uniform, he became a lost soul and my parents divorced.



**OFF SCREEN** Pam Grier, above, at her Colorado ranch; at her maternal grandparents' home, right, in Denver around 1955; the poster, left, for her 1974 film.

I took piano lessons at home and joined the choir at our local church. After high school, I attended Metropolitan State College in Denver and won a local beauty contest. A few months later I won first runner-up in the Miss Colorado beauty pageant. I had entered hoping to win money for tuition at

for L.A. in 1969 and worked three jobs to make ends meet, including singing backup for Bobby Womack and Sly Stone.

While working as a receptionist, I met agent Hal Gelsky, who asked if I'd audition for Roger Corman, who was producing an action film in the Philippines. At the audition, I told Roger that if he hired me, he couldn't fire me. He gave me a copy of Stanislavski's "An Actor Prepares." It helped me understand how to be in the moment.

I was first cast in "The Big Doll House," about women in a tropical prison. Between 1971 and 1977, I made about 15 of these films. They had a formula and I had the flavor. Acting in those edgy, tongue-in-cheek action films empowered me.

Today, I live two hours south of Denver. Twenty years ago I bought an abandoned one-story brick ranch house and fixed it up. I have two rescued horses, and ride often to calm my nerves. My stutter fully disappears only while riding.

Recently, two middle-aged white women came up to me at the Hollywood Bowl. I didn't know what to expect. They just embraced me. One said, "Thanks for teaching me to be a bad-ass."

Me? I was in awe.

*—As told to Marc Myers*

Pam Grier, 67, has appeared in nearly 40 television series and has starred in more than 50 movies, including "Foxy Brown," "Coffy" and "Jackie Brown." She is the author of the memoir "Foxy: My Life in Three Acts" (Grand Central).