

THE WALL STREET JOURNAL.

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As of 12 p.m. ET DJIA 21020.25 ▲ 0.04% NIKKEI 19843.00 ▼ 0.26% STOXX 600 395.81 ▲ 0.45% BRENT 48.94 ▼ 0.81% GOLD 1218.90 ▼ 0.52% EURO 1.0879 ▼ 0.42% DLR \$114.24 ▲ 0.87%

What's News

Business & Finance

Elliott asked a Dutch court to force Akzo to hold a special shareholder meeting seeking the removal of its chairman, an attempt to force the firm into sale talks with PPG. **B1**

♦ Investors are pulling money out of the U.S. stock market at one of the highest rates in years, moving billions of dollars to other markets. **A1**

♦ Toshiba's business partners are preparing for a scenario in which the company seeks to reorganize under Japanese bankruptcy laws. **B1**

♦ China's mobile payment leaders, Alipay and WeChat, are expanding into North America. **B1**

♦ Two major Canadian pension funds are opposing the re-election of Bombardier's chairman, signaling a new level of investor activism at the firm. **B2**

♦ Banks are trying to enlist the Trump administration to fight a new rule requiring quicker booking of losses on soured loans. **B7**

♦ A jury convicted a former Dewey & LeBoeuf executive of fraud for hiding the law firm's financial condition, while clearing a second. **B4**

♦ Yale University will launch an online platform to provide real-time support to policy makers dealing with financial crises. **B7**

♦ Pandora said it is reviewing strategic options, including a potential sale of the company. **B4**

World-Wide

♦ South Korean voters appeared to elect Moon as the country's next leader, bringing to power a forceful advocate for closer ties with North Korea. **A1**

♦ Yates told Congress she warned the White House that Flynn had misled officials about his talks with a top Russian diplomat. **A5**

♦ Obama advised then President-elect Trump against hiring Flynn as his national security adviser, an ex-Obama official said. **A5**

♦ GOP leaders and the administration are trying to quell criticism that the health-care bill would imperil coverage for millions. **A7**

♦ A Jakarta court handed an unexpectedly harsh two-year prison sentence to the capital's Christian governor for blasphemy. **A1**

♦ Russian domestic politics are being influenced by hacking tactics similar to ones Russia is accused of using to try to weaken its foreign opponents. **A3**

♦ Germany's top prosecutor said two soldiers and an accomplice plotted high-profile assassinations that would be blamed on a migrant. **A3**

♦ European officials have unleashed a diplomatic offensive to dissuade Trump from pulling the U.S. out of the Paris Agreement. **A3**

♦ Australia is planning \$56 billion in infrastructure spending. **A4**

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WORLD NEWS

Beijing Tightens Belt on Its Grand Trade Plan



CHINA'S WORLD

By Andrew Browne

SHANGHAI—In a world starved of investment, a lot is riding on President Xi Jinping's signature foreign-policy initiative: to revive the ancient Silk Road trading routes from China to Europe.

By some optimistic reckoning, Chinese construction of rail links, energy pipelines, ports and other trading infrastructure could end up dwarfing the U.S. Marshall

Plan that rebuilt Europe after World War II. Unofficial spending estimates run as high as \$4 trillion.

Multinationals like General Electric, Caterpillar and Siemens are anticipating a bonanza. Economies from Central Asia to the Middle East and Africa are

STOCKS

Continued from Page One

especially if European growth shows any indication of faltering after tentative signs of recovery. Even many investors lightening up on U.S. stocks still have them as a core holding and don't expect a mass exodus.

But if this shift in sentiment continues, it would represent a significant change in course for global investors. During most of the post-financial-crisis period, money managers have tended to favor the U.S. as one of the few spots in the developed world offering economic growth.

That status has helped

propel U.S. stock indexes to records, roundly beating most foreign markets in recent years. From the start of 2009, the S&P 500 index has returned 166% as the economy pulled out of the financial crisis. European stocks were up 99% over the period, while volatile emerging markets returned 74%, according to FactSet.

Now, some analysts say U.S. stocks now look overvalued compared with the rest of the world. The cyclically adjusted price-to-earnings ratio, known as CAPE, is 22 times in the U.S., 16.7 in Europe, and 13.7 in emerging markets, according to Makena Capital Management.

Another reason for the shift: Investors are betting



The 'Golden Bridge of Silk Road' structure in Beijing last month

pressive; the country is the world's second-largest net creditor after Japan. But while One Belt, One Road grabs all the attention, "China's capital mostly seems to be going elsewhere," writes David Dollar, the former head of the World Bank in China who is now a senior fellow at the Brookings Institution in Washington.

Scrubbing figures put out by the China Development Bank and the Export-Import Bank of China—the

conduit for much of China's massive lending to Africa and Latin America in recent decades—Mr. Dollar is unable to find evidence that they are now prioritizing Mr. Xi's showcase endeavor.

Meanwhile, Chinese companies are largely sticking to safer markets in the world's rich nations. A database of outbound Chinese corporate deals compiled by the American Enterprise Institute and the Heritage Foundation shows that since 2014, Chi-

nese private and state firms have invested more in the U.S. than in the 60-odd countries along the Silk Road networks combined. That group embraces 60% of the world's population and around one third of gross domestic product.

Why is China holding back?

After all, this will be Mr. Xi's geopolitical legacy. The Silk Road project is supposed to summon the glories of bygone eras when China supplied the West with rare luxuries, while paving the way for it to assume global leadership from a financially exhausted and inward-looking America and Europe. Several dozen leaders are expected in Beijing this weekend for a belt-and-road summit extravaganza.

The awkward reality forming the backdrop to the festivities is that China is financially stretched.

One result of a slowing economy is that the country has less hard currency. Its foreign-exchange reserves peaked in 2014 at around \$4 trillion and since then have plummeted by about \$1 trillion as capital flees.

Mr. Xi's grand plans "have

been demolished by the forex plunge," said Derek Scissors, a resident scholar at the American Enterprise Institute. On top of that, the economy is burdened by a mountain of debt.

Mr. Dollar is more sanguine: He believes China can afford to splash out on overseas infrastructure using its shrunken, but still substantial, current-account surpluses.

So far China's belt-and-road-related lending is modest set against the infrastructure requirements of the vast region embraced by the plan—which the Asian Development Bank estimates at \$1.7 trillion each year. In other words, Mr. Kuijs said in a research report, there is no danger that China will crowd out other lenders.

The greater risk is that Chinese state lenders, known for often reckless financing at home, will shovel funds at dud projects abroad. That could be disastrous for the supposed beneficiaries of One Belt, One Road.

Of course, these are early days. Nonetheless, if current financing trends continue, Mr. Xi's Marshall Plan could be less transformative than advertised.

ally deploying new assets into stocks in Europe and emerging markets.

Some investors said that their move out of the U.S. was in part due to a softening dollar. "In our view, we're about to see a secular peak in the dollar, unless there's a big rise in protectionism," said Luca Paolini, chief strategist at Switzerland's Pictet Asset Management, with \$477 billion of assets under management.

A weakening dollar would help emerging markets, where yields are also more attractive. Starting from the beginning of this year, Pictet has been reducing its exposure to U.S. high-yield bonds, while increasing allocations to emerging markets, he said.

Russia Remembers Those Who Fought in World War II



COMMEMORATION: At a march in Moscow to mark the 72nd anniversary of the victory over Nazi Germany, people carried portraits of relatives who fought in the war.

TRIAL

Continued from Page One

said Tobias Basuki of the Center for Strategic and International Studies in Jakarta. The battle, he said, is over who will define Islamic politics: hard-line or more-mainstream groups.

Mr. Purnama, the country's most prominent politician from the Christian and ethnic Chinese minorities, was popular for shaking up the bureaucracy and driving through infrastructure projects to ease the city's notoriously snarled traffic and chronic flooding.

But he became the target of Islamist hard-liners after lightheartedly referring to a verse in the Quran that says Muslims should not be ruled by non-Muslims. Despite his repeated apologies, the blasphemy case was brought.

Hard-line groups protested outside the courthouse Tuesday, urging the five-judge panel to impose the maximum sentence of five years. After issuing the sentence, the court ordered that Mr. Purnama, who had sat quietly through the two-hour proceeding, be taken into custody immediately.

"As a government official,

he certainly knew that religious matters are very sensitive issues that could spark social friction," one of the judges said.

The defense team said that intense politicking influenced the outcome. They quickly filed an appeal against the verdict with a higher court and said they would apply for Mr. Purnama's release pending further proceedings.

Prosecutors denied that the court had succumbed to pressure. The judges weren't avail-

able to comment.

Indonesian shares fell 0.2% as investors mulled the impact on Mr. Widodo and the rule of law. Indonesia is a sprawling, strategically located country of 18,000 islands straddling the Indian and Pacific oceans. A tolerant version of Islam, the religion practiced by nearly 90% of its 250 million people, is the tradition, but increasingly conservative strains have taken hold in recent years.

Douglas Ramage, Jakarta

managing director of Bower Group Asia, an investment advisory firm, said the decision would hurt the investment climate for foreign companies.

"It puts an element of investor uncertainty into Indonesia's political environment in the run-up to the 2019 election," Mr. Ramage said. "My fear is that investors may hold off on major investments."

President Widodo, speaking to reporters on a trip in the country's far east, urged Indonesians to "respect the legal process and verdict" and Mr. Purnama's further right to appeal. He said the government couldn't intervene.

Slamet Maarif, a spokesman for the Islamic Defenders Front, the most prominent of the hard-line groups that targeted Mr. Purnama, credited Tuesday's verdict to "help from Allah....It's the best gift for Muslims in Indonesia, for their struggles all this time."

Mr. Purnama ascended from deputy to the governor's post in 2014 when his boss, then-Gov. Widodo, was elected president. He had long been the favorite to win his own five-year term as governor, a key support base for the president.

Instead, the blasphemy case

undercut his campaign, as did his unpopularity in some poor neighborhoods where he had cleared slums. Facing two candidates who stressed their Muslim identity, he failed to gain a majority in the first round and then lost a runoff to Anies Baswedan, a former university rector.

Mr. Baswedan was backed by Prabowo Subianto, a former general who lost to Mr. Widodo in the 2014 presidential election and is widely expected to seek a rematch. Mr. Subianto hasn't declared his intentions.

The handover of power in Jakarta will take place in October. Mr. Purnama's deputy, Djarot Saiful Hidayat, has been inaugurated as acting governor.

"There's now a legal precedent that non-Muslims can be prosecuted for blasphemy if talking about Islam," said Andreas Harsono, an Indonesian researcher for Human Rights Watch. "It's frightening."



An Indonesian officer stands guard while supporters of Jakarta Gov. Basuki Tjahaja Purnama gather outside a prison in Jakarta.

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Dow Jones Publishing Company (Asia)
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Tel: 852 2573 7121 Fax: 852 2834 5291

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

Hugo Restall, Editorial Page Editor

Mark Rogers, Advertising Sales
Jacky Lo, Circulation Sales
Jacquelin Drozdoff, Communications
Simon Wan, Technology

Jonathan Wright,
Managing Director Asia & Publisher

Advertising through Dow Jones Advertising
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WORLD NEWS

EU Urges U.S. to Stick With Climate Deal

Officials say pullout by Trump administration would threaten to derail Paris Agreement

BY EMRE PEKER

BRUSSELS—European officials have unleashed a diplomatic offensive to dissuade President Donald Trump from pulling the U.S. out of the Paris Agreement, a move that would threaten to derail the 2015 global deal against climate change.

The push, spearheaded by the European Union, comes as thousands of government, environment and business representatives gathered this week in Germany for United Nations talks on guidelines to implement the landmark accord. The White House is preparing soon to set out its position.

In a series of high-level conversations with White House counterparts since last week, the EU and some individual European governments, including the U.K., have sought to convince Mr. Trump that sticking with the Paris deal would better serve American interests, an EU official said.

Europe's effort highlights a growing urgency to maintain participation by the U.S., the world's second-largest emitter of greenhouse gases behind China. Mr. Trump is poised to decide this month whether to deliver on a campaign promise



UWE SCHULZ/GETTY IMAGES

Steam and exhaust rise from factories in Oberhausen, Germany. The U.N. is conducting talks on the 2015 climate deal this week.

to scrap a pledge by former President Barack Obama to fight climate-change, which Mr. Trump called a hoax crippling America's economy.

"We all continue to hope the U.S. will find a way to remain within the Paris Agreement," European Commissioner for Climate Action and Energy Miguel Arias Canete said, following a weekend of phone diplomacy.

To sway the U.S. president, the agreement's supporters have proposed that the U.S. could roll back emissions cuts without risking punishment under the accord, a senior European lawyer who helped draft the deal said.

"The Paris Agreement is sufficiently flexible to allow the U.S. to chart its own path," a senior EU negotiator said.

A spokeswoman at the U.S.

mission to the EU didn't respond to a request for comment.

Mr. Trump's decision on the accord will impact the global effort to fight climate change and serve as a barometer of his approach toward international agreements.

Since taking office, Mr. Trump has withdrawn the U.S. from a 12-nation Pacific trade pact, initiated efforts to renegotiate the North American Free Trade Agreement with Mexico and Canada, and shelved negotiations to deepen economic and regulatory ties with the EU.

The president has also called the North Atlantic Treaty Organization obsolete, raising concern among U.S. allies over Washington's dedication to security obligations, although he later backpedaled on NATO.

"Withdrawing from the

German Soldiers Allegedly Planned Assassinations

BY ANTON TROIANOVSKI

BERLIN—Germany's top prosecutor said two soldiers and an accomplice plotted high-profile assassinations that would be blamed on a migrant, escalating a controversy over right-wing extremism in the military that is weighing on the German government.

Police detained a 27-year-old soldier identified as Maximilian T. on suspicion of conspiring to kill high-ranking politicians and other prominent individuals whom he and his two alleged accomplices saw as proponents of a misguided refugee policy, the prosecutor said Tuesday.

The targets included former German President Joachim Gauck and Justice Minister Heiko Maas, who have both favored accepting refugees, according to the prosecutor.

Maximilian T.'s alleged co-conspirators, identified as

Franco A., 28, and Mathias F., 24, were both taken into custody late last month. German authorities said they uncovered the plot after the Austrian police this year caught Franco A., a first lieutenant in the German military, trying to retrieve a handgun he had hidden in a bathroom at the Vienna airport.

Investigators also found more than 1,000 rounds of ammunition stockpiled in the home of Mathias F., a student.

The attack being plotted, officials said, was meant to look like it was carried out by a refugee. Franco A., they said, had managed to apply for asylum under a fictitious identity as a Syrian migrant, a process that involved submitting fingerprints that would have also been found on the weapon had an attack been carried out.

"The attack planned by the three accused was to be perceived by the general public as



FABRIZIO BENSCH/REUTERS

Justice Minister Heiko Maas, left, with former President Joachim Gauck were said to be among those targeted for assassination.

a radical Islamist terrorist act," the prosecutor-general said in a statement. "Given the continuing public discussion about immigration and refugee policy, a seeming terrorist act by a registered asylum seeker would have drawn particular

attention and contributed to the general sense of a threat."

The allegations put new political pressure on Defense Minister Ursula von der Leyen, a prominent ally of Chancellor Angela Merkel who has been on the defensive since Franco

A.'s detention last month. Thomas Oppermann, the leader of the center-left Social Democrats in parliament, said the accusations against Maximilian T. suggested that "a terror cell built itself inside the German military."

"This is a huge disgrace for Defense Minister von der Leyen," said Mr. Oppermann, whose party is the junior governing partner to Ms. Merkel's and Ms. von der Leyen's Christian Democrats. "A right-wing extremist group could apparently go unnoticed for years as it planned attacks and compiled death lists."

Ms. von der Leyen has led the German government's effort to expand the Bundeswehr, as its military is known, after decades of cuts. In a letter to the troops last week she called for an "unsparing investigation" into what went wrong. She also vis-

ited Franco A.'s French-German Brigade in Illkirch, France, where she viewed a common room decorated with memorabilia of the Wehrmacht, the military of Nazi Germany.

A Defense Ministry spokesman said Monday that more Wehrmacht memorabilia had been found in a barracks in the Black Forest region, and that the Bundeswehr's Inspector General had ordered all military buildings to be examined for how they treat Nazi-era items.

Politicians, especially on the left, have long voiced concern about right-wing extremism in the military. The return of the debate comes as Ms. von der Leyen and Ms. Merkel are pushing to increase German military spending and seeking to convince a long-pacifist public that their country needs to be more engaged in managing security faraway crises.

In Russia, Leaked Documents Unsettle the Kremlin

BY NATHAN HODGE

MOSCOW—Russian domestic politics are being influenced by hacking tactics similar to ones Russia is accused of using to try to weaken its foreign opponents.

Documents found in email accounts hackers said are linked to Russian officials helped fuel recent protests across Russia against corruption. The documents were released by a shadowy group called Anonymous International—also known as "Shaltai Boltai," which is Russian for Humpty Dumpty.

Alexei Navalny, an anticorruption activist who mobilized the protests, featured some of the documents in a video released beforehand alleging that Russian Prime Minister Dmitry Medvedev used a network of friends to help hide his wealth and property.

Some of the tens of thousands of people who took part in the protests carried pairs of sneakers—an apparent reference to official photos shown in the video of Mr. Medvedev wearing what looked like Nike sneakers. The video showed an online order for similar sneakers from what the hackers had previously said was a Google mail account linked to the prime minister. The order was in someone else's name, a sign, the video alleged, that Mr. Medvedev relied on intermediaries.

The video has garnered over 20 million views on YouTube. Mr. Navalny—who said he was largely blinded in one eye when an attacker splashed him recently with antiseptic

dye—is planning a new series of marches next month. The government is trying to discourage Russians from participating.

The Wall Street Journal hasn't been able to verify the claims made by Mr. Navalny in the video. At least one individual named in the video has pursued legal action over it, and another has said he plans to.

Mr. Medvedev dismissed the video on state television as a "compost"—a mishmash of spurious allegations. "They take all kinds of rubbish and nonsense, gather...the people I know, people I never heard of

at all, some places where I've been to, and places I have never heard of, gather some papers, photographs, clothing, then create a product and show it," he said.

U.S. intelligence agencies concluded this year that Russia sought to interfere with last year's U.S. presidential election and used WikiLeaks as a conduit to release emails that had been hacked from the Democratic National Committee. Russia has denied it interfered in the U.S. election.

German Chancellor Angela Merkel said last week at a news conference with Russian President Vladimir Putin that

"hybrid warfare" is part of Russia's military doctrine. Germany is holding elections this year, and France voted for president on Sunday.

Mr. Putin denied any intent to interfere in upcoming European elections. The Kremlin also vigorously denied involvement in hacking the political party of Emmanuel Macron, who won the French election, ahead of the vote.

When asked last year about the hacking of the DNC, Mr. Putin said he didn't know anything about it and added, "The important thing is the content that was given to the public."

Yet documents released by

hackers have attracted scrutiny of the Kremlin. Another shadowy group called the Ukrainian Cyber Alliance disclosed emails last fall that challenge the Kremlin's narrative on the war in Ukraine.

The correspondence appeared to show that the Russian government was involved in stoking the conflict in Ukraine's eastern Donbas region—bolstering arguments put forth by the Ukrainian government as well as the U.S. and other Western powers.

Those nations say conventional Russian forces have been on the ground in Donbas and that Russia has provided arms to separatists there.

The Kremlin says local separatists are involved in the fighting and that any Russians involved are volunteers. Russia denies deploying its troops there.

"A very crude phishing attack" led to the disclosure of the emails, said a member of the Ukrainian Cyber Alliance, a loose collective of hackers that has launched cyberattacks on the Russian government and pro-Russia separatists in Ukraine.

The person said the group was motivated by Russia's 2014 annexation of Crimea and the subsequent conflict in eastern Ukraine. The person declined to be identified.

The group said the emails came from the office of Kremlin official Vladislav Surkov, a senior adviser to Mr. Putin. The Kremlin denied the emails were Mr. Surkov's.

—Thomas Grove contributed to this article.

Tillerson, Lavrov To Meet in U.S.

Washington talks Wednesday will focus on Syria, Ukraine

WASHINGTON—Secretary of State Rex Tillerson will host Russian Foreign Minister Sergei Lavrov on Wednesday for talks at the State Department on the conflicts in Syria and Ukraine, in the Russian envoy's first visit to Washington since 2013.

The meeting comes as Secretary of Defense Jim Mattis told reporters traveling with him on Monday that the U.S. is looking "very carefully" at an agreement by Russia, Turkey and Iran to establish "de-escalation zones" in Syria announced last week after talks in Kazakhstan.

The agreement covers multiple provinces in Syria, where forces loyal to Syrian President Bashar al-Assad and multiple armed rebel groups have been embroiled in a civil war for more than six years. The plan is aimed at ending all hostilities within the zones, including aerial attacks, and at facilitating the flow of emergency and humanitarian aid.

Russia said last week that U.S. aircraft would be barred from flying over the zones in Syria, though the U.S. said in response that it would fly wherever it wanted as it carried out its anti-Islamic State campaign.

—Felicia Schwartz



IGOR RUSAK/NURPHOTO/ZUMA PRESS

Emails hackers said are linked to Russian officials helped fuel recent protests against corruption.

WORLD NEWS

A Leader's Life Shaped by Korean War Divide

Moon Jae-in's parents were refugees. Now, as president, he is urging engagement with the North as an economic imperative.

BY JONATHAN CHENG

SEOUL—Moon Jae-in's complex relationship with North Korea began even before he was born.

At the height of the Korean War in 1950, Mr. Moon's Communist-hating parents, natives of a northern province of the Korean Peninsula, were among 100,000 refugees evacuated in a U.S.-led naval rescue ahead of the advancing North Korean army.

He was born two years later on a South Korean island where the United Nations administered a refugee camp.

As a 23-year-old in 1976, Mr. Moon played a vital role in a military standoff on the demilitarized zone that divides the Korean Peninsula. And later in life, he served as chief of staff to a South Korean president who visited North Korea's then leader in Pyongyang.

Now, as South Korea's president, Mr. Moon is poised to reshape ties between the two estranged states that have helped define his own life.

During his two campaigns for president, in 2012 and this year, Mr. Moon has urged an ambitious policy of engagement with North Korea, arguing that talking and working with the isolated regime will open it to the world. He views the policy as an economic imperative, not an ideological one.



Civilians carrying their possessions line up to enter an LST, landing ship for evacuation from the Hungnam perimeter, Dec. 20, 1950.

Paul Bunyan—has been memorialized in modern South Korean history. Mr. Moon's team was given a piece of the tree as a memento.

Mr. Moon later became a human-rights lawyer, spurning offers for more lucrative jobs in corporate law. "The lawyer I imagined becoming was someone who listens to the common people," he says in his memoirs.

Mr. Moon served as a campaign manager for Mr. Roh in 2002 and was his presidential chief of staff when Mr. Roh met in Pyongyang with then-leader Kim Jong Il in 2007.

Two years later, Mr. Moon was on the scene when Mr. Roh, facing a graft probe after his presidency ended, jumped off a cliff near his home. Mr. Moon announced Mr. Roh's death to the media and later oversaw the funeral arrangements.

"It felt like the sky was falling," he wrote later.

Mr. Moon has since pledged to resuscitate some of the signature policies of Mr. Roh's Sunshine Policy, including a joint inter-Korean business park and a tourist zone in North Korea's Mount Kumgang region. Those projects, which funneled millions of dollars to North Korea, were criticized and eventually shut by Mr. Roh's successors, after North Korean provocations.

—Min Sun Lee contributed to this article.

The shift from current South Korea policy threatens to collide with the Trump administration, which has pushed to further isolate Pyongyang over its advancing nuclear and missile programs. It is also unclear whether South Koreans will embrace the approach. Many politicians and citizens favor punishing Pyongyang with tighter sanctions.

Mr. Moon's softer policy is backed by some South Koreans who came of age during the 1970s and 1980s. At that time, student activists clashed with the autocratic leadership of Park Chung-hee, the father of Mr. Moon's longtime rival Park Geun-hye, whose government Mr. Moon will now succeed after she was ousted in a corruption scandal.

Many of these students read the writings of North Korea's founder Kim Il Sung and were sympathetic to it, some seeking to engage with the rival regime. Mr. Moon was expelled from law school in Seoul and jailed in 1975 for leading a student protest.

After four months in prison, Mr. Moon was conscripted into the military. While serving with South

Korea's special forces, Mr. Moon was part of the team that hacked down a poplar tree at the DMZ that had obscured the sightline of U.N. observers positioned at the border in 1976.

North Korean soldiers had attacked an earlier U.S.

Army team sent to cut down that tree, killing two of them. The response—a show of force known as Operation

VOTE

Continued from page A1

Mr. Moon's first tasks will be seeking legislative approval for a prime minister, the country's No. 2 position, and appointing a new cabinet.

Mr. Moon will immediately face a raft of pressing issues, including stagnating economic growth, corporate malfeasance and uncertain relations with Beijing, Pyongyang and Washington.

Mr. Moon's political record and campaign pledges suggest that one of the most dramatic breaks with his predecessor will come in his approach to North Korea, potentially throwing South Korea out of alignment with the U.S.

North Korea has been showcasing its nuclear and missile programs in recent months, raising fears of an armed confrontation on the Korean Peninsula as U.S. President Donald Trump has hinted at the possibility of a pre-emptive military strike.

As the president's chief of staff a decade ago, Mr. Moon helped South Korea pursue a "Sunshine Policy" that lavished humanitarian aid on the impoverished North.

As a candidate, he pledged to revive that policy by deepening economic cooperation with Pyongyang at a time when the Trump administration is pushing for diplomatic



Presidential candidate Moon Jae-in reacted to TV exit results.

isolation. That has raised the specter of friction between Washington and Seoul.

Mr. Moon has also criticized the process behind the U.S. military's deployment of a missile-defense system in South Korea that has strained ties with Beijing, which calls the system's radar a threat to its national security.

Diplomats say China would welcome a Moon victory given his advocacy of engagement with North Korea and his reservations about the missile defense system known as Thaad.

Asked earlier Tuesday if Beijing hopes the new leadership in Seoul will halt the system's deployment, Chinese Foreign Ministry spokesman Geng Shuang said,

"China's position on the Thaad issue is clear, consistent and hasn't changed."

Mr. Moon is expected to seek to reopen two inter-Korean projects from the early 2000s—a joint industrial business park and a tourist resort, both of which would send millions of dollars to North Korea.

He is also likely to seek more dialogue with North Korea, including a possible summit meeting with leader Kim Jong Un, his top foreign-policy advisers have said.

While China has introduced some retaliatory measures against North Korea, such as a ban on its coal imports, Beijing remains wary of taking any steps that might trigger a collapse of the North Korean regime.

It would welcome steps that advocated a negotiated solution.

In Japan, the anticipated election of a candidate more skeptical toward traditional allies like the U.S. and Japan has generated some wariness

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among politicians of diplomatic friction.

Japanese Prime Minister Shinzo Abe said in parliament before the polls closed Tuesday: "I hope to agree with the new president on promoting security cooperation between Japan and South Korea, as well as between Japan, the United States and South Korea to deal with the North Korean threat."

Another concern for Japan is Mr. Moon's pledge to seek to renegotiate a landmark 2015 agreement between Tokyo and Seoul to resolve a long-running dispute over Korean women used as forced sex workers by the Japanese military during World War II.

For the conglomerates that dominate South Korea's economy, and whose alleged misdeeds helped trigger last year's political crisis, Mr. Moon's election could usher in changes that would make life more difficult for them.

Mr. Moon said during the campaign that he would curb corporate misconduct by focusing on the country's four biggest family-run chaebols—the Samsung, Hyundai Motor, LG and SK business empires.

The Samsung empire's de facto leader, Lee Jae-yong, was arrested this year on bribery charges, and is on trial.

—Min Sun Lee in Seoul, Jeremy Page in Beijing and Alastair Gale in Tokyo contributed to this article.

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The Making of a Moon Presidency



future President Roh Moo-hyun.

◆ 1950: As part of a U.S. naval rescue of 100,000 people during the Korean War, Moon Jae-in's parents are evacuated from the port of Hungnam in modern-day North Korea.

◆ 1953: Moon Jae-in is born on Geoje Island, in southeastern South Korea.

◆ 1972: Mr. Moon enters Kyung Hee University, where he studies law. The same year, President Park Chung-hee, father of recently ousted President Park Geun-hye, unveils a new constitution that removes limits on presidential powers.

◆ April 1975: Mr. Moon is expelled from school and jailed for leading a student protest.

◆ August 1975: Mr. Moon is released and enters the military, where he serves in the special forces, pictured above.

◆ August 1980: Mr. Moon graduates from the university.

◆ 1982: Mr. Moon starts his legal career, meets mentor and

◆ 2002: Mr. Moon plays a key role in Mr. Roh's successful presidential campaign.

◆ 2004: Mr. Moon serves as a legal representative to Mr. Roh during impeachment proceedings. Mr. Roh survives the impeachment effort after the courts rules in his favor.

◆ 2007: Mr. Moon serves as Mr. Roh's chief of staff until the end of his term in 2008.

◆ 2009: Mr. Roh, the former president, commits suicide amid a corruption probe against him. Mr. Moon oversees Mr. Roh's funeral arrangements.

◆ 2012: Mr. Moon is elected to the national assembly. He serves until May 2016.

◆ May 9, 2017: Mr. Moon is elected president.

Australia Unveils Big Project Plans

BY ROB TAYLOR AND JAMES GLYNN

CANBERRA, Australia—Australia is planning US\$56 billion in infrastructure spending on projects, including a new airport for Sydney and a 1,000-mile high-speed rail corridor, as the government seeks to extend the world's longest continuous growth streak and return to a budget surplus.

The decade spending plan—unveiled in the annual budget on Tuesday—comes as concerns mount over the health of an economy that has navigated through a recession.

In recent years, resources investment has declined sharply, an uncertain job market has made consumers leery about spending and tougher lending rules have choked off a housing-construction boom. The three global credit-rating firms have for months warned Australia's triple-A rating could be lost if national finances worsen.

Prime Minister Malcolm Turnbull is following the play-

book of other large developed countries, hoping to avert an economic downturn and rekindle support for his unpopular conservative government.

U.S. President Donald Trump has called for US\$1 trillion in spending to improve the nation's aging infrastructure, while the U.K. has invested US\$19 billion in projects, such as a new commuter line in London and a high-speed rail link between the country's two biggest cities.

The Australian government forecast on Tuesday that the budget deficit would fall to 2.5 billion Australian dollars (US\$1.85 billion) by 2020, swinging to a surplus of A\$7.4 billion—0.4% of output—by mid-2021 as the global economy recovered.

The government said, while stoking growth through infrastructure spending and a reduction in the corporate tax rate to 25% from about 30%.

A former French prime minister and top figure in the establishment Socialist Party said he wants to run as a candidate of President-elect Emmanuel Macron's upstart movement in legislative elections next month, a stark illustration of the vast political shuffle under way in France.

"The Socialist Party is dead and buried," Manuel Valls, a member of the party for nearly 40 years, told French radio station RTL. Mr. Valls, a man deeply associated with the unpopular President François Hollande, supported Mr. Macron rather than the Socialist Party candidate during the presidential election.

Mr. Macron founded his En Marche movement barely a year ago, sweeping to a win in Sunday's presidential election with the help of voters fed up with establishment parties. Candidates from mainstream parties that alternated to govern the country in the past four decades were eliminated in the first round.

To effectively govern, Mr. Ma-

WORLD WATCH



The peloton rides from Cefalu to Mount Etna during the fourth stage of the 100th Giro d'Italia.

cron must now gain control of the National Assembly when the French return to the polls for the two-round legislative vote scheduled for June 11 and 18.

En Marche is trying to recruit politicians on both the center-left and center-right to create a Macron majority while avoiding the appearance of backroom dealing with establishment politicians.

—Nick Kostov

FRANCE

Probe Is Opened Into Political Hacking

French prosecutors opened an investigation into a massive hacking of President-elect Emmanuel Macron's political party that rocked the election days before voters headed to the polls, a spokeswoman for the Paris prosecutor's office said on Tues-

day. Members of the Paris police specializing in cyber investigations will lead the probe, the prosecutors office spokeswoman said.

The breach of Mr. Macron's party, En Marche, became public when nine gigabytes of emails and documents were posted anonymously on the internet Friday evening.

—Matthew Dalton

U.S. NEWS

Yates Warned White House About Flynn

Former acting Justice Department chief says she told officials of Russia-blackmail risk

BY DEL QUENTIN WILBER
AND BYRON TAU

Former acting Attorney General Sally Yates told Congress on Monday she had warned a top White House official that then-national security adviser Mike Flynn had misled the vice president and others about his conversations with a top Russian diplomat, and that it had put him at risk of blackmail.

"Logic would tell you that you don't want the national security adviser to be in a position where the Russians have leverage over him," Ms. Yates said.

Although she spoke cautiously, Ms. Yates offered a dramatic airing of details about a controversial early chapter of President Donald Trump's administration, its relations with the Russian government and a secretive Justice Department investigation. She painted a striking picture of one of the nation's top security officials, a former general, making himself vulnerable to blackmail by a major adversary.

Ms. Yates testified she visited White House counsel Donald McGahn on Jan. 26, two days after the Federal Bureau of Investigation had interviewed Mr. Flynn, presumably about his contact with Sergei Kislyak, the Russian ambassador to the U.S.

Ms. Yates, a holdover from the Democratic administration of former President Barack Obama, testified she raised her concerns about Mr. Flynn after reading media reports of comments by Vice President Mike Pence and other White House officials describing the nature of calls between Mr. Flynn and Mr. Kislyak.

Mr. Pence, relying on Mr. Flynn's assertions, told a national television audience on Jan. 15 that Mr. Flynn hadn't discussed sanctions with the Russian ambassador when, in fact, he had done so, according to law-enforcement and intelligence officials.

Ms. Yates and others had access to transcripts of intelligence intercepts of Mr. Kislyak's calls, including those with Mr. Flynn, according to U.S. officials.

Citing restrictions on disclosing classified information, Ms. Yates didn't specify what she called Mr. Flynn's "troubling" and "problematic" conduct.

However, she said she told Mr. McGahn that she was concerned the national security adviser hadn't been truthful with Mr. Pence and, by extension with the American public. Such actions made Mr. Flynn a mark for blackmailers, she testified.

Ms. Yates made it clear in her testimony that Justice Department officials didn't believe Mr. Pence had knowingly made false statements, but rather that he had been misled by Mr.



Sally Yates, a former acting attorney general, and James Clapper, a former director of national intelligence, testified before a Senate panel on Capitol Hill Monday.

Flynn.

"Not only did we believe that the Russians knew this, but that they likely had proof of this information," Ms. Yates said. "That created a compromise situation, a situation where the national security adviser essentially could be blackmailed by the Russians."

Mr. Flynn resigned under pressure after information about his Russian contacts became public.

An attorney for Mr. Flynn declined to comment. Mr. McGahn didn't respond to a request for comment. A White House spokeswoman pointed to Mr. Trump's tweets Monday evening.

Writing on Twitter, the Republican president called the congressional investigations a "taxpayer funded charade."

"Sally Yates made the fake media extremely unhappy today—she said nothing but old news!" Mr. Trump wrote. He added that the focus should be on the questions of surveillance—how Mr. Flynn's conversations were intercepted in the first place.

Ms. Yates was joined by

Flynn's Brief Tenure Advising Trump

NOV. 10: Former President Barack Obama warns then-President-elect Donald Trump against hiring Michael Flynn as his national security adviser.

DEC. 29: Mr. Flynn and Sergei Kislyak, Russia's ambassador to the U.S., have a series of phone calls. They occur on the same

day that Mr. Obama's administration levies sanctions on Moscow for allegedly interfering in the U.S. presidential election.

JAN. 15: Vice President-elect Mike Pence tells CBS that Mr. Flynn has told him that he and the Russian ambassador didn't discuss sanctions.

JAN. 20: Mr. Trump takes office.

JAN. 26: Sally Yates, the acting attorney general, raises concerns

about Mr. Flynn's conversations with the Russian ambassador.

JAN. 30: Mr. Trump fires Ms. Yates over a matter unrelated to Mr. Flynn's Russian contacts.

FEB. 9: The Washington Post reports that Messrs. Flynn and Kislyak discussed sanctions.

FEB. 13: Under pressure for having misled Mr. Pence, Mr. Flynn resigns.

Source: WSJ Research

James Clapper, Mr. Obama's director of national intelligence, at the hearing before a Senate Judiciary subcommittee headed by Sen. Lindsey Graham (R, S.C.) to examine alleged Russian interference in the U.S. election.

The House and Senate intelligence committees are conducting high-profile inquiries into any Russian interference in the election, but those investigations have been slow to gain momentum. The FBI is leading a probe into whether there was any collusion between members of Mr. Trump's 2016 campaign

and Russian operatives. Russia has denied any election interference, and Mr. Trump has rejected allegations that anyone connected to his campaign coordinated with Russian officials to influence the election.

Ms. Yates also described a previously unknown second meeting at the White House on Jan. 27, the day after the first meeting, held at the request of Mr. McGahn. In that session, she said, the White House counsel asked such questions as why the Justice Department cared

whether one White House official had lied to another and whether the department intended to pursue a criminal case against Mr. Flynn.

Ms. Yates, who was Mr. Obama's deputy attorney general, was elevated to acting attorney general after the departure of Attorney General Loretta Lynch at the end of the last administration; she served in that post for 10 days. She was fired by Mr. Trump on Jan. 30 for ordering Justice Department lawyers not to defend Mr. Trump's initial travel ban in

whether Russia's actions in the U.S. election were illegal.

Mr. Clapper told the senators that Russia's "egregious" actions to influence last year's presidential election represented "the high-water mark of their long-running efforts since the 1960s to disrupt and influence our elections."

"They must be congratulating themselves for having exceeded their wildest expectations," he said, adding they were certainly "emboldened to continue such activities."

Obama Advised Against Hiring Adviser

BY CAROL E. LEE
AND DEL QUENTIN WILBER

Former President Barack Obama warned then-President-elect Donald Trump against hiring Mike Flynn as his national security adviser, a former Obama administration official said Monday.

The warning by Mr. Obama came shortly after the November presidential election and concerned Mr. Flynn's checkered service as head of the Defense Intelligence Agency. In

2014, Mr. Obama fired the then-lieutenant general from that senior Pentagon post.

Mr. Flynn later became a vocal supporter of Mr. Trump and was tapped to be his first national security adviser.

Mr. Flynn resigned weeks into the national security job under pressure for having misled Vice President Mike Pence about the nature of his conversations with a Russian diplomat during the presidential transition.

Mr. Obama's warning dur-

ing a Nov. 10 Oval Office meeting with Mr. Trump focused on Mr. Flynn's performance as head of DIA, not his dealings with Russian officials, the former official said.

Mr. Obama's concerns became public Monday, the same day that Sally Yates, a former acting attorney general, testified before Congress about a warning she issued top White House officials in January about Mr. Flynn.

White House press secretary Sean Spicer suggested Mr.

Obama's cautionary message about Mr. Flynn was due to "bad blood" between Messrs. Obama and Flynn and stemmed from the outgoing president "not liking him."

"It's true that President Obama made it known he wasn't exactly a fan of Michael Flynn's," Mr. Spicer said. He also said Mr. Obama's administration should have suspended Mr. Flynn's security clearance if it had concerns about him.

Mr. Trump himself tweeted

Monday morning: "General Flynn was given the highest security clearance by the Obama Administration—but the Fake News seldom likes talking about that."

The president also tweeted his concern that reports about Mr. Flynn were published in the press. "Ask Sally Yates, under oath, if she knows how classified information got into the newspapers soon after she explained it to W.H. Counsel," Mr. Trump posted on Twitter.

White House Splits on Climate Accord

BY ELI STOKOLS

President Donald Trump is pressing to settle the U.S. position on the Paris Agreement on climate change before his first overseas trip later this month.

White House officials were expected to close an internal debate on whether the U.S. should withdraw or take more measured steps, but a key meeting on the matter scheduled for Tuesday was postponed at the request of Secretary of State Rex Tillerson, who would have been unable to attend, an administration official said.

Two weeks after his electoral victory in November, Mr. Trump said he had "an open mind" about the agreement by 190 countries aimed at combatting climate change, reversing his campaign pledge to withdraw completely. But after softening campaign positions on China and the North Atlantic Treaty Organization in recent weeks, the GOP president may be looking to rebalance his approach on the world stage with a major move reaffirming his "America First" principles.

The faction for withdrawing

completely is led by Environmental Protection Agency Administrator Scott Pruitt, senior adviser Steve Bannon and White House counsel Don McGahn, several officials said. They are eager for the decision to come ahead of the G-7 and G-20 summits later this month in Italy and Germany, respectively, where world leaders are likely to pressure Mr. Trump to stay in the agreement.

But others inside and close to the administration are urging more tempered steps, such as paring the U.S. carbon-emissions reduction targets.

In a recent Oval Office meeting, Condoleezza Rice, who served as secretary of state under former President George W. Bush, a Republican, also implored Mr. Trump to avoid the diplomatic backlash that could result from the U.S. fully withdrawing from the agreement, according to two White House officials.

Within his administration, Mr. Tillerson, Secretary of Energy Rick Perry and the president's elder daughter, Ivanka Trump, are all pushing for a more measured response.

Environmental groups,

alarmed for weeks over the rising possibility that the administration may withdraw, have been preparing a response should that occur and simultaneously attempting to undercut the White House's legal rationale for pulling out.

At the last principals committee meeting, Mr. McGahn took Mr. Pruitt's side, arguing that remaining in the Paris Agreement could lead to litigation against the U.S. should the administration ratchet down its carbon-emission reduction limits, according to administration officials present. Mr. McGahn declined a request for comment.

Under the Paris Agreement, each participating country determines its own set of emissions targets and a plan to reach them. Mr. McGahn has pointed specifically to Article 4.11, which says that any nation "may at any time adjust its existing nationally determined contribution with a view to enhancing its level of ambition," noting that lowering goals could prompt lawsuits, multiple administration officials said.

Advocates for the agreement disagree with that analysis.

Conservatives Picked For Appeals Courts

BY JOE PALAZZOLO

11th Circuit in Atlanta.

White House press secretary Sean Spicer said Mr. Trump chose the nominees "for their deep knowledge of the law and their commitment to upholding constitutional principles."

Justices Larsen and Stras appeared on Mr. Trump's list of potential Supreme Court justices, which was compiled by the conservative Heritage Foundation and the Federalist Society, a right-leaning legal group.

Marge Baker, executive vice president of the left-leaning People For the American Way, said the slate of nominees sends a message that Mr. Trump intends to appoint judges who "will use their positions to shift the law dramatically in favor of corporations and the wealthy at the expense of ordinary people."

Ms. Baker contrasted the 10 nominees, all but one of whom were white, with President Barack Obama's judicial appointees, about two-thirds of whom were women or members of minority groups.



JIM URQUHART/REUTERS

A power plant outside Rock Springs, Wyo., is powered by coal.

IN DEPTH

PRICES

Continued from Page One
rules, such as always keeping prices lower than a competitor.

These new systems crunch mountains of historical and real-time data to predict how customers and competitors will react to any price change under different scenarios, giving them an almost superhuman insight into market dynamics. Programmed to meet a certain goal—such as boosting sales—the algorithms constantly update tactics after learning from experience.

Ulrik Bliefeldt, chief executive of Denmark-based a2i Systems A/S, whose technology powers the Rotterdam gas stations, said his software is focused primarily on modeling consumer behavior and leads to benefits for consumers as well as gas stations. The software learns when raising prices drives away customers and when it doesn't, leading to lower prices at times when price-sensitive customers are likely to drive by, he said.

"This is not a matter of stealing more money from your customer. It's about making margin on people who don't care, and giving away margin to people who do care," he said.

Driving the popularity of A.I. pricing is the pain rippling through most retail industries, long a low-margin business that is now suffering from increased competition from online competitors.

"The problem we're solving is that retailers are going through a bloodbath," said Guru Hariharan, chief executive of Mountain View, Calif.-based Boomerang Commerce Inc., whose A.I.-enabled software is used by Staples Inc. and other companies.

The rise of A.I. pricing poses a challenge to antitrust law. Authorities in the European Union and U.S. haven't opened probes or accused retailers of impropriety for using A.I. to set prices. Antitrust experts said it could be difficult to prove illegal intent as is often required in collusion cases; so far, algorithmic-pricing prosecutions have involved allegations of humans explicitly designing machines to manipulate markets.

Officials said they are looking at whether they need new rules. The Organization for Economic Cooperation and Development said it plans to discuss in June at a round table how such software could make collusion easier "without any formal agreement or human interaction."

"If professional poker players are having difficulty playing against an algorithm, imagine the difficulty a consumer might have," said Maurice Stucke, a former antitrust attorney for the U.S. Justice Department and now a law professor at the University of Tennessee, who has written about the competition issues posed by A.I. "In all likelihood, consumers are going to end up paying a higher price."

Makers and users of A.I. pricing said humans remain in control and that retailers' strategic goals vary widely, which should promote competition and lower prices.

"If you completely let the software rule, then I could see [collusion] happening," said



The Knaap Tankstation gas station in Rotterdam uses a2i Systems pricing software.

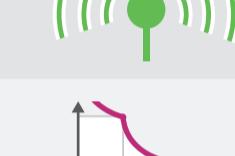
Price-Point

Artificial-intelligence software is being used by some gas stations to constantly adjust prices to maximize sales or margins. Here's how it works:



Step 1

Build a database of historical transactions to teach the software about market dynamics; add competitors' info.



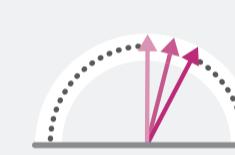
Step 2

Connect software to live feeds of purchase data and other variables such as weather and traffic.



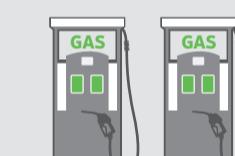
Step 3

Software compares live data to historical numbers to predict demand linked to prices.



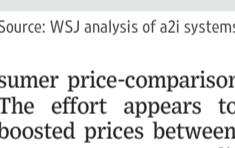
Step 4

Owner sets strategy for each fuel at each station, including preferred balance between volume and margin and constraints such as minimum price.



Step 5

Algorithms determine price for each fuel and automatically adjust pumps throughout the day.



Step 6

Transactions in reaction to those prices feed back into system to generate new predictions and prices.

Source: WSJ analysis of a2i systems

THE WALL STREET JOURNAL.

sumer price-comparison apps. The effort appears to have boosted prices between 1.2 to 3.3 euro cents per liter, or about 5 to 13 U.S. cents per gallon, according to a discussion paper published in 2016 by the Düsseldorf Institute for Competition Economics.

Makers and users of A.I. pricing said humans remain in control and that retailers' strategic goals vary widely, which should promote competition and lower prices.

"If you completely let the software rule, then I could see [collusion] happening," said

Faisal Masud, chief technology officer for Staples, which uses A.I.-enabled software to change prices on 30,000 products a day on its website. "But let's be clear, whatever tools we use, the business logic remains human."

Online retailers in the U.S., such as Amazon.com Inc. and its third-party sellers, were among the first to adopt dynamic pricing. Amazon.com declined to comment.

Since then, sectors with fast-moving goods, frequent price changes and thin margins—such as the grocery, electronics

March recovery of a small plane in a small pond.

Emily Oz does TV. Ms. Oz, a former news anchor in Minnesota and North Dakota, hosts two American Towman TV shows a week, produced by OMG National and posted in the online edition. One usually focuses on new equipment, like a truck that can lift a garbage truck. The other is a feature.

She profiled one tow-truck operator who strapped his GoPro camera to his chest, filmed rescues and has become a YouTube sensation among those in the industry. "The towers are such nice people," she says.

Longtime towers are often highlighted. Mike Lumpkin's late father, Dick, started Dick

Norma, handles the bookkeeping. His son, Henri, does customer service for the magazine and posts stories online. His brother Henri, who goes by "Doc," came back to run the trade shows.

Aside from family members, he has a chassis editor, who writes about maintenance strategies, and a repo editor who describes what's legal when it comes to repossessing cars, as well as field editors. News roundups include "Chase on Ill. Interstate. Man steals tow truck and leads police on wild chase" and "Florida Towman Disappears; Foul Play Suspected." One staffer, who contributes to the Wrecks and Recovery page, described the

longtime towers as often highlighted. Mike Lumpkin's late father, Dick, started Dick

and gasoline markets—have been the quickest to adopt the latest algorithmic pricing, because they are the most keen for extra pennies of margin, analysts and executives say.

The pricing-software industry has grown in tandem with the amount of data available to—and generated by—retailers. Stores keep information on transactions, as well as information about store traffic, product location and buyer demographics. They also can buy access to databases that monitor competitors' product assortments, availability and prices—both on the web and in stores.

A.I. is used to make sense of all that information. International Business Machines Corp. said its price-optimization business uses capabilities from its Watson cognitive-computing engine to advise retailers on pricing. Germany's Blue Yonder GmbH, a price-optimization outfit that serves clients in the grocery, electronics and fashion industries, said it uses neural networks based on those its physicist founder built to analyze data from a particle collider.

Neural networks are a type of A.I. computer system inspired by the interconnected structure of the human brain. They are good at matching new information to old patterns in vast databases, which allows them to use real-time signals such as purchases to predict from experience how consumers and competitors will behave.

Algorithms can also figure out what products are usually purchased together, allowing them to optimize the price of a whole shopping cart. If customers tend to be sensitive to milk prices, but less so to cereal prices, the software might beat a competitor's price on milk, and make up margin on cereal.

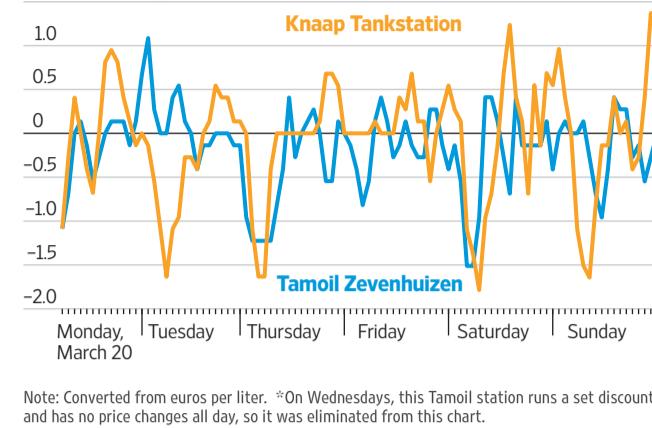
"They're getting really smart," said Nik Subramanian, chief technology officer of Brussels-based Kantify, who said its pricing software has figured out how to raise prices after it sees on a competitor's website that it has run out of a certain product.

Algorithmic pricing works well in the retail gasoline market, because it is a high-volume commodity that is relatively

On the Same Track

Two competing gas stations in the Rotterdam area both using a2i Systems pricing software roughly mirrored each other's price moves during a selected week.

Hourly change in price for unleaded Euro 95 gasoline; three-hour moving average for hours that both stations were open*



Note: Converted from euros per liter. *On Wednesdays, this Tamoil station runs a set discount and has no price changes all day, so it was eliminated from this chart.

Sources: Tamoil Nederland; Knaap Tankstation

THE WALL STREET JOURNAL.

uniform, leading station owners in competitive markets to squeeze every penny.

For years, price wars in cut-throat markets have followed a typical pattern. A retailer would cut prices to lure customers, then competitors would follow suit, each cutting a little more than the others, eventually pushing prices down close to the wholesale cost. Finally one seller would reach a breaking point and raise prices. Everyone would follow, and the cycle started all over.

Some economists say the price wars helped consumers with overall lower prices, but led to very thin margins for station owners. Danish oil and energy company OK hired a2i Systems in 2011 because its network of gas stations was suffering from a decade-old price war. It changed what it charged as many as 10 times a day, enlisting a team of people to drive around the country and call in competitors' prices, said Gert Johansen, the company's head of concept development.

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Low-margin grocery, electronics and gas retailers have adopted A.I. fastest.

A2i Systems—the name means applied artificial intelligence—was started by Alireza Derakhshan and Frodi Hammer, both engineering graduates of the University of Southern Denmark, in Odense. Before focusing on fuel, they built other A.I. systems, including a game displayed on interactive playground floor tiles that adapted to the speed and skill level of the children running around on top.

For OK, a2i created thousands of neural networks—one for each fuel at each station—and trained them to compare live sales data to years of historical company data to predict how customers would react to price changes. Then it ran those predictions through algorithms built to pick the optimal prices and learn from their mistakes.

In a pilot study, OK split 30 stations into two sets, a control

group and an a2i group. The group using the software averaged 5% higher margins, according to a paper Mr. Derakhshan presented last June at an A.I. conference in Seville, Spain.

The new system could make complex decisions that weren't simply based on a competitor's prices, Mr. Derakhshan said in an interview.

One client called to complain the software was malfunctioning. A competitor across the street had slashed prices in a promotion, but the algorithm responded by raising prices. There wasn't a bug. Instead, the software was monitoring the real-time data and saw an influx of customers, presumably because of the long wait across the street.

"It could tell that no matter how it increased prices, people kept coming in," said Mr. Derakhshan.

On the outskirts of Rotterdam, Koen van der Knaap began running the system on his family-owned Shell station in recent months. Down the road, a station owned by Tamoil, a gasoline retailer owned by Libya's Oilinvest Group, uses it too.

During a late-March week for which both Tamoil and Mr. van der Knaap provided hourly data, the costs for unleaded gas at the two stations—which vary in opening hours and services—bounced around independently much of the time, and generally declined, reflecting falling oil prices that week.

During some periods, however, the stations' price changes paralleled each other, going up or down by more than 2 U.S. cents per gallon within a few hours of each other. Often, prices dropped early in the morning and increased toward the end of the day, implying that the A.I. software may have been identifying common market-demand signals through the local noise.

The station owners said their systems frequently lower prices to gain volume when there are customers to be won.

"It can be frustrating," said Erwin Ralán, an electronics-store manager who was filling up at the Tamoil station that week. "Prices usually go up at the end of the day. But when you're empty and you're in a rush, there's not much you can do."

system on a Cadillac.

They recently released "Bless the Spirit Riders," in conjunction with the Spirit Ride, involving more than 100 towers relaying a casket across the country to raise awareness of Move Over laws. Those are designed to protect first responders by having vehicles move one lane over when approaching an accident.

The serial comic strip, "Adventures of the American Towman," started 12 years ago when Mr. Calitri envisioned an everyday tower, rescuing people in perilous situations, outwitting criminals and battling negative perceptions. He placed an ad for a cartoonist. Don Lomax, who created the newly reissued comic series Vietnam Journal and did a comic strip about bikers for Easyriders magazine, responded. Mr. Calitri wrote the first 21 episodes, and Mr. Lomax has done so since.

"The poor guy has been through a lot: hurricanes, tornadoes, zoo animals on the loose, flying saucers," says the 72-year-old cartoonist, who now also has a lighter, one-frame comic that appears in the online weekly.

In one, Boomer, a tall, skinny tower with a big nose, is towing a broken-down church school bus as the minister tells him, "The Lord moves us in mysterious ways."



JAY BAKER/AMERICAN TOWMAN MEDIA



AMERICAN TOWMAN MEDIA

American Towman Media is using songs, comics, awards and TV shows to spotlight the bravery of drivers who save motorists from peril. At left, the Towman Monument at the Baltimore Convention Center during the American Towman Expo. At right, a frame from the comic 'Adventures of the American Towman.'

Lumpkin's Auto Body 65 years ago in Piqua, Ohio. A magazine piece described his fleet of trucks and the shop motto,

"Got a Bump, Call Lump," which the family trademarked and turned into a jingle that plays when callers are on hold.

A framed copy of the article hangs in his shop. "It's an honor," he says.

Cecil Burrowes, an airbrush artist in New York, made the cover of a 2016 edition of American Towman under the headline "Picasso of Towing."

One owner wanted Mr. Burrowes to paint scenes from "The Godfather" on his truck. Another wanted scary clowns. Many towers enter their trucks in the annual Wrecker Pageant

at the international trade show.

Mr. Calitri says he often wakes in the middle of the night with an idea of how next to promote towers. That is how the ballads came about. A melody popped into his head. The next morning, he wrote the lyrics to what became "The Road Calls," googled looking for a musician in Warwick N.J., and found Mike Corbin, a carpenter and musician, who performed with Shania Na Na and had the gritty voice Mr. Calitri was after.

The two have collaborated on songs, including "100 Years," a tribute to the industry, which started in 1916 when mechanic Ernest Holmes, of Chattanooga, Tenn., put a crane and pulley

U.S. NEWS

GOP Tries to Quell Bill Backlash

By STEPHANIE ARMOUR
AND KRISTINA PETERSON

WASHINGTON—House Republicans may have won the battle to pass a health-care overhaul, but the fight over public messaging could be critical to the shape of the bill that emerges from the Senate and to any final compromise.

GOP leaders and the Trump administration are urgently trying to tamp down a backlash from Democrats and some Republicans who say the House legislation rolling back and replacing much of the Affordable Care Act would imperil coverage for millions of Americans.

Senate Majority Leader Mitch McConnell (R., Ky.) largely sidestepped details of the House bill Monday, focusing instead on the problems plaguing the current health-care system that he said were prodding his chamber to act.

"For years, the American people have suffered under this failed law....Now, they're watching as Obamacare collapses all around them," Mr. McConnell said on the Senate floor. He also sought to temper expectations that the Senate would move swiftly as it writes its own health-care legislation. "This process will not be quick or simple or easy, but it must be done," Mr. McConnell said.

Democrats dispute that the ACA is failing. To the extent that it has some struggles, they say, many of them are attributable to Republican attacks.

Republicans are facing criticism that a working group of GOP senators led by Mr. McConnell to write the Senate's version of a health-care overhaul is composed of 13 men and no women. Several



HHS Secretary Tom Price speaking last week at a White House press conference on the passage of health-care legislation.

provisions in the House repeal bill directly affect women, including a one-year federal defunding of Planned Parenthood Federation of America.

Critics had similar complaints when the House Freedom Caucus, currently a group of roughly three dozen conservative lawmakers, met to plot strategy in the House. And a widely distributed photo of top Republicans celebrating at the White House after last week's vote shows mostly men.

Some operatives who work with Republicans are con-

cerned about the message that could send. "Images are powerful, and seeing a lineup of 13 white men in the Senate, and a Rose Garden full of white men from the House celebrating passage of health-care legislation that could take away coverage or protections or access to reproductive care is obviously bad symbolism for Republicans," said Christine Matthews, president of Bellwether Research, a polling firm that has worked with Republicans.

Still, she said, "ultimately, the public is going to judge

health-care policy by what it means to their lives, not who crafted it."

That isn't stopping critics from hammering on the issue. "Raise your hand if you're sick of a small group of men determining your healthcare," NARAL Pro-Choice America, an abortion-rights group, tweeted on Monday.

Democrats are also criticizing the Senate working group for discussing changes without public input. Democratic senators sent a letter Monday to GOP Sens. Lamar Alexander of

Tennessee and Orrin Hatch of Utah, who lead health-related committees, asking for hearings.

One challenge facing Republicans is that some members of their own party, including senators and governors, are expressing discomfort with the House bill and the turbulent process that produced it. That puts pressure on the Senate to produce something with broader support, an effort that will almost certainly be shaped by the public-relations battle now under way.

President's Warrior For Trade Fights On

By BOB DAVIS
AND WILLIAM MAULDIN

WASHINGTON—The White House's most hawkish trade adviser, Peter Navarro, says the administration is still pushing to win concessions from trading partners even though the president has softened his positions on China and Mexico.

President Donald Trump no longer talks of imposing steep tariffs on Chinese imports. He also discarded a proposal that Mr. Navarro helped shape to pull out of the North American Free Trade Agreement.

Mr. Trump's decision last month to kill the National Trade Council, led by Mr. Navarro, raised questions about how much influence economic "nationalists" still had. Mr. Navarro's views have clashed with those of Gary Cohn, director of the National Economic Council. Mr. Cohn, of the administration's "globalist" contingent, has been a moderating force on trade.



"I don't worry about getting outmaneuvered," Mr. Navarro said. "I just worry about getting things done."

At the administration's start, Mr. Navarro loomed large in economic policy making. But Mr. Trump replaced the NTC on April 29 with the Office of Trade and Manufacturing Policy. Its agenda includes helping companies handle trade disputes, figuring out "Buy American" provisions and making sure the military has a strong industrial base. This is a more limited role than the NTC was expected to play.

"Navarro has been marginalized," said University of Maryland economist Peter Morici. Mr. Navarro says his clout is intact. The 67-year-old has started weekly one-on-one meetings with Mr. Trump.

President Trump took Mr. Navarro with him on a trip to Harrisburg, Pa., to mark the 100th day of his administration. There, he called Mr. Navarro "one of the greats trying to protect our jobs."

The administration has launched studies focusing on trade barriers, the trade deficit and excess capacity in the aluminum and steel industries, Mr. Navarro said. Trade analysts say the studies could lay the groundwork for tariffs.

"While we have big trade deficits with many countries, each country requires a different strategy to reduce that deficit," Mr. Navarro said.

But the administration has also backed off more extreme measures, cheering business officials who worried that Mr. Trump would ignite a trade war. The shift in stance has disappointed trade hawks.

"There is an ongoing tension within the administration between the campaign rhetoric and the reality of a very deeply interconnected global economy," said Josh Bolten, president of the Business Roundtable. "It's an open question as to which of those will prevail."

Appellate Judges Review Trump's Ban on Travel

By BRENT KENDALL

RICHMOND, Va.—Federal appeals court judges weighed whether they should consider President Donald Trump's previous statements supporting a complete ban on Muslims entering the country when ruling on his revised order to suspend travel from six Muslim-majority countries.

"That's the most important issue in the case," said Judge Robert King of the Fourth U.S. Circuit Court of Appeals, referring to the president's previous statements during a two-hour hearing on Monday.

The Richmond-based appeals court, with 13 judges participating, is considering whether Mr. Trump's executive order on visas and refugees, which the GOP president has said is necessary to help fight terrorism, should remain on hold because of concerns about religious discrimination.

Mr. Trump's March 6 order sought to temporarily bar U.S. entry to travelers from Iran, Libya, Somalia, Sudan, Syria and Yemen. The order was suspended by lower courts and isn't currently in effect.

A majority of judges on the liberal-leaning appeals court voiced concerns about Mr. Trump's approach and his motivations.

Judge James Wynn, an appointee of former President

Barack Obama, a Democrat, cited an array of comments by Mr. Trump that he said provided reason to question whether the president acted with anti-Muslim animus.

"Don't we get to consider what was actually said here?" the judge asked.

Judge Wynn said that even after courts blocked Mr. Trump's first order on travel restrictions from January and he implemented newer ones that were less far-reaching, "there was sort of a wink and nod" that he was fulfilling his campaign promise on banning Muslim entry to the U.S.

Jeffrey Wall, a lawyer for the Justice Department who defended the administration's travel restrictions, said the appeals court should focus on the text of the executive order, as well as what he described as the White House's legitimate concerns about terrorism, not on what Mr. Trump has said before and after taking office.

Mr. Trump sought to pause travel from the six countries for 90 days because he "wanted a brief opportunity" to consider whether U.S. screening procedures were good enough, Mr. Wall said.

Conservative judges, who are outnumbered on the court, fired question after question at an American Civil Liberties Union lawyer who was arguing



Protesters marched outside the Fourth U.S. Circuit Court of Appeals in Richmond, Va., on Monday.

that Mr. Trump's travel ban unlawfully targeted Muslims.

Judge Paul Niemeyer, an appointee of President George H.W. Bush, a Republican, said the countries identified by Mr. Trump's order were "havens for terrorism."

"You say that's irrational and inconsistent?" he asked.

ACLU lawyer Omar Jadwat

said courts owe deference to the president's powers to police the U.S. border, but that power doesn't mean he can "enact a policy that violates the Establishment Clause," the constitutional provision that bars the government from favoring or disfavoring particular religions.

Several judges asked Mr.

Jadwat for his best arguments against the executive order if he weren't allowed to use any of Mr. Trump's statements to support his case.

The ACLU attorney appeared to struggle with the answer, though he said the president's approach wasn't a logical way to address terrorism concerns.

MASSACHUSETTS

Judge Tosses Out Hernandez Conviction

A Massachusetts judge tossed out the murder conviction of Aaron Hernandez under a state legal principle triggered after the former New England Patriots player's apparent suicide in prison last month.

In Massachusetts, a common-law doctrine dictates that when a defendant dies before a conviction can be appealed, the conviction essentially gets wiped away.

Bristol County Superior Court Judge E. Susan Garsh said Tuesday that she had "no choice" but to vacate Mr. Hernandez's 2013 murder conviction, for which he was serving life in prison without parole in state prison for the slaying of

a former friend. Massachusetts prosecutors argued against throwing out the conviction and making Mr. Hernandez technically an innocent man, alleging that he made a calculated decision to kill himself to have his conviction voided.

"He should not be able to accomplish in death what he could not accomplish in life," Bristol Assistant District Attorney Patrick Bomberg told the judge.

Mr. Hernandez, who was 27, hanged himself in his prison cell last month in Massachusetts, authorities said, five days after a jury in Boston acquitted him of different murder charges stemming from a drive-by shooting that left two men dead in 2012. He was serving life in prison without parole for the 2013 slaying.

—Jennifer Levitt

CHICAGO

Police Get an Alert On Gang Rifles

This city's police officers were warned of the increasing use by gang members of rifles able to pierce police body armor, after a spate of shootings with assault-style weapons.

On Sunday, two men armed with assault-style rifles shot 10 people, police said. The victims, two of whom died, were attending a memorial for a person shot and killed that day in the Brighton Park neighborhood on the southwest side.

On Monday, officers were issued a safety bulletin warning them to expect a higher presence of gang members with assault-style rifles in that neighborhood.

Chicago police spokesman Anthony Guglielmi said the safety alerts are "routine communications to advise field personnel about incidents."

"This bulletin was issued out of an abundance of caution," he said. "There is no specific threat against Chicago police officers."

Sunday's bloodshed comes days after a van pulled alongside plainclothes police officers in an unmarked surveillance vehicle and opened fire with similar military-style rifles, injuring both officers. Chicago Police Superintendent Eddie Johnson said police in that neighborhood have seen "quite a few" shootings with high-powered rifles. The proliferation of these weapons are complicating Chicago's efforts to fight violent crime in the city.

—Shabani Mahtani

WASHINGTON

Two Named to Serve On Energy Panel

President Donald Trump tapped an aide to Senate Majority Leader Mitch McConnell and a veteran Pennsylvania regulator to serve on the Federal Energy Regulatory Commission.

Only two commissioners serve on the five-member panel, leaving it without a quorum and unable to make decisions on interstate pipelines and other projects worth billions of dollars. Mr. Trump nominated Neil Chatterjee, Mr. McConnell's energy adviser, and Robert Powelson, a member of the Pennsylvania Public Utility Commission. The nominations require Senate approval.

—Associated Press

PHILADELPHIA

Amtrak Engineer Won't Face Charges

Philadelphia prosecutors say the Amtrak engineer involved in a 2015 derailment that killed eight people and injured about 200 others won't be charged.

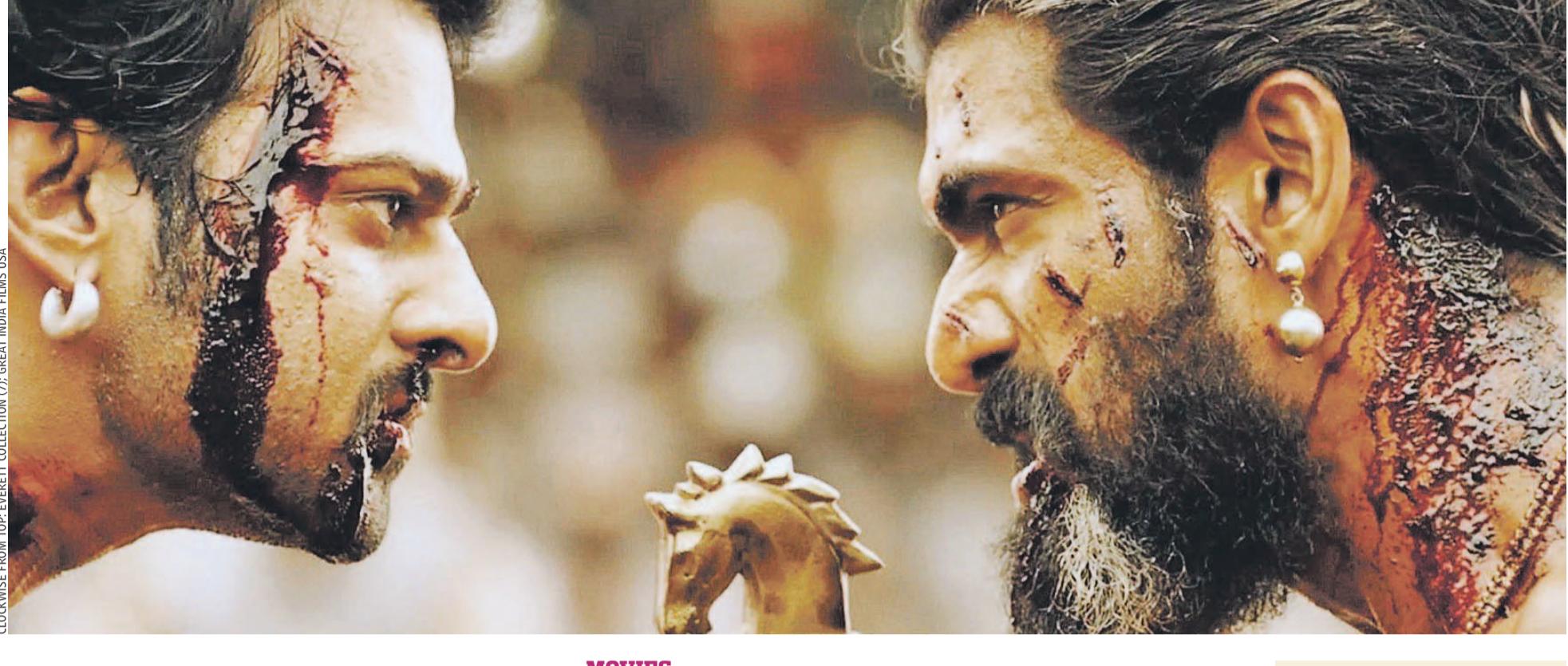
They said Tuesday they can't prove engineer Brandon Bostian acted with "conscious disregard" when he accelerated the train to 106 mph on a 50 mph curve.

Victims' lawyers Tom Kline and Robert Mongeluzzi describe their clients as bitterly disappointed and say many remain in constant pain two years later.

Mr. Kline believes the engineer should at least face reckless endangerment charges.

—Associated Press

LIFE & ARTS



MOVIES

The 'Star Wars' of India

'Baahubali 2' is the highest-grossing Indian film in history; in U.S. theaters, it beat Hollywood rivals

BY DON STEINBERG

IT'S BEING CALLED India's "Star Wars," smashing box-office records world-wide. The wild superhero epic "Baahubali 2: The Conclusion," which opened at the end of April, has become the highest grossing Indian film in history, and its breakthrough in the U.S. may be just as significant.

With a \$10.3 million opening weekend April 28, it was the No. 3 film in America, beating **DreamWorks Animation's** "Boss Baby," Tom Hanks in "The Circle" and other Hollywood fare. It did so even though it opened on only 425 screens around the country, selected for their demographics, averaging \$24,364 per screen. The No. 1 film the same weekend, "The Fate of The Furious," averaged only \$4,890 per screen, on 4,077 screens.

The film is a fictional action fantasy featuring a hunky warrior prince who can throw trees and wrestle bulls but still loves his mother. It had the third-largest opening for a foreign-language film in U.S. history (after the Chinese films "Hero" in 2004 and "Jet Li's Fearless" in 2006). It was the all-time biggest domestic IMAX opening for a foreign-language film, playing in 45 IMAX theaters targeted to areas with large Indian populations, according to IMAX.

"We were stunned. This clearly turned into an event," said Greg Foster, CEO of IMAX. "When you have full houses on Thursday night, on something that was unbelievably viral in how the information was disseminated to the Indian diaspora, you're tapping into something."

The blockbuster premiere reflected shifting demographics across America. Although the Indian-American population represents only 1% of the U.S., it is fast-growing with high disposable income. The Indian-American pop-



Characters, Amarendra Baahubali and Bhallaladeva, top; Kattappa, above; and, right, the producer Shobu Yarlagadda, the star Prabhas, and the director S.S. Rajamouli, left to right.



ulation grew to nearly 3 million in 2010, up 69% from 2000. In 2014 Indian citizens accounted for 70% of H-1B employment applications in the U.S.

"There's a passionate fan base and huge demand for these stylized works of cinema," says Paul Dergarabedian, senior media analyst at box-office tracker comScore. "The fact that a massive theater chain like AMC showcased the film, and broke records, could open the door to an expansion of the release of these Bollywood/Tollywood gems, and bring them a more mainstream audience."

Like the first "Baahubali" movie, "Baahubali 2: The Conclusion" is a fantasy. It runs 2 hours, 47 minutes and is mostly back story to the first installment. Indian star Prabhas plays the human demigod Amarendra Baahubali, a sort of cross between Hercules and

Braveheart. The film features human catapults and a stampede of bulls with flaming horns. There are shirtless, muscular men swinging swords and women in flowing saris. The lavish song-and-dance numbers make "La La Land" look like amateur hour. Battle scenes are just as choreographed, aided by frequently subtle computer imagery, especially for the many scenes that depict animals. (Indian law prohibits many uses of real animals in films.)

In India, the film is causing a stir because it comes from the underdog Telugu-language film industry, based in Southern India and nicknamed Tollywood, rather than the Hindi-language Bollywood, centered

in Mumbai. It's dubbed in Hindi and Tamil to reach a wide audience across India and is subtitled in the U.S. Great India Films, which has been distributing south Indian films globally for more than a decade, made this its widest American release. As of this past weekend, it is on track to surpass 10 billion rupees (close to \$155 million) at the Indian box office. The film has reached \$16 million so far in the U.S.

Soma Kancharla, a partner in Great India Films, the distributor of "Baahubali 2" in North America, says Indian films are finding a growing audience in the U.S. But he thinks a successful import like "Baahubali 2" remains a once-in-a-while event. The crossover appeal of Indian films to non-Indian audiences has a way to go, he says. The most-successful foreign language films in the U.S., like "Crouching Tiger, Hidden Dragon," "Amelie," and "Life is Beautiful," started as art-house films and slowly expanded to wider audiences. English director Danny Boyle brought Bollywood sensibility to a non-Indian audience with "Slumdog Millionaire."

But popular Indian films like the "Baahubali" movies, which mix adventure, tragedy, violence, romance, and music, haven't connected with Western audiences the way those smaller, more independent-feeling films have.

And Mr. Kancharla's small distribution company didn't do the kind of advance publicity that big studios do. He was also disheartened by the near complete absence of reviews in non-Indian media.

"Critics on Yahoo or Rotten Tomatoes, or somewhere, I haven't seen anything like that," he said. On Rotten Tomatoes recently "Baahubali 2" boasted a 92% audience score and had no rating at all from critics.

Despite the Indian film's success, after its first week it was replaced on nearly every IMAX screen by "Guardians of the Galaxy Vol. 2."

Top Foreign-Language Films in the U.S.



Crouching Tiger, Hidden Dragon
(Taiwan, 2000) \$128 million



Life Is Beautiful
(Italy, 1998) \$57.6 million



Hero
(China, 2004) \$53.7 million



Instructions Not Included
(Mexico, 2013) \$44.5 million



Pan's Labyrinth
(Mexico, 2006) \$37.6 million

Ranked by U.S. box office gross
Source: BoxOfficeMojo

MY RIDE | By A.J. Baime

BETTING THE BANK ON A 1969 FERRARI

Robert Crotty, 47, vice president of business development for a software company from Hermosa Beach, Calif., on his 1969 Ferrari 365 GT 2+2, as told to A.J. Baime.

I cannot begin to describe the nail-biting experience of buying the car you see pictured here. It was expensive, to say the least, and it took me years to find. I was raised in a conservative, financially responsible family, so the idea of tying up my family's financial well-being in a car was, let's say, surprising to some people.

When I bought the car in 2013, my wife said to me, "Whatever you think is right. I trust you." That only made me more nervous, but thus far, it has been a dream ride.

The market for vintage Ferraris functions exactly as the art market does. The cars are like rolling Italian sculptures, and their values fluctuate according to the ebb and flow of desire for specific models, the rarity and provenance, etc. Buyers and

collectors usually have one of two motives: They buy a car because they know it has monetary value and is likely to appreciate, or they have the money and they just want to enjoy it.

I fall in the middle. Driving this car is a surreal experience—the beauty, the sound, the power. But I also need the car to maintain its value, and ideally to appreciate. (Thus far, I believe it has.) I chose this specific model because it was affordable (for my budget), I could fit my family in it, and because it was one of the last V-12 cars—Ferraris are famous for the V-12 engine—during the so-called Enzo era. That's when founder Enzo Ferrari owned the company entirely, before it was partly sold to Fiat in 1969. About 800 of these cars were built.

The company was really an extension of Enzo Ferrari's passion. He was incredibly successful in racing, and there's an aura about his road cars because of the beauty and engineering brilliance he instilled in them.

I look for any excuse I can to put my family in the car and go. I take my kids for night drives. Sometimes before they go to bed, we jump in the Ferrari and blast through the neighborhood. Taking them for ice cream has never been so much fun.

The kids point out how loud the car is, and how the air conditioning doesn't work that well. I tell them, "Well kids, welcome to 1960s motoring."

Contact A.J. Baime at Facebook.com/ajbaime.



Robert Crotty sits in Hermosa Beach, Calif., with his 1969 Ferrari 365 GT 2+2. A shot of the steering wheel and instrument panel, left.

LIFE & ARTS

WORK & FAMILY | By Sue Shellenbarger

Why You Can't Concentrate at Work

The problem is visual noise; companies get creative dialing down distractions that pull eyes away from desks

AFTER TAKING DOWN walls to create open offices and foster lots of interaction and collaboration, some companies are finding they've done the job too well. All of this social engineering has created endless distractions that draw employees' eyes away from their own screens.

Visual noise, the activity or movement around the edges of an employee's field of vision, can erode concentration and disrupt analytical thinking or creativity, research shows. While employers have long tried to quiet disruptive sounds in open workspaces, some are now combating visual noise too. The answer could be as low-tech as strategically placed plants or more drab wall colors.

"I wish there were such a thing as human blinders," Maya Spivak wrote when the software company she works for asked her in a survey last year how she felt about her workspace. She was only half-joking. Her desk was near several colleagues' desks. Blocking out their movement was a constant struggle. "I could barely ever focus," says Ms. Spivak, marketing and communications director for San Francisco-based Segment.

Her company overhauled its layout when it moved to new offices in April. Its former space was like a warehouse, creating "these long lines of sight across the workspace, where you have people you know and recognize moving by and talking to each other. It was incredibly distracting," CEO Peter Reinhardt says.

Segment's new offices still have open workspaces, but the setup is more like a labyrinth, with walls, corners and large potted and hanging plants separating employees' desks from passersby, "almost like a jungle," Mr. Reinhardt says. (The plants help keep the noise down, too.) Employees' workspaces are farther apart. Ms. Spivak sits in a corner between an empty workstation and an eighth-floor window with a skyline view, and she's much more productive, she says. Some of Segment's engineers work in sepa-



Visual distractions in an open-plan office can disrupt concentration. Large plants shield employees at San Francisco-based Segment, left.

FROM TOP: ISTOCK; LAUREN VENELL/SEGMENT

rate team rooms.

Being surrounded by teammates with similar work patterns can be comforting to employees. Unpredictable movements around the edges of a person's field of vision compete for cognitive resources, however, says Sabine Kastner, a

professor of neuroscience and psychology at Princeton University who has studied how the brain pays attention for 20 years. People differ in their ability to filter out visual stimuli. For some, a teeming or cluttered office can make it nearly impossible to concentrate, she says.

"If we see a bunch of people gathering in our peripheral vision, we wonder, 'What are they talking about? Did somebody get laid off? Are they coming to lay me off?'" says Sally Augustin, an environmental psychologist and principal at Design With Science, a La Grange Park, Ill., consulting firm.

Being visible to bosses and colleagues can make workers in some jobs feel pressured to conform to others' expectations, says Leigh Stringer, author of "The Healthy Workplace."

If employees default to keeping their heads down and typing on their computers to look busy, rather than taking time to reflect or brainstorming with others, innovation or analytical work may suffer, she says.

In an experiment with Chinese factory workers published in 2012, Ethan Bernstein, an assistant pro-

fessor of leadership and organizational behavior at Harvard Business School, found teams were 10% to 15% more productive when they worked behind a curtain that shielded them from supervisors' view. The employees felt freer to experiment with new ways to solve problems and improve efficiency when protected from their bosses' critical gaze, Dr. Bernstein says.

A loss of visual privacy is the No. 2 complaint from employees in offices with low or no partitions between desks, after noise, according to a 2013 study published in the Journal of Environmental Psychology of 42,764 workers in 303 U.S. office buildings.

Some employers are dealing with such distractions by giving employees a lot of choices, allowing them to leave their desks and relocate to other kinds of workspaces over the course of a day, says David Lehrer, director of communications for the Center for the Built Environment at the University of California, Berkeley.

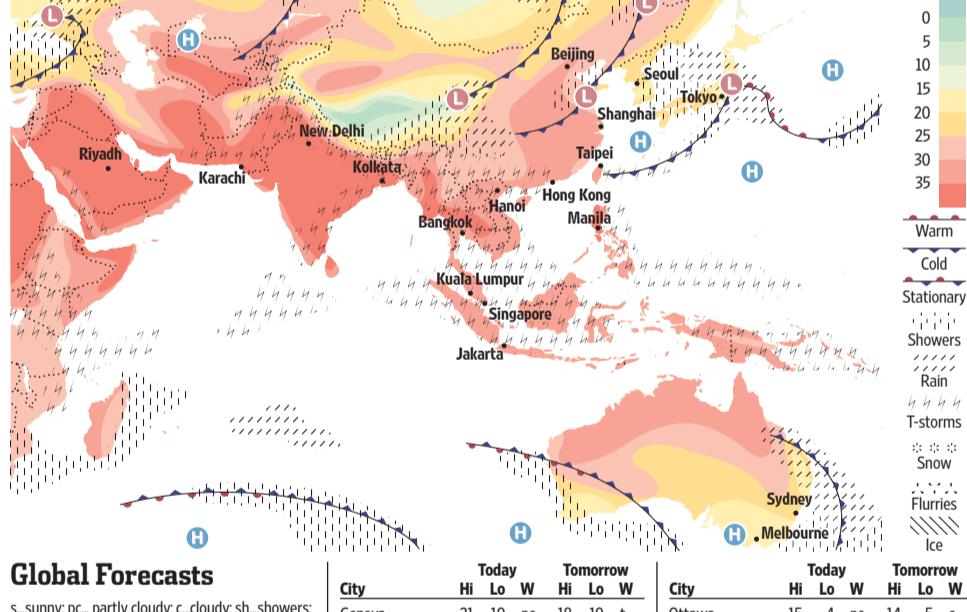
AT&T has installed about 20 Steelcase Brody workstations at its San Ramon, Calif., offices. They have privacy screens on three sides to block distractions, says Colleen Randazzo, a tactical planner who worked with AT&T on converting part of its space from cubicles and private offices to open seating.

The company also has 66 "focus rooms," small rooms with a single desk. These are popular among employees because they allow them to close the door, turn away from the window and work facing a wall, she says.

Boston Consulting Group installed 500 oversize, curved computer monitors at employees' desks when it moved last November to new open-plan offices in New York City, says Ross Love, the firm's managing partner in New York.

Employees asked for the 34-inch screens, partly to help avoid distractions. The company also built in quiet rooms and other private spaces.

Weather

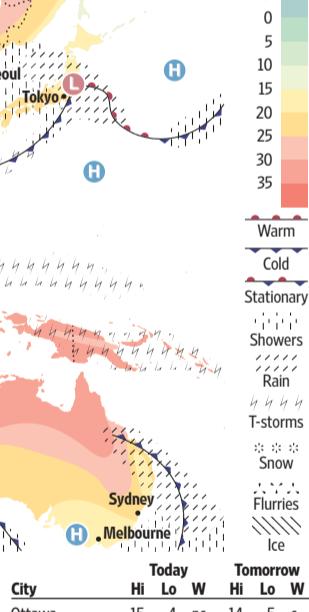


Global Forecasts

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

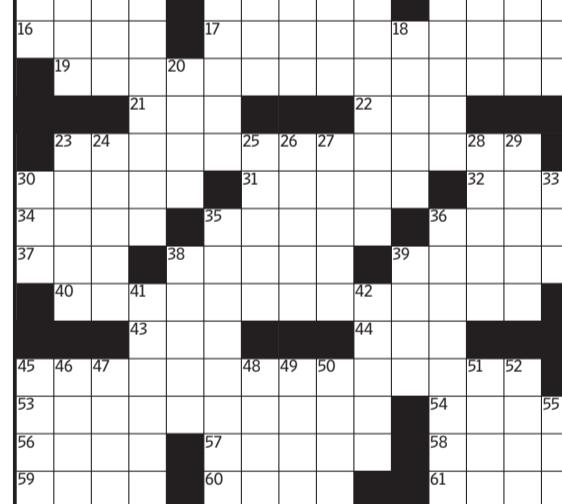
City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	13	6	pc	19	12	pc
Anchorage	14	6	pc	16	6	s
Athens	25	16	pc	25	16	s
Atlanta	31	18	s	32	19	s
Bahrain	40	23	s	42	23	s
Baltimore	21	9	pc	18	9	pc
Bangkok	33	25	t	33	26	t
Beijing	31	13	pc	31	10	s
Berlin	10	3	sh	16	8	pc
Bogota	18	9	r	19	10	r
Boise	27	13	s	30	11	pc
Boston	15	7	c	12	8	pc
Brussels	16	8	pc	19	13	t
Buenos Aires	16	8	s	17	13	r
Cairo	39	20	s	32	18	s
Calgary	21	6	pc	24	10	pc
Caracas	31	24	t	31	25	pc
Charlotte	31	17	pc	30	18	p
Chicago	15	9	sh	14	7	r
Dallas	27	20	c	31	17	t
Denver	13	6	r	16	4	c
Detroit	17	8	pc	14	7	c
Dubai	38	28	s	38	29	s
Dublin	15	5	pc	14	9	pc
Edinburgh	16	4	pc	17	8	pc
Frankfurt	17	7	pc	20	13	t

AccuWeather.com



City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	21	10	pc	18	10	t
Hanoi	30	24	c	31	24	t
Havana	31	18	s	32	20	s
Hong Kong	30	25	pc	30	26	c
Honolulu	29	22	pc	29	23	sh
Istanbul	18	12	pc	21	14	s
Jakarta	32	25	sh	31	24	c
Johannesburg	22	8	s	21	9	s
Kansas City	27	16	t	20	10	r
Las Vegas	28	18	pc	32	21	s
Lima	25	20	pc	25	19	pc
London	17	8	pc	19	12	s
Los Angeles	20	13	pc	21	13	pc
Madrid	22	11	t	19	11	t
Manila	35	27	pc	35	27	pc
Melbourne	17	9	pc	18	8	c
Mexico City	25	15	pc	27	14	pc
Miami	31	22	s	33	23	s
Milan	19	12	c	19	13	s
Minneapolis	20	10	c	20	9	pc
Monterey	34	20	pc	37	19	pc
Montreal	13	4	pc	14	5	c
Moscow	6	-1	c	9	1	r
Mumbai	34	26	pc	34	27	pc
Nashville	31	18	pc	31	16	c
New Delhi	43	28	s	42	29	s
New Orleans	28	18	pc	28	19	pc
New York City	17	10	p	17	9	t
Washington, D.C.	23	12	pc	18	11	c
Zurich	19	7	pc	22	10	t

The WSJ Daily Crossword | Edited by Mike Shenk



ORDERED HEADLINES | By Aaron L. Peterson

Across	Down
1 Way impressive	27 Military choppers
5 Openly confess	28 Pick of the populace
9 Conjugation target	29 Statue in Florence's Galleria dell'Accademia
13 It may have a privacy partition	30 Trading area
14 "A Passage to India" heroine	33 Start for magnetic or metric
15 Long-distance runner Zatopek	35 Jiggly dishes
16 No longer fizzy	36 Kiss specialty
17 Adopted the locals' customs	38 Express
19 "Building Addition Is Gutted for Renovation"	39 Sock set
21 Tilde key's neighbor	40 Warner who played Charlie Chan
22 Put away	41 Treacherous sorts
23 "Panini Found to Be Completely Bland"	42 Humphrey's successor
25 They're concerned with feet and meters	43 Mother of Hephaestus
31 Rutger of "Blade Runner"	44 Line man?
32 Online gamer's annoyance	45 Plow pullers
34 Enchanted with	47 Minor row
35 "Our Lady of the Flowers" author	48 Resting on
36 Workers' place	49 Milhouse's crush
37 Container for kippers	50 Troubles
38 Primed	51 Good foe
39 Grilling site	52 Check line
40 "Horse Soldiers Transported by Air Force"	55 Battle of Cold Harbor victor

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

Previous Puzzle's Solution

A	H	A	B	D	A	L	A	I	M	T
M	E	L	B	A	T	O	A	S	M	U
M	A	I	L	R	U	N	L	A	S	T
O	R	K	W	I	S	U	N	A	S	T
D	E</td									

OPINION

REVIEW & OUTLOOK

South Korea Moves Left

South Korean voters turned out in record numbers Tuesday, and early returns showed leftist Moon Jae-in leading with a comfortable plurality to become the next President. The left turn is understandable after the impeachment of Park Geun-hye for corruption, but it will complicate U.S. efforts to eliminate North Korea's nuclear-missile threat.

Mr. Moon was leading as we went to press with about 40% of the popular vote, as he took advantage of a divided center-right majority. Ms. Park's downfall split the conservative Saenuri Party, and her former supporters were divided between two candidates who each received more than 20% support.

Ms. Park was wise regarding North Korea but her domestic failures opened the door to Mr. Moon, a human-rights lawyer. Prosecutors have indicted her on 18 counts of bribery and abuse of power, and the revelations have sparked a backlash against the country's largest companies, the *chaebol*. Mr. Moon has promised long-overdue reforms to create a level playing field for smaller companies.

But instead of cutting the government's role in the economy, the true source of corruption, Mr. Moon has pledged fresh intervention. He wants to raise taxes on the wealthy and large companies, increase the minimum wage, and force companies to give temporary workers permanent status and reduce working hours. The French Socialists would approve.

Mr. Moon's desire to appease North Korea marks a return to the Sunshine Policy that failed in the mid-2000s when he was an aide to center-left President Roh Moo-hyun. Mr. Moon wants to pursue reunification based on economic integration, offering a formal peace process if the

North will give up its nuclear weapons. He also wants to reopen the Kaesong Industrial Zone, which provided the North with \$100 million a year in hard currency until its closure in 2016.

This ignores Pyongyang's long record of broken promises and its clear intention to reunify the Korean Peninsula on its terms using nuclear weapons as leverage. In recent weeks the North has detained two more U.S. citizens, a reminder that the regime treats engagement as an opportunity to take hostages.

All of this will complicate the Trump Administration's attempt to increase pressure on Pyongyang as the North develops nuclear missiles capable of hitting Seattle. North Korea will try to drive a wedge between the U.S. and South Korea to re-establish its cash lifeline, and China may pressure Mr. Moon to reverse the South's recent deployment of the Thaad missile-defense system. But the only chance of ending the nuclear threat is a united front toward the North and its Beijing patrons.

President Trump inadvertently assisted Mr. Moon's election with his ill-timed demand that South Korea pay for Thaad, though his aides walked that back. Mr. Trump now has to work with Mr. Moon but he'll have to be clear that the North now threatens the U.S. mainland as well as South Korea. Mr. Trump can send a signal of seriousness by applying U.S. sanctions more stringently on entities that do business with the North. That would put South Korean companies on notice that a return to Kaesong could bar them from U.S. business.

Mr. Moon says the U.S.-Korea alliance will remain the cornerstone of his country's security. That's good to hear, but Mr. Trump will have to be clear that a return to appeasement is unacceptable.

Apple's Case for Tax Reform

Apple reported last week that it has amassed \$256 billion in cash on its balance sheet, with more than 90% parked overseas—that is, outside the grasp of U.S. tax authorities. While our friends on the left howl about corporate-tax avoidance, Apple offers a case study for tax reform.

Apple's cash hoard is five times greater than the market value of General Motors and exceeds the combined foreign-currency reserves of the U.K. and Canada. In the last three months of 2016, the iPhone developer accumulated cash at an approximate rate of \$3.6 million an hour, and on Monday its market capitalization briefly exceeded \$800 billion.

Sales of the iPhone make up about two-thirds of Apple's revenue, and a substantial share of its income is earned overseas. Apple pays corporate taxes on foreign income in the country where it's earned but is penalized if it brings cash home.

Last year the European Commission accused Apple of routing income tied to intellectual property through Irish-based subsidiaries to reduce its tax bill in the European Union. CEO Tim Cook disputed that it is illegally avoiding taxation, noting that Apple pays taxes to the U.S. Treasury when it repatriates overseas profits. Fair enough, though the company legally defers paying U.S. corporate taxes by keeping cash overseas.

As Mr. Cook explained to the Washington Post in August, "when we bring [cash] back, we will pay 35 percent federal tax and then a weighted average across the states that we're in, which is about 5 percent, so think of it as 40 percent. We've said at 40 percent, we're not going to bring it back until there's a fair rate. There's no debate about it." Hence its \$256 billion in cash reserves.

The U.S. has the highest statutory corporate-tax rate (39% including the average state rate) in the developed world. Other countries including Canada (to 26% from 43% in 2000) and the U.K. (to 20% from 30% since 2008) have been reducing their rates to become more competitive. Ireland boasts a corporate rate of 12.5% and a mere 6.25% for profits from research and development. France's newly elected President Emmanuel Macron has proposed cutting his country's rate to 25% from 33.3%.

Even the average effective U.S. corporate rate—29% after deductions and credits—is higher

than most countries' statutory rates. Canada's effective rate is 16.2%, and the U.K.'s is 10.1%. Mr. Cook has estimated that Apple's effective rate in

the U.S. is more than 30%. Adding injury to insult, the U.S. taxes companies on their worldwide profits. Most countries maintain territorial systems in which companies pay taxes only where the income is earned.

By some estimates, corporations have \$2.5 trillion sitting overseas. The sum has swelled in recent years as corporate profits have grown. Some corporations like Burger King (Canada) and Medtronic (Ireland) have sought to avoid this tax penalty by inverting—i.e., merging with a foreign business and relocating their headquarters to a lower-tax jurisdiction.

Other companies are borrowing billions to fund shareholder dividends and buybacks. Given today's low interest rates, it may be cheaper to borrow than bring cash back from overseas. Interest payments are also tax deductible. According to the Journal, Apple has borrowed \$88 billion to fund shareholder payouts since 2012. Last week Apple announced that it will increase its dividend by 10.5% and return \$300 billion to shareholders through March 2019. This may be a bet on Congress passing a tax reform that makes it more attractive to repatriate cash held overseas.

The key point is that any tax reform worth the political capital needs to encourage U.S. companies to move foreign income back home. President Trump has floated a one-time tax hit of 10% on previously earned overseas income that is repatriated, with a territorial-tax system and a 15% rate on future income. House Republicans prefer 8.75% and 20%, but either is a big improvement on the status quo. Businesses might use that returning capital to lift investment, boost wages, or return cash to shareholders that could be reinvested.

The U.S. Treasury would also benefit from a better corporate-tax code. According to the Tax Foundation, Canada's corporate-tax revenues as a share of GDP increased after its rate fell in 2000. Canada's corporate-tax revenues have averaged 3.3% of GDP since 2000 compared to 2.9% from 1988 to 2000 (when the rate was 43%) and 2.3% currently in the U.S.

Republicans and Mr. Trump will need to sell the American people on the benefits of corporate-tax reform. They could do worse than cite Apple as Exhibit A.

Here Come the Trump Judges

With Neil Gorsuch safely on the U.S. Supreme Court, the White House is turning its attention to the lower federal courts. President Trump took a major step Monday, naming five new nominees to the federal appellate courts and five to the district courts.

The five appellate nominees are Joan Larsen of the Michigan Supreme Court and John Bush of Kentucky to the Sixth Circuit, Kevin Newsom of Alabama to the 11th Circuit, David Stras of Minnesota to the Eighth Circuit and Amy Barrett of Indiana to the Seventh Circuit.

Judges Larsen and Stras were on Mr. Trump's original list of 21 judges he said he'd consider for the Supreme Court, and the group has sterling credentials. Ms. Barrett is a law professor at Notre Dame who clerked for federal Judge Lawrence Silberman, a giant of the appellate circuits, as well as Justice Antonin Scalia. Mr. Newsom is a former clerk to Justice David Souter and has argued multiple cases before the Supreme Court. Mr. Bush is a highly regarded lawyer in private

practice who represented President Reagan during the Iran-Contra investigations.

It's likely the left will pressure Democratic Senators like Al Franken (Minnesota) and Joe Donnelly (Indiana) to withhold their endorsements of the home-state judges, known as "blue slips." But White House Counsel Donald McGahn has put together impressive nominees who will be hard to obstruct for reasons beyond raw partisanship.

Prompt Senate action on the nominations is important—not least because the number of vacancies on the federal bench is around 129. After these latest nominees, that includes 14 on the appellate circuits. President Obama made 331 judicial appointments, and his nominees to the federal appeals courts now represent about a third of the judges.

According to the Brookings Institution, as of September 2016 there were 92 liberal appellate judges and 75 conservatives. It's time to redress the balance in the 115th Congress while Republicans have a Senate majority.

Taking Liberties With France



MAIN STREET
By William McGurn

France's long and troubled relationship with the liberty part of *liberté, égalité et fraternité* isn't hard to understand once you realize that the national motto goes back to Robespierre. Unfortunately, Sunday's presidential election confirms that the French ambivalence to liberty remains alive—and debilitating.

In his victory speech, Emmanuel Macron told his fellow citizens that the election turned "a new page in our history." This is doubtful. The more prosaic explanation is that, given the choice before them, French voters reasonably opted for the certainty of a status quo with some tinkering around the edges over the uncertainty of radical disruptions promised by Marine Le Pen and her National Front party.

In an election that saw a French president for the first time decline to seek a second term, the humiliating

public repudiation of the establishment parties, and the election of the youngest French leader since Napoleon, the

most striking aspect was that there

was no real challenge to the reigning

political orthodoxies. Indeed, in a race

supposedly filled with so much anger

and angst, the greatest irony is that the

candidate furthest outside the French

mainstream, Ms. Le Pen, far from ques-

tioning these orthodoxies promised to

double down on them.

What are these orthodoxies? There

are two. The first is the state's dominant

role in the French economy. The second

is the state's role as enforcer of France's

official nonreligion, done formally under

the principle of *laïcité*, a century-old in-

novation whose original purpose was to

check the Catholic Church.

Apparently it occurs to no one in

France that a fair part of their two

chief crises—a stagnant economy and a

Muslim minority that has not assimilated—are fueled by the same source: a

lack of liberty.

France's lack of economic freedom is

no secret. Whether it is the exalted role

the French government plays in private

enterprises or the state itch to inter-

vene in any economic arrangement be-

tween consenting French adults, the as-

sumption is that government knows

best. One price of this arrangement is

unemployment that hovers at around

10% overall, and at more than 20% for

people under 25.

To his credit, Mr. Macron promises

reforms such as eliminating 120,000

state jobs, cutting the corporate-tax rate

and making it easier to hire and fire

workers. But anyone who thinks Mr. Mac-

ron a champion of economic freedom

would do well to check out his Trump-

like push for a "Buy European" program,

as well as his vow to make "the protec-

tion of European industry" central to

"reinventing" the European Union.

Trump's Wood Tariff's Hardly a Housing Tax

Regarding your editorial "Trump's New Housing Tax" (April 27): Presi-

dent Trump promised to renegotiate

the North American Free Trade

Agreement. It appears that the issue

is much more complex than reported,

and that this move is really an open-

ing in the string of agreements on

changes to Nafta. Your attempt to

portray this as a leftist, class-warfare

action looks more like partisan poli-

cies than objective reasoning. Your at-

tempt to shame President Trump over

a possible 20% increase in the price

of a commodity you identify as mak-

ing up only 7% of the price of a house

is a bit of a stretch.

BILL MILLS

Sterling, Va.

RALPH HEMPHILL

Carlsbad, Calif.

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OPINION

South Korea Enters the Moonshine Era

By Michael Breen

After a bitter winter of political turmoil leading to the impeachment in March of President Park Geun-hye, South Koreans on Tuesday elected as their new leader Moon Jae-in, the opponent she defeated back in 2012. A Roman Catholic and former human-rights lawyer, Mr. Moon swept the field, with exit polls showing he won a convincing 41.4% of the votes, more than 18 percentage points over his next-closest opponent. Turnout exceeded 77%.

With Ms. Park in jail awaiting trial, there is no transition period and no time to prepare. Mr. Moon

The new president pledges to restart engagement with North Korea and work with Washington.

will be sworn in Wednesday and immediately expected to deliver on his promise of transparency, competence and faith in democratic values.

Over time, this giddy expectation will become a burden. Mr. Moon is almost certain to stumble, as did every one of his six democratically elected predecessors. Each entered office with enviable ratings, only to become so unpopular that his own party's next candidate asked him not to campaign on his or her behalf.

But as Koreans awake Wednesday on Mr. Moon's first day, this is a distant concern. In addition to pressing economic problems, Mr. Moon faces

urgent foreign-policy issues in Northeast Asia and with the American alliance. South Korean diplomacy has been running on autopilot since the scandal that engulfed Ms. Park erupted last fall. The issues may well be too overwhelming for Mr. Moon to prevent a regional lurch into crisis.

First up is the relationship with the new administration of President Donald Trump. The U.S. is South Korea's closest ally and this isn't going to change under Mr. Moon's presidency.

Mr. Moon also has some fence-mending to do with China, another major trading partner. Despite Chinese support for North Korea during the Korean War and the clear difference in values, South Koreans have long preferred China over their more natural ally in the region, Japan, because of World War II-era issues that activists keep on the boil.

Recently that has changed and positive attitudes toward China have plunged, thanks to China's bullying over a South Korean decision to field the U.S. Thaad missile-defense system. Beijing claims the system's radar is designed to snoop on its military instead of protect against North Korea.

In reaction, the Chinese tried to hit the South Koreans where they are most sensitive, their economy. Beijing curtailed Chinese tourism, made it more difficult for Korean companies to do business in China, and even canceled performances by visiting Korean artists.

But Mr. Moon's first stop will almost certainly be Washington. While other allied leaders have met with Mr. Trump and are becoming familiar with the new style and policies emanating from Washington, the Koreans have lost valuable months during which Mr. Trump has threatened to renegotiate the bilateral free-trade agreement. He even said he would send Seoul a \$1 billion invoice for the Thaad system the Chinese are complaining about, despite an agreement the U.S. would pay for it.

Fear in the region over North Korea's nuclear-weapons development and missile testing has reached such a fever pitch that Tokyo has issued evacuation procedures to its citizens. State-run newspapers in China are openly asking whether North Korea is worth having as an ally.

In South Korea, there is less excitement, because citizens have lived all their life with the North Korean threat. Most feel that the North Koreans, even with a few nuclear weapons, don't pose a serious threat. They are used to occasional spikes in the temperature.



REUTERS

Moon Jae-in, left, and Choo Mi-ae, leader of the Minjoo Party, in Seoul on Tuesday.

Mr. Moon was doing his compulsory military service during one of those spikes back in 1976, after North Korean soldiers beat two American officers to death in the border-truce village of Panmunjom. A child of North Korean refugees who escaped during the Korean War, Mr. Moon has pledged to revive a policy of engagement with his parents' homeland. He wants to reopen the long-stalled six-party talks over the nuclear issue between the two Koreas, the U.S., China, Japan and Russia, and to revive economic cooperation with North Korea.

The Sunshine Policy, as this period of engagement was called, fell into disfavor with the previous two South Korean administrations for failing to dissuade North Korea from its nuclear program or achieve real reconciliation between the two rivals. Perhaps its only highlight was the Nobel Peace Prize given to its

creator, former President Kim Dae-jung, although this was tarnished by the revelation of massive payments to the North to secure a summit.

In contrast to the policy of Mr. Kim and his successor, Roh Moo-hyun, whom Mr. Moon served as presidential chief of staff, Mr. Moon's proposed engagement—"Moonshine" as it is already being dubbed—is more realistic. Mr. Moon's main concern is to defuse the standoff and avoid war.

Many South Koreans are concerned that the U.S. might miscalculate and start a fight. Should that happen, the South Koreans would bear the brunt of the suffering. This very real consideration, as well as national dignity, drives Mr. Moon's desire for South Korea to play a greater role in setting policy toward the North.

That may prove difficult. The North Koreans are unlikely to respond to any overtures from Mr. Moon. Given all the attention North Korean dictator Kim Jong Un is receiving from the U.S., and the ego boost he gets from staring down the superpower, there is no benefit for him to sit down with Seoul. His state exists in rivalry to South Korea, and treating it as an equal would violate the state ideology.

Mr. Trump needs to take note of this and avoid repeating the mistake of former President George W. Bush, who treated then-President Kim Dae-jung as a liberal annoyance undermining U.S. efforts to denuclearize North Korea. Instead, he should work together with Mr. Moon to find a resolution to the Korean problem.

Mr. Breen is author of "The New Koreans" (Thomas Dunne).

Focus on the Suffering of North Koreans

By Yeonmi Park
And Thor Halvorsen

South Koreans elected a new president Tuesday: Moon Jae-in of the opposition Minjoo party, who supports engagement and trade with North Korea's Kim regime. His supporters celebrate him as the "peace" candidate, but Mr. Moon's policies represent little more than accommodation of an evil regime that enslaves its own people.

Kim Jong Un's dictatorship deprives its citizens of food, medical care and electricity; starves and works them to death in labor camps; and sentences them to public executions for crimes as benign as listening to foreign music. The United Nations 2014 Commission of Inquiry detailed such "unspeakable atrocities" as complete denial of free thought and belief; state-sponsored trafficking and sexual violence; and gulags akin to Holocaust concentration camps. The U.N. recommended trying the North Korean government for crimes against humanity.

Mr. Moon has no apparent plans to challenge or even expose this grim reality. He promises to focus instead on humanitarian aid and commerce—all of which is controlled and manipulated by the Pyongyang regime. He and his advisors have a record of

hostility to any efforts to promote human rights in North Korea.

Former President Park Geun-hye took a fiercely oppositional stance toward the Kim regime. Last year her government passed legislation to promote human rights in North Korea after 10 years of delay, but this was too little too late. Seoul plans to set up a "museum" dedicated to North Korean human rights—by 2019. In the meantime the North Korean regime will continue to jail, torture and kill hundreds of thousands of people.

To reverse Ms. Park's approach, Mr. Moon wants to revive the "Sunshine Policy" of cooperating with North Korea as Seoul did from 1998 to 2008. Former President Kim Dae-jung received the Nobel Peace Prize for using "warmth and friendliness" to bring the two Koreas together.

But behind the facade of peace North Korea's Kim Jong Il starved millions and developed nuclear weapons. In 2003, it was revealed that Kim Dae-jung's administration and associated companies paid hundreds of millions of dollars to Kim Jong Il to facilitate the peace process, giving a perpetrator of crimes against humanity a financial lifeline during a time of weakness.

Mr. Moon, who was chief of staff to President Roh Moo-hyun a decade ago, is likely to ignore or censor anti-North sentiment at home. A coalition of 3,000 North Korean defectors even promised to leave South Korea if he is elected, saying that they had been "oppressed and discriminated against" under the Roh administration. According to North Korean defector Kang Chol

Cracks are starting to show in the form of public discontent, military fatigue and cultural and economic transformation. Foreign media outlets would do well to focus on these changes. But most articles about North Korea focus on the regime's parades, propaganda and military might. Few if any mention the changes within and the atrocities that take place every day. This indifference is why so many North Korean defectors now take it upon themselves to bring information in—and out of—their repressed homeland.

South Korea's government should be helping them. For a tiny fraction

For a tiny cost, Seoul could send a million USB sticks into the North packed with information.

Hwan, "it is very unlikely that Mr. Moon will ever support the work of defector organizations trying to promote human rights in North Korea." What little government assistance he and other defectors like Ji Seong Ho and Park Sang Hak received in recent years could dwindle to nothing. The Moon administration may even try to silence defectors to avoid a public discussion of the human-rights catastrophe taking place just 35 miles north of Seoul, as Seoul did during the Sunshine years.

This is especially tragic because the Kim tyranny has a key vulnerability: information. According to re-

searcher Jieun Baek, the vast majority of North Koreans now have access to media, knowledge and technology from the outside world. This access is prompting an unseeen revolution within the Hermit Kingdom. Through smuggled flash drives, DVD players and smartphones, more North Koreans than ever before have started to question the regime's propaganda.

Defectors often say that foreign media led them to question their rulers for the first time. For one of the authors of this article, the movie "Titanic" was life-changing. For Ji Seong Ho it was "The Avengers." For Hyeonseo Lee it was South Korean music and soap operas.

Cracks are starting to show in the form of public discontent, military fatigue and cultural and economic transformation. Foreign media outlets would do well to focus on these changes. But most articles about North Korea focus on the regime's parades, propaganda and military might. Few if any mention the changes within and the atrocities that take place every day. This indifference is why so many North Korean defectors now take it upon themselves to bring information in—and out of—their repressed homeland.

South Korea's government should be helping them. For a tiny fraction

of the cost of other major national programs, Seoul could send a million USB sticks packed with news and information into North Korea, opening up an enormous window to the outside world for brainwashed millions. The Human Rights Foundation plans to send more than 100,000 USB sticks filled with outside information into North Korea this year as part of its Flash Drives for Freedom program.

Yet the Moon administration will likely scrap such ideas in favor of seeking friendly relations with the North. Mr. Moon may say that he is doing what he can to ward off a potential war that could endanger South Koreans, but misguided policies of sunshine and engagement have already helped millions of North Koreans fall victim to the Kim tyranny.

The fate of the North Korean people depends in large part on the action—or inaction—of the South Korean government. So while we celebrate the South's democracy, we despair at its lack of interest in the suffering in the North.

Ms. Park, a North Korean defector, is author of "In Order to Live: A North Korean Girl's Journey to Freedom" (Penguin). Mr. Halvorsen is president of the Human Rights Foundation.

President Macron Is Good for Franco-German Relations

By Michael Binyon

The sighs of relief in Berlin were almost audible Sunday evening. France's election of Emmanuel Macron and decisive rejection of Marine Le Pen and her populist, protectionist and anti-European Union policies have averted a crisis in Franco-German relations. The bedrock of Germany's postwar rehabilitation remains secure—and indeed, many Germans hope, may now be consolidated and broadened.

The relationship needs some repair. Departing French President François Hollande's political weakness, his failure to rein in public

spending and his opposition to the economic austerity that Germany regards as essential to bolstering the euro have all led to a marked cooling in Berlin's relations with Paris.

German Chancellor Angela Merkel, now the de facto leader of Europe, has increasingly seen France as an unreliable partner, suffering from malaise and drifting into populism and Euro-skepticism. Germany wants a strong, confident partner across the Rhine to support tough measures to revive the EU's credibility and its readiness to tackle refugees, economic reform and the euro's weakness.

Mr. Macron looks like the perfect partner. A centrist likely to build a government drawing in technocrats from all parties, he would be a good counterpart to a German coalition that unites both conservatives and social democrats. He has also expressed strong support for Europe and promised a modernizing agenda to tackle France's economic weakness.

For its part, France has been angered by German inflexibility on austerity, its disdain for eurobonds and its "Alleingang"—the practice of making decisions without consultation—on opening its doors to a million refugees and then insisting on sharing the burden of settling them with reluctant European partners.

For Mrs. Merkel, Mr. Macron looks like the perfect partner. A centrist likely to build a government drawing in technocrats from all parties, he would be a good counterpart to a German coalition that unites both conservatives and social democrats. He has also expressed strong support for Europe and promised a modernizing agenda to tackle France's economic weakness.

A French politician who has based his campaign on optimism and renewal will be important for Germany, at a time when both countries have the difficult job of steering the negotiations on Britain's damaging exit from the EU. They need to remain united if the EU is to avoid making too many concessions, while also not punishing a vital ally and leaving a poisonous division within Western ranks.

Germany is also realistic about what Mr. Macron can deliver, especially in his first few months. His main focus, the Germans know, will be on domestic issues such as unemployment, terrorism, migration and the restoration of confidence in government and France's own *amour-propre*. Inevitably, Berlin understands, this will lead to a

confrontation with the unions and entrenched interests over pensions, the 35-hour workweek and cutting back the myriad social benefits that have mired the French state in debt and rendered the economy uncompetitive.

The new president can repair bilateral ties, bolster the euro and push for EU reform.

Will Mr. Macron have the nerve and the support to tough it out and face down union leaders calling strike after strike and blocking the motorways? Germany will be quietly encouraging. But Wolfgang Schäuble, Germany's iron finance minister, isn't ready to make any concessions on austerity or allow Germany to be sucked into any special deals to mitigate the harshness of French reforms that he regards as essential.

With the impending exit of Britain, Germany will again have to rely on France as a pillar of EU stability. In recent years, Britain's trade liberalism, global outlook and robust military posture have been increasingly in tune with Germany and out of tune with France.

Mrs. Merkel has become the voice of the EU in the confrontation with Vladimir Putin's Russia, and in dealings with China and the Trump administration. Britain was a useful security partner and often a bridge to relations with Wash-

ington. Now Germany and France, the two countries where the move to unify Europe began, will again have to seize the initiative on their own.

It will be months before the new French president is ready to address EU reform. But Mrs. Merkel knows that the Continent's voters want immediate answers to the refugee crisis, the menace of terrorism and a unified response to ultimatums from Washington on defense spending or from Turkey on tearing up the deal halting the flow of refugees. She will push for an early commitment on burden-sharing from Paris, especially on refugees. She will get polite words but little more at this stage.

Mr. Macron may offer her new deals to revive the partnership, however. These could include security guarantees—even possibly extending France's nuclear umbrella eastward—at a time when a nervous Eastern Europe is looking anxiously at Mr. Putin's next moves. It could include new joint moves by the EU to deal with the Syrian crisis or push for a revival of Israeli-Palestinian talks, areas where Berlin has been wary of engagement.

All that is for the future, however. For now, Germany will do what it can symbolically to reward France's rejection of populist nationalism. And France will try to bolster Mrs. Merkel's standing as she faces her own voters and her own angry nationalists in September.

Mr. Binyon is the former diplomatic editor of the Times of London.

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EDITORIAL AND CORPORATE HEADQUARTERS:

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THE WALL STREET JOURNAL.

Wednesday, May 10, 2017 | B1

Yen vs. Dollar 114.2430 ▲ 0.87%

Hang Seng 24889.03 ▲ 1.27%

Gold 1218.90 ▼ 0.52%

WTI crude 46.03 ▼ 0.86%

10-Year JGB yield 0.036%

10-Year Treasury yield 2.406%

Toshiba Partners Brace for Storm

TOKYO—Toshiba Corp.'s business partners are preparing for a scenario in which the company seeks to reorganize under Japanese bankruptcy laws, with consequences for the global nuclear-power and electronics industries.

By **Takashi Mochizuki, Mayumi Negishi and Kosaku Narioka**

Toshiba last month expressed "substantial doubt" about its "ability to continue as a going concern."

The company said it expected to record a net loss of some ¥1 trillion (\$8.83 billion) for the year ended in March 2017 after the chapter 11 bankruptcy filing by Toshiba's U.S. nuclear unit, Westinghouse

Electric Co. Atlanta-based utility **Southern Co.**, which hired Westinghouse to build two nuclear reactors in Georgia, is concerned that Toshiba will apply for protection from creditors and relieve itself of the guarantees made on Westinghouse's behalf, said people familiar with Southern's thinking. Toshiba says it doesn't plan to.

Southern Chief Executive Thomas A. Fanning said in an interview earlier this month that the utility is owed \$3.7 billion by Toshiba and wants to be paid whether or not the reactors are built.

A Toshiba spokeswoman declined to comment on Mr. Fanning's statements. The company has said that it guaranteed some \$6 billion



The company could seek to reorganize under bankruptcy laws.

in obligations incurred by Westinghouse when it promised to complete the reactors.

Sumitomo Mitsui Trust Holdings Inc. said late last month that its core banking unit, a lender to Toshiba, was

beefing up reserves by ¥15 billion (\$132 million) to address the worsening credit of "certain borrowers"—one being Toshiba, Japanese media reported. A bank spokesman declined to comment.

The Westinghouse guarantees are among several costly promises Toshiba has made. It has agreed to pay for natural-gas liquefaction at a Texas plant for 20 years starting in September 2019. Toshiba has said the commitment could cost ¥1 trillion, although it is likely to recover some or all of the money by selling the liquefied gas.

Western Digital Corp., which jointly owns a flash-memory semiconductor plant in Japan with Toshiba, says the Japanese company promised not to sell its stake unless Western Digital approves. Toshiba denies this, and sent a letter to Western Digital threatening to sue unless Western Digital drops its as-
Please see TOSHIBA page B4

Elliott Petitions Court On Akzo

By **BEN DUMMETT**

U.S. activist investor **Elliott Management Corp.** has asked a Dutch court to force **Akzo Nobel NV** to hold a special shareholder meeting seeking the removal of its chairman, its latest attempt to strong-arm the paint maker into sale talks with rival **PPG Industries Inc.**

Elliott said Tuesday it filed a petition with the Dutch business court, known as the Enterprise Chamber. It wants shareholders to vote for the dismissal of Antony Burgmans, arguing Akzo's supervisory board chairman failed to "discharge his fiduciary and corporate governance duties" after the Amsterdam-based company Monday rejected PPG's latest, sweetened takeover offer of €24.6 billion (\$27.1 billion) without first negotiating with the Pittsburgh-based paint maker over a possible deal.

Declining the latest offer, Akzo argued its stand-alone strategy to boost dividend payouts, spin off its specialty chemicals business and return the bulk of the proceeds to shareholders would generate better returns.

Akzo said that decision was based on "considerable in-depth analysis" and came after Ton Büchner and Mr. Burgmans met with PPG Chief Executive Michael McGarry in Rotterdam, the Netherlands, on Saturday.

But PPG said in a written statement that the meeting lasted less than 90 minutes and that Messrs. Büchner and Burgmans "stated up front that they did not have the intent nor the authority to negotiate."

Akzo defended itself, saying that it has acted "to the highest standards of Dutch corporate governance" in considering each of PPG's proposals. "We do not see how the dismissal of the Supervisory Board Chairman is beneficial to the company, its shareholders or stakeholders in any way," the company said in a statement Tuesday.

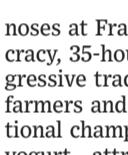
Elliott is part of a group of several of Akzo's biggest shareholders, together holding more than 10% of the shares, who believe Akzo can't favor its stand-alone strategy over a takeover without first negotiating with PPG to determine if it can get a better deal for shareholders and other stakeholders.

Please see BATTLE page B2

STREETWISE

By James Mackintosh

A Muted Buy Signal For Europe Stocks


There is a tendency for British and American investors to look down their noses at France. The bureaucracy, 35-hour workweek, aggressive trade unions, pushy farmers and protection of national champions—even in yogurt—attract derision, and the country is often held up as among Europe's most resistant to change.

France has problems, part of the reason for one-third of votes for president going to far-right nationalist Marine Le Pen.

But France has a lot going for it economically. It is rich, educated and highly productive. Output per person is the same as in the U.K. (adjusted for purchasing power), despite having an unemployment rate more than twice as high. Workers in France are far more productive, allowing them both to work less and produce more than British workers.

Those who laugh at the 35-hour week tend to forget both that it is only the basis before paid overtime kicks in, and that the average worked in the U.S. is even lower, with last week's nonfarm-payrolls report showing private workers put in 34.4 hours.

Even French growth hasn't been that bad. Since 1980, Thatcher reforms have given Britain the fastest growth in output per head of the Group of Seven leading nations, but from 1980 to 2006 France grew almost exactly in line with Germany, Italy and Canada. Since then, Italy has become poorer, Germany a lot richer, while France and Canada have both put in slow growth.

France needs reform. Her young people are frustrated, with pre-election polls showing far more support for Ms. Le Pen among youth than among older voters, a demographic reversal of the Brexit and Donald Trump votes with which her populist National Front is often grouped. The labor market needs shaking up so it can create more jobs for young workers. Corporate taxes are high, too, deterring both job creation and entrepreneurs. But France is hardly the only country with that problem.

President-elect Emmanuel Macron is acutely aware of the challenge, but still needs to win a mandate for reform in parliamentary elections next month.

The presidential election was fought mainly as a battle between an inward-looking nationalist viewpoint and



ELISE AMENDOLA/ASSOCIATED PRESS

Alipay, WeChat Join Tourists to U.S.

Mobile-payment services from China make inroads in the land of Apple Pay

By **ALYSSA ABKOWITZ**

BEIJING—China's mobile-payment leaders are ramping up efforts in the land of Apple Pay.

Alipay and WeChat Pay, which allow Chinese consumers to pay for train tickets, groceries, movies and other items with their smartphones, are expanding into North America—seeing a big market in the waves of Chinese travel-

ing abroad.

To that end, **Ant Financial**, which operates Alipay and is an affiliate of **Alibaba Group Holding Ltd.**, announced this week a deal with U.S. payment-processing company **First Data Corp.**

The arrangement is aimed at the more than four million Chinese consumers who visit North America annually, allowing them to use their smartphones to pay at First Data's four million U.S. businesses.

The deal expands a pilot program between the two companies that started at certain retailers in California and New York last fall, and puts Alipay on a playing field

similar to that of Apple Pay, which is accepted at 4.5 million locations in the U.S.

Alipay—and mobile payment in China—became a popular option for Chinese consumers when it was offered as an e-payment system more than a decade ago for purchases bought on Alibaba's online retail businesses, which feature millions of products and services.

The move comes on the heels of **Tencent Holding Ltd.**'s alliance with Citcon, a Silicon Valley-based mobile-payment platform that enabled the Chinese firm's WeChat Pay to enter the U.S. The partnership, which was

announced in February, targets Chinese consumers traveling abroad.

WeChat Pay has more than 600 million monthly active users, most of them in China.

While both Alipay and WeChat Pay continue to dominate the 38 trillion yuan (\$5.5 trillion) marketplace in China, both companies are looking to expand internationally. Alipay is accepted in 70 countries, while WeChat is in 15 countries and regions.

Apple Pay is also looking to expand abroad, with launches in Taiwan and Ireland putting the mobile-payment service of Cupertino, Calif.-based **Apple Inc.** in 15 markets.

expect Dr. Gottlieb to push the FDA to accelerate its adoption of more flexible approaches to evaluating new drugs and clinical trials. His experience as a physician and senior FDA official during the George W. Bush administration should help him garner support from the agency's rank-and-file staff to implement his agenda, executives say.

He "sounds like a progressive person who wants to get things done," said Eli Lilly & Co. Chief Executive David Ricks in an interview. "He's got experience in the agency already. He's a doctor and a cancer survivor. Sounds to me like he has a balanced perspective."

Dr. Gottlieb's extensive prior business relationships with pharmaceutical companies have spurred criticism from some Democrats and public advocacy groups. In April, five Senate Democrats questioned Dr. Gottlieb's commitment to fighting opioid addiction because of his work as a paid expert witness for a

Please see FDA page B2

Trump's Pick to Lead FDA Has Backing of Big Pharma

By **JOSEPH WALKER**

Scott Gottlieb, the veteran health-care investor and physician nominated to lead the **U.S. Food and Drug Administration**, has strong backing from the pharmaceuticals industry as he prepares to put his stamp on the agency.

The Senate is expected to conduct a final vote as soon as this week to confirm Dr. Gottlieb's appointment as FDA commissioner.

Dr. Gottlieb is well known by many drug-industry executives. He worked for years as a consultant to companies including **GlaxoSmithKline PLC** and **Vertex Pharmaceuticals Inc.**, spoke frequently at health-care and investor conferences, and wrote hundreds of essays and op-eds, often advocating for the FDA to approve drugs faster and loosen regulations on off-label marketing.

Dr. Gottlieb favors free-market strategies to bring down drug costs, including by increasing the rate of generic-drug approvals at the FDA. He



ZACH GOLDBERG/GETTY IMAGES

has also questioned the wisdom of allowing U.S. consumers to import brand-name drugs from countries like Canada, where they cost less, in part because of safety con-

cerns—a viewpoint shared by drugmakers.

"He agrees with the basic concept of the pharmaceutical industry: the need to have drugs come to market quickly,

viewing the bureaucracy as necessary but [it] can get in the way of innovation," said Ronny Gal, a stock analyst at Sanford C. Bernstein & Co.

Company officials say they

expect Dr. Gottlieb to push the FDA to accelerate its adoption of more flexible approaches to evaluating new drugs and clinical trials. His experience as a physician and senior FDA official during the George W. Bush administration should help him garner support from the agency's rank-and-file staff to implement his agenda, executives say.

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BUSINESS & FINANCE



PATRICK T. FALLON/BLOOMBERG NEWS

Pierre Beaudoin, the executive chairman of Bombardier, whose grandfather founded the Canadian plane and train maker,

Bombardier Leader Loses Support

By JACQUIE McNISH

TORONTO—Two major Canadian pension funds are opposing the re-election of **Bombardier** Inc. Executive Chairman Pierre Beaudoin, signaling a new level of investor activism at the ailing aerospace company controlled for decades by Mr. Beaudoin's family.

Ontario Teachers' Pension Fund said Tuesday that it is withdrawing support for Mr. Beaudoin because the struggling aerospace and train manufacturer needs more "independent board leadership."

On Monday, the Caisse de dépôt et placement du Québec cited the board's recent missteps on executive compensation, in which hefty raises awarded to executives were rolled back after a public outcry, saying in a letter to Bombardier that it released publicly that the company's

decisions "fall short of the necessary standards of stewardship."

The Quebec fund said it is also withholding support for the company's revamped compensation plan, which would have deferred some of the raises originally awarded to six top executives, including Mr. Beaudoin.

Bombardier said on Monday it would address the Quebec fund's concerns at its annual meeting Thursday. Comment from the company on the Ontario fund's opposition wasn't immediately available.

The Quebec fund's stand against the re-election of Mr. Beaudoin—whose grandfather founded the plane and train maker and whose family controls the company through supervoting shares—sets the stage for a potential showdown this week at the company's shareholder meeting in Montreal.

The Beaudoin family controls more than 80% of Bombardier's supervoting Class A shares, even though family members hold a minority of the company's equity. The Quebec fund holds about 2% of each of the two classes of shares.

Stephen Jarislowsky, a Montreal investment manager and longtime shareholder activist who doesn't own Bombardier shares, applauded the pension fund's move and said he questioned the Beaudoin family's continued control of a business that continues to struggle after years of government support.

Bombardier is viewed as so important to the Canadian manufacturing sector that the Quebec and federal governments have provided more than \$1 billion in financing since late 2015, as Bombardier has struggled with delays and cost overruns largely related to its CSeries commercial jet program.

That funding, along with a \$1.5 billion investment by the pension fund in Bombardier's train business, helped the company avert a cash crunch.

The Quebec fund took a step to loosen the family's control of the company in the train deal by securing the right, if cash flow were to fall below \$1.25 billion at the end of a quarter, to approve the appointment of three directors to a special committee of the board tasked with overseeing plans to improve cash flow.

Bombardier has met the cash targets every quarter since the deal was announced, helped in part by its government financing.

The Quebec fund said it continues to have "full support and confidence" in Bombardier Chief Executive Officer Alain Bellemare and the management team.

STREET

Continued from the prior page
an outward-looking embrace of Europe.

For investors, Mr. Macron's victory matters mostly because of who he isn't. For the next five years, there is no risk of France quitting the euro, taking away much of the risk priced into French bonds in the buildup to the election.

Mr. Macron's plans for mild reforms in France are hard to get excited about, even if they survive the traditional French test of violent street protests.

More relevant now is that investors can stop worrying about "Frexit," a French exit from the euro, and focus on the European economy.

The eurozone economy has grown a little faster than the U.S. since the end of 2014, and in the first quarter expanded twice as fast. Unemployment is still high, at 9.5%, but it is the lowest in eight years.

Equally, core inflation is still only 1.2%, but is the closest it has been to the European Central Bank's 2% target in four years. Even as the U.S. has lost momentum, European data continue to beat forecasts at close to the highest rate since the first Greek bailout in 2010, according to Citigroup's economic surprise index.

The ECB remains dovish, but it is widely expected soon to signal a retreat from its controversial policies of buying bonds and holding interest rates below zero.

Investors appear finally to have accepted that European growth has taken hold, so a

move away from negative rates should help bank stocks, and do little harm to other equities.

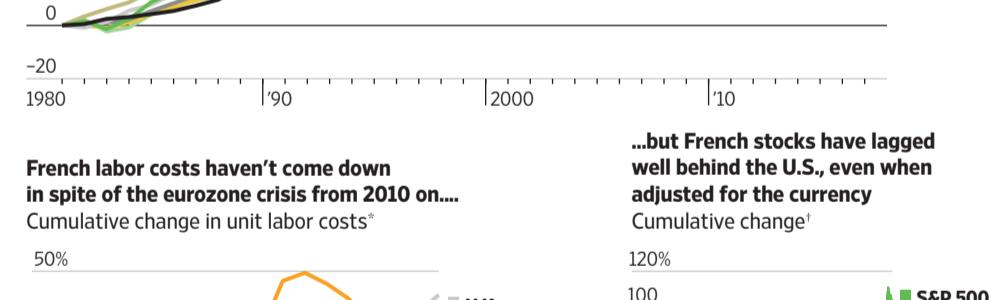
However good the data, it is hard to get truly excited about Europe.

Investors have been hit too many times by political ructions and surprise bank failures in the past seven years

France: Rich but Less Competitive

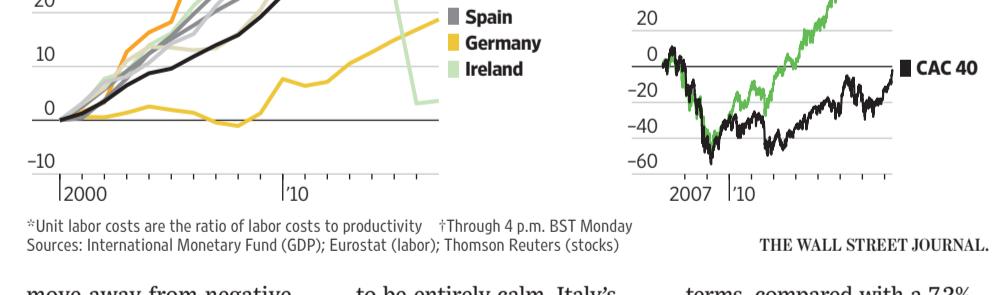
France's GDP per capita grew in line with Germany, Italy and Canada until 2006, but since then Germany has accelerated and Italy has slumped.

Cumulative change in real GDP per capita



French labor costs haven't come down in spite of the eurozone crisis from 2010 on....

Cumulative change in unit labor costs*



*Unit labor costs are the ratio of labor costs to productivity ↑Through 4 p.m. BST Monday Sources: International Monetary Fund (GDP); Eurostat (labor); Thomson Reuters (stocks)

move away from negative rates should help bank stocks, and do little harm to other equities.

However good the data, it is hard to get truly excited about Europe.

Investors have been hit too many times by political ructions and surprise bank failures in the past seven years

to be entirely calm. Italy's populist 5 Star Movement is neck and neck with the ruling Democratic party, so the Italian election next year will test nerves.

Outside the banks, stocks aren't particularly cheap, either. French stocks are up 11% this year even after a pullback on Monday, or 16% in dollar

terms, compared with a 7.2% gain for the S&P 500.

Mr. Macron's victory is good news for investors, Europe is recovering perfectly well and investors ought to have some exposure to the region.

Like Mr. Macron's voters, it is hard to be any more enthusiastic.

Mr. Burgmans because Akzo, citing Dutch law, previously rejected the shareholder request for such a meeting.

Elliott wants the Enterprise Chamber to require Akzo to hold the special shareholder meeting on June 6, according to a person familiar with the matter.

Still, Elliott's efforts could fall short even if Akzo is required to hold the vote. That is because it is unclear if PPG will continue its pursuit. On Monday, PPG said that it is re-

viewing Akzo's latest rejection. But PPG previously said that it doesn't plan to raise its offer again, suggesting the paint maker may have to take the riskier approach of launching a hostile bid.

Akzo's corporate structure could also make it difficult for either PPG or Elliott to appoint new directors. Akzo has a controlling foundation and its four directors, including Mr. Burgmans, Akzo's chairman, retain the exclusive rights to nominate replace-

ment directors. Supporters of such a structure say it protects stakeholders in the company other than investors—for instance, workers.

Still, some observers say PPG could prevail if it pursues a hostile bid. A commitment to proceed with a tender offer could provide enough pressure for those board members to wave the white flag. Should they hold out, however, and PPG wins over shareholders in a tender offer, pressure would only mount.

FDA

Continued from the prior page
fentanyl-drug maker later acquired by Teva Pharmaceutical Industries Ltd. **Public Citizen**, a liberal watchdog group, said that Dr. Gottlieb was "entangled in an unprecedented web of close financial and business ties to the pharmaceutical industry."

Chief Executive Kathryn Marinello also cited increased spending on Hertz's turnaround efforts as a reason for the poor performance. She succeeded former CEO John Tague amid continued losses

patients," she said.

Dr. Gottlieb has also been supportive of loosening FDA restrictions on off-label marketing, where companies advertise uses for their drugs that haven't been cleared by the agency. He has advocated allowing companies to distribute such information to doctors as long as it is truthful and not misleading.

There are numerous alternatives to FDA's current regime—which virtually bans off-label promotion—that would promote FDA's public health goals even better than the current regime does," Dr. Gottlieb wrote in expert testimony in 2015 on behalf of Amarin Corp., in a lawsuit the company filed against the FDA over its off-label marketing policies. Dr. Gottlieb was paid \$600 per hour for his work on the case, he wrote in his testimony.

Like other of President Donald Trump's nominees, Dr. Gottlieb has been critical of the agency he is nominated to oversee. He wrote in a 2012 essay that the FDA has a "harmful culture" that mistrusts doctors to prescribe drugs appropriately, leading officials to have an excessive desire for certainty that new medicines are safe and effective before they are approved, he wrote.

The FDA has several methods for accelerating approvals, such as granting conditional approval if studies show the drug is "reasonably likely" to help patients live longer or have other benefits. Some FDA divisions have embraced the faster methods, but other divisions are still very "rigid," said Ron Cohen, chief executive of Acorda Therapeutics Inc. "Even if you bring them evidence of benefit to patients, it's still an uphill climb."

Dr. Gottlieb said in April that he would create "consistency to how different parts of the FDA" use their powers.

—Peter Loftus contributed to this article.

Dr. Gottlieb earned at least \$645,000 from drug companies and trade groups from the beginning of 2016 through the first two months of 2017, according to his disclosure statements.

He served for seven years on a GlaxoSmithKline board that manages the company's research and development investments, providing "a valuable perspective on the U.S. health-care and payer environment," said a GSK spokeswoman. As FDA commissioner, Dr. Gottlieb "will help ensure that the FDA maintains its focus on innovation and protecting public health by expeditiously approving safe and effective new treatments for

continued from the prior page
holders through a sale.

The lack of in-depth talks is an "arrogant dismissal of recognized principles of proper corporate governance," Elliott said in its statement Tuesday.

Elliott is appealing to the Dutch courts to require Akzo to hold the special shareholder meeting on the dismissal of

Mr. Burgmans because Akzo, citing Dutch law, previously rejected the shareholder request for such a meeting.

Elliott wants the Enterprise Chamber to require Akzo to hold the special shareholder meeting on June 6, according to a person familiar with the matter.

Still, Elliott's efforts could fall short even if Akzo is required to hold the vote. That is because it is unclear if PPG will continue its pursuit. On Monday, PPG said that it is re-

viewing Akzo's latest rejection. But PPG previously said that it doesn't plan to raise its offer again, suggesting the paint maker may have to take the riskier approach of launching a hostile bid.

Akzo's corporate structure could also make it difficult for either PPG or Elliott to appoint new directors. Akzo has a controlling foundation and its four directors, including Mr. Burgmans, Akzo's chairman, retain the exclusive rights to nominate replace-

ment directors. Supporters of such a structure say it protects stakeholders in the company other than investors—for instance, workers.

Still, some observers say PPG could prevail if it pursues a hostile bid. A commitment to proceed with a tender offer could provide enough pressure for those board members to wave the white flag. Should they hold out, however, and PPG wins over shareholders in a tender offer, pressure would only mount.

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BUSINESS NEWS

Big U.S. Airline Pursues Upgrade

Southwest introduces a new booking system to improve operations after outage last year

BY SUSAN CAREY

Southwest Airlines Co. on Tuesday moved from its 30-year-old reservations system to a new technology platform, providing capabilities its rivals have been using for years.

The shift by the top U.S. hauler of domestic passengers comes after a big technical outage last July that forced it to cancel 2,300 flights over four days, a problem caused by a single failed computer router.

But the upgrade, expected to be finished by the end of the year at a cost of \$500 million, has been in the works since 2012, the company said. Southwest's antiquated system couldn't support its planned move to international routes in 2014, forcing the company to find a new system for those flights. Now it is adding its big domestic route network to that system.

"The change is not about reliability," Tom Nealon, Southwest's president, said in a recent interview. "It was for the new features."

The aging information-technology infrastructure underpinning the operation of airlines is under more scrutiny, after glitches that have grounded hundreds of flights across various carriers recently. Highly profitable, Dallas-based Southwest bounced back from that setback, as did **Delta Air Lines** Inc., which scrubbed 2,100 flights over three days last August.

Shifting to a new reservations system—which provides many functions customers can see, such as selling seats, shopping on the airline's website, checking bags and boarding—is a delicate task that requires months of preparation, and has in the past caused some carriers problems that



Southwest says it is taking steps to minimize any potential disruptions related to the airline's shift to a new reservations system.

affected their fliers. Problems included crashing websites, long wait times for passengers trying to reach reservations agents and numerous glitches in customers' records.

United Continental Holdings Inc. suffered for months in 2012 after it shifted its United subsidiary's reservations IT, frequent-flier plan and website to the Continental platform on a single day.

Even smaller carriers such as Canada's **WestJet Airlines** Ltd., in 2009, and **JetBlue Airways** Corp., in 2010, encountered rough going initially when they separately switched to a different IT partner for reservations. WestJet said afterward that it took months to resolve all the issues. The airline sent apology letters, offered flight credits to some customers and bolstered its call center with temporary

staffers in India.

Southwest, the leading U.S.

discount carrier, said it has learned some lessons from its rivals.

It is following the approach that **American Airlines Group** Inc. used two years ago when it moved its US Airways merger partner to the larger carrier's reservations system with no notable hitches. American used a phased approach, selling US Airways tickets on the new platform well before the cutover date to reduce the number of passenger records that had to be shifted on the critical day.

Southwest also is planning to avoid a large-scale data migration. All domestic tickets booked since last December for travel Tuesday and beyond already are sitting in the data center in Erding, Germany, provided by **Amadeus** IT

Group SA, said Randy Sloan, Southwest's chief information officer. The company had a dry run three years ago when it put its small international business on the Amadeus system, an exercise he said that was free of technical hiccups.

Southwest said it would have some 150 employees standing by at its headquarters next to Dallas Love Field airport to deal with any issues. "Everything for the most part is done," said Mr. Sloan. "If we have any technical problems, we have a whole team ready."

The company has trained 20,000 employees on how to use the new system, increased staffing at its call centers, reduced the number of flights for the next few days and assigned hundreds of workers to fan out to airports to ensure that printers and kiosks move

to the new system as planned.

If Tuesday's cutover is a success—even with some initial glitches—Southwest said it would lead to many benefits, including the ability to rebook customers automatically when weather or other irregularities snarl flights, instead of a manual system now.

It also would be able to vary its schedule to match demand, sell in foreign currencies and code-share with other carriers, the company said. In theory, Southwest would be able to offer assigned seating, but the airline hasn't said whether it would change its open-seating policy.

The company says it should be able to generate \$200 million in additional operating profit from the overhaul, a figure it estimates will rise to at least \$500 million by 2020 as more improvements are added.

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Fragrance Maker Goes Up for Sale

BY BEN DUMMETT
AND JEANNETTE NEUMANN

Iberchem Corp., a Spain-based fragrance maker, is on the auction block and could fetch a sale price of about €400 million, or roughly \$437 million, according to people familiar with the matter.

The move stands to take advantage of consolidation in chemicals and household products as companies in these sectors seek to generate cost savings, expand geographically and broaden product portfolios amid uneven global growth.

Iberchem is owned by **Magnum Industrial Partners**, a private-equity firm based in Madrid and focused on acquisitions in Spain and Portugal. The company makes fragrances used in products ranging from perfumes and air fresheners to dishwashing detergents and baby shampoos. The business offers potential buyers exposure to middle-class consumers in emerging markets given its presence in such countries as Tunisia, India and Indonesia.

Iberchem, which is based in Murcia, Spain, generated revenue of €105 million in 2015, according to Magnum's website.

The business is expected to attract interest from private-equity firms and industry players, according to the people familiar with the matter.

Permira Holdings Ltd. is among the potential private-equity bidders, according to one of the people familiar with the deal. Nonbinding offers are due later this month.

A sale price of as much as €400 million could represent a significant gain for Magnum. The private-equity firm acquired the fragrance maker in 2013 in a deal valued at roughly €80 million, according to a report by Deloitte LLP on deals in the personal- and household-products sector.

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TECHNOLOGY

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Microsoft Responds to the Echo

Voice-controlled Invoke speaker to challenge Amazon's device and make Skype calls

BY JAY GREENE

Microsoft Corp. is hoping to challenge **Amazon.com** Inc.'s Echo smart speaker for a spot on the kitchen counter with a device from **Samsung Electronics Co.** that can make phone calls.

The Invoke, which will debut this fall, comes more than two years after the release of the Echo, which had sold more than 11 million units through late last year, according to estimates by **Morgan Stanley**. It also will compete with **Alphabet Inc.**'s Google Home, which was released last fall.

The voice-controlled Invoke, made by Samsung's Harman Kardon unit, will use Microsoft's Cortana digital assistant to take commands.

Apple Inc. is rumored to be working on a smart-speaker device that uses its Siri digital assistant. And Samsung has developed its own voice-activated virtual assistant, Bixby, though the English-language version of the service has been delayed.

Like the Echo and Google Home, Harman said the Invoke will be able to play music, check traffic and let users try out smart-home capabilities such as turning on lights with voice commands. Harman highlighted the device's integration with Microsoft's Skype internet-calling service—a feature neither rival has, though each reportedly is considering it for the next generation of their products.

The announcement Monday comes two days before the start of Build, Microsoft's annual developer conference in Seattle, where the software company is likely to reveal new capabilities for Cortana.

Dave Rogers, Harman's senior vice president of consumer audio, said the Invoke will have superior audio quality, an area where the consumer electronics



The Invoke, from Samsung's Harman unit, uses Microsoft's Cortana digital assistant to take commands. Invoke will debut this fall.

maker has expertise. He also said the device would tap into Microsoft's productivity applications, such as calendars.

"Microsoft has a long heritage of productivity products that this device will seamlessly interact with," he said.

The Invoke looks similar to Amazon's Echo, though the cylindrical shape tapers toward the top. Like the Echo, the Invoke will come in two colors that Harman describes as black and white. Harman didn't disclose a price.

It is also unclear what apps will be available when the Invoke debuts. In a blog post, Marcus Ash, the partner group program manager for Cortana, noted that the digital assistant "works with select music services and home automation providers," but didn't disclose specifics.

Unlike Amazon and Google, Microsoft initially is relying on a partner to enter the smart-speaker market. It is a strategy the company has used in the personal-computer market, where giants such as Lenovo Group Ltd. and HP Inc. sell computers running the Windows op-

Amazon Unveils Its New Echo Speaker

Amazon.com Inc. unveiled a new Echo speaker with a screen that will incorporate video-calling capabilities, keeping the online retailer one step ahead of technology rivals in seeking to control smart homes.

The Echo Show, announced on Tuesday, also allows users to make internet-based calls between devices and apps to start, setting the speaker up to be core to a home's communications.

Equipped with a 7-inch touch screen, the device will be able to visually summon answers to verbal questions, providing information like e-com-

merating system, while Microsoft's own Surface line also competes with those partners.

A Microsoft spokeswoman declined to say what apps will

merge search results in a more digestible fashion.

The new Echo, which has been in beta testing with employees for a few months, starts shipping to consumers on June 28.

The new device will be priced at \$229.99. The current Echo speaker, which doesn't have a screen, usually sells for \$179.99, although it is currently on sale for \$149.99.

Late last month, Amazon introduced a separate Echo device equipped with a camera but no screen, the Look, which is priced at \$200.

The Echo Look is so far only available to consumers via invitation.

Amazon is in a broader race with a number of tech giants to create and install speakers using digital assistants to even-

tually run homes, cars and offices. Alphabet Inc.'s Google Home is the biggest competitor so far to Amazon and its Alexa digital assistant.

Consumers are able to use devices like the Echo and Google Home to turn off lights, close the garage door, lower the temperature and—in Amazon's case—order online.

Separately, the Seattle-based retailer announced a broader rollout of calling features for Echo devices, a feature The Wall Street Journal reported on in February.

For now, the feature is available on Echo devices and the Alexa app, but additional telephone capabilities are expected to be rolled out in the next few weeks, according to people familiar with the matter.

—Laura Stevens

market research firm eMarketer, Amazon's Echo holds nearly 71% of the U.S. voice-enabled speaker market, while Google has a nearly 24% share.

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Pandora Media to Explore Its Sale

BY EZEQUIEL MINAYA

Pandora Media Inc. said it is reviewing strategic options, including a potential sale of the company, and that private-equity firm **KKR & Co.** has agreed to invest \$150 million to shore up its balance sheet.

Pandora said late Monday it would give KKR a seat on its board and further shake up its board, with current members James M.P. Feuille and Peter Gotcher stepping down. The internet-music service said its board will form a search committee to find new members who "will provide additional expertise and leadership as the company moves forward."

Shares of Pandora, which lost roughly a fifth of their value over the past three months, were off 8.5% at \$9.52 in midday trading Tuesday.

Pandora has burned through cash of late, leaving it with \$170.9 million of cash and equivalents on its balance sheet as of March 31, down from \$303.5 million a year earlier. The company, which is based in Oakland, Calif., said in January that it would reduce its U.S. employee base by about 7%.

Pandora faces a host of more-established streaming providers, including Apple Inc.'s music service and Spotify AB. Meanwhile, Pandora's costs are outpacing its revenue. The company said Monday that its top line rose 6.3% to \$316 million in the latest quarter, while costs including content acquisition jumped 9.4%. Over all, Pandora booked a loss of \$132.3 million for its first quarter, widening from \$115.1 million a year earlier.

Under the terms of the KKR investment, the firm will purchase \$150 million in a new preferred stock.

BUSINESS NEWS

Jury Convicts Ex-Dewey CFO

BY SARA RANDAZZO

A New York jury Monday convicted a former **Dewey & LeBoeuf LLP** executive of fraud for hiding the law firm's financial condition before its 2012 collapse, while clearing a second former executive of the same charges.

Dewey's former chief financial officer, Joel Sanders, was found guilty of scheming to defraud, securities fraud and conspiracy. The jury fully acquitted Stephen DiCarmine, who served as Dewey's executive director.

The verdict is partial redemption for the Manhattan district attorney's office, which has been trying to win criminal convictions over the law firm's dissolution for several years. Dewey, the product of a merger between two old-line New York firms, fell into bankruptcy in the face of mounting debt and a series of partner defections. District Attorney Cyrus Vance Jr. brought a 106-count indictment against four individuals two years later.

The trial, which began in

January, was the second time Messrs. DiCarmine and Sanders went before a jury over allegations that they defrauded banks and insurance companies that extended \$250 million in debt to the now-defunct firm. The first trial ended in October 2015 with a mistrial after the jury acquitted the defendants on lesser charges but remained dead-

The verdict is partial redemption for the Manhattan district attorney's office.

locked on the rest. Prosecutors cut down the number of charges before the second trial began.

Following the first trial, Dewey's former chairman, Steven Davis, cut a deal that will see related charges against him dismissed after five years. A fourth employee named in the initial indictment was also cleared on all charges and

never faced a trial.

Mr. Sanders, 59 years old, remains free to return home to Florida until sentencing scheduled for October, and he may not face prison time. The most serious charge carries a maximum sentence of between one-and-a-third years and four years.

Andrew Frisch, an attorney for Mr. Sanders, said he plans to appeal. That challenge will focus in part, he said, on how prosecutors were able to introduce conduct in the second trial that jurors had considered in acquitting Mr. Sanders on lesser charges in the first trial. "It's a double jeopardy violation," he said. "It should be fatal to this conviction."

For Mr. DiCarmine, the acquittal is the end of a "five-year odyssey" that has held up his life, said his attorney, Rita Glavin. "He's now finally vindicated and the world knows it," she said.

Mr. Vance expressed satisfaction with the conviction of Mr. Sanders but said he was disappointed with the other former executive's acquittal.

But a filing would strengthen Toshiba's balance sheet and could allow it to keep its profitable memory-chip business, the Toshiba official said—relieving Japanese government concerns about technology leaks to Chinese or other competitors.

A person familiar with Southern's thinking said Japanese creditor banks have significant leverage in deciding what to do with Toshiba, and that their loans would come ahead of other obligations. "We are not first in line," this person said.

Hiroshige Seko, Japan's minister of economy, trade and industry, has said the government is watching developments at Toshiba and has pointed to the importance of its chip and nuclear-power technology. However, he has said Toshiba's problems are for its stakeholders to sort out. A spokeswoman at the ministry declined to comment.

TOSHIBA

Continued from page B1
sition. Western Digital couldn't be reached immediately for comment.

The disagreement has made it harder for Toshiba to sell its flash-memory business, which is the core of its survival plan.

One Toshiba official said the best way to save the company could be a filing under Japan's corporate-reorganization law, which is similar to U.S. bankruptcy law's chapter 11 in that it seeks to allow a company to stay in business by relieving it of some obligations.

This official said a corporate-reorganization filing would free the company from its "fetters," including the Westinghouse obligations, and pave the way for the "new Toshiba" that Chief Executive Satoshi Tsunakawa has said he wants to build up the business after scandals that include

years of overstating financial results.

"At this moment, we do not have any thought or intention of seeking protection under corporate-reorganization proceedings," a Toshiba spokesman said.

Toshiba has been consulting with **Industrial Growth Platform Inc.**, a company that specializes in corporate rehabilitations, on the best way forward, two people familiar with the matter said.

A spokesman for Industrial Growth Platform declined to comment.

A Japanese chapter 11-style filing is one of several scenarios Toshiba could choose. It presents downsides: Suppliers could take a hit, hurting the broader economy, and shareholders could be wiped out—though Toshiba's shares are already in danger of being delisted in Tokyo because of accounting problems that emerged in 2015.

MANAGEMENT

Business Schools Criticize Rankings

BY KELSEY GEE

Business-school deans and research faculty at more than 20 universities are taking a stand against the academic rankings published by media outlets such as Bloomberg Businessweek, Nikkei Inc.'s Financial Times and the Economist Group.

Rather than "acquiesce to methods of comparison we know to be fundamentally misleading," the administrators are urging peers at other schools to stop participating in a process they say rates programs on an overly narrow set of criteria.

The plea, issued by deans and faculty from institutions including University of Southern California's Marshall School of Business, University of Iowa's Tippie College of Business and the University of North Carolina's Kenan-Flagler Business School, comes in the form of a research paper to be published in the May edition of the Decision Sciences Journal.

The researchers examine approaches used by media outlets to aggregate factors like admitted students' test scores and tenured faculty on a school's payroll into a single number, arguing that the process oversimplifies the reasons students pursue business degrees.

The debate over rankings is hardly new, but the recent rancor comes as schools battle declining enrollment in two-year M.B.A. programs, compounding pressure on the institutions to tout the benefits of one of America's priciest degrees.

With sticker prices as high as \$200,000 in tuition, an M.B.A. is "likely among the most expensive purchases these students will make in their lives," says Francesca Levy, an editor at Bloomberg who oversees business-school coverage. "There's big value in holding schools to the same standard and measuring them against the same, transparent criteria so students can make a better informed decision."

Co-author of the research paper Elliot Bendoly, an associate dean at Ohio State University's Fisher College of Business, disagrees. "If the goal is to help inform [students] about how to make the best decision about business schools, let's give them the raw information, and not take numbers—which may or may not be relevant to the student—and bungle them together into a ranked list," Mr. Bendoly says.

Surveys that favor schools with the highest-earning alumni might ignore the program's tendency to place students in high cost-of-living locations, or industries such as finance, which don't match all applicants' career goals, he said.

Mr. Bendoly says Fisher last year attempted to pull out of one organization's ranking process, but the media outlet was still able to obtain information such as the career outcomes of the school's graduates from other sources. He declined to name the organization.

Your Manager Wants to Talk. Again.

Performance reviews at some companies now occur much more often than just once a year

BY RACHEL FEINTZEIG

Rani Croshal used to review her direct reports once a year. Now, the manager at software company Revinate Inc. gives dozens of smaller-scale assessments throughout the year. That includes quarterly discussions about goals, semiannual evaluations in which managers, peers and direct reports give feedback, and multiple check-ins to ensure her nine employees are hitting long-term goals. And then there is the annual compensation review process.

"We're always talking about how we can improve ourselves," Ms. Croshal said.

Welcome to the era of the never-ending performance review. As companies such as Adobe Systems Inc. and General Electric Co. revamp and rethink the detested annual review, they have put in place new evaluations designed to give employees more-frequent feedback.

Companies say they are staying current with young workers accustomed to instant gratification in the form of Facebook likes and Yelp ratings. Managers and employees say it is tough learning to give—and receive—constant critiques and praise.

"You really have to put your ego aside," said Deloitte LLP consultant Cashel Disepolka, who transitioned last year from twice-annual feedback to talking about performance with her manager every other week.

Companies now have an array of tools in their employee-assessment arsenals, including goal-setting programs and apps that allow managers to rate workers' progress in real time. A software tool used by ride-hailing service Lyft Inc. and others scans staff calendars and asks them to rate colleagues after meetings. At big banks such as Goldman Sachs Group Inc. and J.P. Morgan Chase & Co., new feedback programs allow workers to request minireviews from bosses and colleagues after



Theresa Chiaramonte helps orient new customers at Revinate, which gives staffers dozens of assessments throughout the year.

projects or deals.

Ms. Croshal, Revinate's senior director of customer success, says she used to compile eight-page written annual reviews for her reports at the San Francisco-based maker of hospitality-industry software. "It was just too much information to digest," she said.

Her team now receives bite-size feedback, and lots of it. Ms. Croshal says an internal system that tracks goals—such as meeting client targets or taking a public-speaking course—keeps staff accountable.

At first, though, some workers found it hard to adjust to getting feedback that didn't culminate with a decision about compensation, Ms. Croshal said. "I think the employee felt like, 'Now what?'"

At Goldman too, feedback doesn't directly affect yearly bonus and raise decisions. It "forms part of the picture of how a manager sees an employee," said Elizabeth Reed, a Goldman vice president

who participated in the pilot of the system.

Theresa Chiaramonte, who helps Revinate orient new customers, said she initially spent hours typing peer reviews for nine colleagues, unsure how much to share.

Apps and other tools allow managers to rate workers' progress in real time.

"We would kind of start to sit down...and not really know what the check-ins were meant for," she said.

Ms. Schulz shortened meetings to as little as 15 minutes and covers the employee's projects, strengths and areas for improvement. Now that her team relies on check-ins, Ms. Schulz said she fields fewer questions during the workday.

Performance reviews at accounting firm PricewaterhouseCoopers LLP had been a lengthy process in which employees negotiated their assessments with bosses.

PwC revamped that process in favor of a tool called "snapshots"—short, frequent reviews that rate employees on five characteristics, such as leadership ability and business acumen. Employees can request a snapshot from bosses at any time. "They take like two minutes," said Julia Lamm, a director in the company's management-consulting group.

One consultant who worked in PwC's Chicago of-

fice until last year said the snapshot criteria and ratings weren't helpful.

"It was sort of a check, check-plus, check-minus rating, not actually feedback," she said. She left PwC for a smaller consulting firm after being told she wouldn't have a long-term career with the company.

A PwC spokeswoman said most employees have been happy with the system.

It took Lumeris Health-care Outcomes LLC two tries to get workers on board with a company-wide goal-tracking program by BetterWorks.

Managers now use the tool to monitor employees' workloads and progress, though not without some grumbling, according to Laura Lewis, a manager at the health-care solutions firm based in Maryland Heights, Mo.

"People have to overcome that negative of, 'Why do I have to do this four times a year? Why isn't once a year enough?'" she said.

BUSINESS WATCH

BOOK PUBLISHING

Clinton, Patterson Team Up on Novel

Former president Bill Clinton and author James Patterson are at work on a novel called "The President Is Missing" that will be jointly published next year by Alfred A. Knopf and Little, Brown & Co.

The book, described by the publishers as "a unique amalgam of intrigue, suspense and behind-the-scenes global drama from the highest corridors of power," will be President Clinton's first novel. Terms couldn't be learned.

President Clinton's only major work to date is his 2004 memoir "My Life," a title that has sold an estimated 2.9 million in all formats in the U.S., according



Former President Bill Clinton.

lion books world-wide, according to his website.

In an interview, Mr. Patterson said that "we're in pretty good shape with the book. I think it will appeal to anybody who likes to read mysteries as a matter of habit or occasionally. It's a really good story with incredible insider detail."

Mr. Patterson declined to specify how the two men are collaborating, noting only that he and Mr. Clinton have met over the years in Florida as well as in Westchester County, N.Y., where both have homes.

"Even though I'm in a red state, people here will be curious," said Sarah Bagby, co-owner of Watermark Books & Café in Wichita, Kan.

"Pairing them together was surprising, and it got my attention. We're going to represent it

in the store like we would any blockbuster."

—Jeffrey A. Trachtenberg

E.ON

German Firm's Profit Hurt by Weak Sales

E.ON SE said Tuesday that its net profit declined sharply in the first quarter from the previous year, hurt by currency effects and weaker sales among its U.K. businesses, as well as lower wind volumes across its wind farms.

The German renewable-energy titan said net profit for the quarter ended in March declined 46% to €628 million (\$686 million), from €1.17 billion in the year-earlier period.

Sales in the quarter declined 7% to €10.49 billion from €11.27

billion last year.

Analysts had expected sales of €2.35 billion for the quarter, according to research firm FactSet.

—Zeke Turner

BHARTI AIRTEL

Earnings Take Hit Amid Data Price War

Bharti Airtel Ltd., one of India's largest cellular-services company, said Tuesday that net income plunged 72% last quarter as a data price war pummeled profitability.

Airtel, based in New Delhi, said profit came to 3.73 billion rupees (\$58 million) for the quarter, down from \$204 million.

The company's revenue dropped 12% to \$3.4 billion.

—Newley Purnell

Micro Trends, Macro Context. In Minutes.

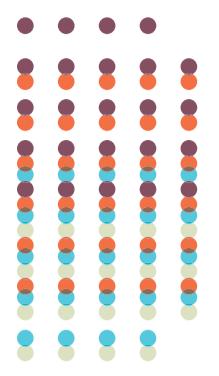
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FINANCE & MARKETS

Yale Builds Financial-Crisis Files

University is working up a real-time tool to inform policy makers in times of stress

BY GABRIEL T. RUBIN

Yale University will launch an online platform to provide real-time support to policy makers dealing with financial crises, with the help of a \$10 million gift from philanthropists Bill Gates, Jeff Bezos, Michael Bloomberg and Peter G. Peterson.

The gift represents a major expansion of the Yale Program on Financial Stability, a degree-granting program in the university's school of management that aims to train early- and midcareer financial regulators from around the globe.

The new resources will support a small staff of researchers, led by Professor Andrew Metrick, as they build a database of "lessons from hundreds of interventions from past crises," the university said. The effort is the first of its kind, according to Yale, and reflects a need for more research on "wartime" situations, rather than the preventive sort of regulatory research done by central banks around the world. Central banks often avoid extensive crisis preparations out of reluctance to promote moral hazard, leaving policy makers to reinvent the wheel each time a new crisis arises.

"We're all focused on prevention and there has been a major focus on reforms in the



Students on Yale's New Haven, Conn., campus. Researchers are developing a database of 'lessons from hundreds of interventions.'

wake of the crisis," said former Treasury Secretary Timothy Geithner in an interview. "But best preparations aside, sometimes prevention fails."

Mr. Geithner, who serves as the chairman of the Program on Financial Stability, said that he and other policy makers would have been able to act faster and with greater confidence during the financial crisis with access to the tools that Mr. Metrick's team will build.

"There were probably four

or five periods when the crisis was escalating, the panic was spreading, sitting on the phone for 20 hours a day trying to figure out how to do things," Mr. Geithner recalled. "And we hadn't had to do some of those things since the Great Depression. That took us a lot of time, and that can be costly."

The open online platform will include descriptions of specific interventions—for example, the use of a "bad bank" to hold distressed assets—and

will detail what did and didn't work well in each case.

The researchers building the platform will receive feedback from an advisory board made up of some of the highest-profile policy makers from the financial crisis. In addition to Mr. Geithner, the board includes former Federal Reserve Chairman Ben Bernanke and former Treasury Secretary Hank Paulson, among others.

The board also includes top central bankers from around the globe in an effort to avoid

falling back on solely U.S. perspectives on financial stability and crisis management, Mr. Geithner said.

The advisory board will assess the project's progress and answer questions that only a select pack of senior regulators can answer: Would the platform provide real-time advice amid a meltdown?

"We need to build a system that will be useful to Ben Bernanke and his senior staff in the middle of a crisis," Mr. Metrick said.

Germans Frown on EU Plan

BY TODD BUELL

FRANKFURT—Germany's financial watchdog said Tuesday that proposed changes to European Union banking rules don't adequately relieve the regulatory burden on the country's smaller banks.

The overseers also poured cold water on any hope of an imminent deal on international postcrisis financial rules, talks over which have revealed a trans-Atlantic rift about how to determine the riskiness of a bank's assets.

"We have reached a measure of regulation that excessively and unnecessarily burdens smaller banks," said Felix Hufeld, president of the German financial supervisor BaFin. "We should change this, however without sacrificing stability."

European authorities have proposed changes to rules that should relieve the burden for smaller lenders. But these fall short of the mark, said Mr.

Hufeld. "The proposal from Brussels doesn't go nearly far enough," he said. "We need a differentiated approach."

The statement marks a further push from Europe's largest economy to defend its fragmented banking model. In addition to major international lenders such as **Commerzbank AG** and **Deutsche Bank AG**, the country also has hundreds of smaller savings and cooperative banks that dominate the market for retail savings accounts. BaFin directly supervises Germany's smaller banks.

German officials also said that there wouldn't be a deal soon on the final details of international banking rules known as Basel III. European and American officials are locked in a lengthy dispute over how banks should accurately measure the riskiness of their assets. European banks want the floor to be as low as possible to give them the maximum flexibility to use their

internal calculations.

"I can't imagine that there will be a deal by the next Basel Committee meeting in June," said Raimund Röseler, a member of BaFin's executive board.

Small banks have complained that new rules designed to prevent the excesses that brought about the financial crisis harm them unfairly. Mr. Hufeld took up their claim in his remarks Tuesday. He said that in the EU one abides by the saying "the same rules for all," but he added that one should insert the proviso "for all who are the same."

Asked if smaller banks should use the low-interest rate and regulatory environment to merge, Mr. Hufeld said it wasn't his role to guide lenders toward consolidation.

"If you ask, does regulation influence mergers, then the answer is, of course, yes. But if you ask if we as supervisors have consolidation as a motive, then the answer is no."

Mr. Hufeld also repeated a longstanding German warning that low interest rates were hurting German banks. The longer the low-interest period lasts, "the more it will damage the already weak earnings position of German banks, especially those houses whose main source of income is interest margin."

The officials also said that a

double-digit number of banks had indicated that they would settle in Frankfurt after Brexit, though none yet had filed a concrete application to relocate there.

Mr. Röseler said he expected those applications to be submitted in the second half of this year.

—Hans Bentzien

contributed to this article.

FINANCE WATCH

COMMONWEALTH BANK

Profit Increases At Australian Lender

Commonwealth Bank of Australia Ltd. reported a rise in its third-quarter profit as growth in home lending and household deposits offset a slight decline in net interest margins.

Australia's largest lender by assets and market value on Tuesday reported an unaudited net profit of about 2.6 billion Australian dollars (US\$1.9 billion) for the three months through March. That compares with the A\$2.4 billion recorded by the bank a year earlier.

Third-quarter cash earnings, a figure that strips out some one-time items and costs, were around A\$2.4 billion against last year's A\$2.3 billion.

The Sydney-based bank said that the quarterly result was supported by income growth, cost discipline and sound credit quality.

—Rob M. Stewart

HOME CAPITAL GROUP

Lender Sells Off Pool of Mortgages

Home Capital Group Inc. has agreed to sell as much as 1.5 billion Canadian dollars (US\$1.1 billion) of mortgages to an unidentified buyer as it scrambles for new capital in the wake of a deposit flight.

The Toronto company said the agreement includes mortgages that are due for renewal



Commonwealth Bank is Australia's biggest lender.

and allows the buyer to purchase additional loans in the future. Home Capital reported total mortgages of C\$25.7 billion at the end of 2016.

Depositors began withdrawing high-interest savings deposits from the company late last month after Canada's top securities regulator alleged the firm and three former and current executives misled investors about the extent of a mortgage-fraud problem that the company had discovered. Home Capital denies the allegations.

The company said Tuesday morning that its high-interest savings deposits have declined to C\$146 million. They stood at C\$2 billion at year-end. Home Capital also said it was working to develop additional sources of funding.

—Jacquie McNish

Germany's **Commerzbank AG** reported a higher net profit for the first quarter despite higher provisions needed for potential losses on shipping loans.

Net profit rose 28.4% to €217 million (\$237 million), while a survey by FactSet indicated analysts expected a decline to €129 million.

Loan-loss provisions, the bulk of which were for the shipping-finance business, rose 32% to €195 million, below the 40% increase analysts had forecast.

The bank also said it was on track to meet its targets for full-year and medium-term performance.

—Ulrike Dauer

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Banks Seek Aid To Fight Loan Rule

BY MICHAEL RAPOORT

Banks are trying to enlist the Trump administration to fight a new accounting rule requiring them to book losses on soured loans more quickly, potentially setting the stage for a clash between the Treasury Department and the Securities and Exchange Commission.

Finance chiefs at 18 U.S. regional banks have asked Treasury Secretary Steven Mnuchin to conduct an analysis of the long-term effects of the rule, which accounting-rule makers issued last year and which banks will start adopting as early as 2019.

In an April letter, the bank CFOs said the new rule "could do economic harm" by reducing banks' lending and making borrowing more expensive, according to a copy of the letter reviewed by The Wall Street Journal.

The CFOs said that because banks would have to book loan losses and take reserves based on economic forecasts that are inherently uncertain, the reserves would be subject to significant volatility. That would lead banks to err on the side of caution and reduce lending, especially during economic downturns, they said.

The American Bankers Association, an industry group, also criticized the rule in a separate letter to Mr. Mnuchin last month. The group didn't ask specifically for any action on Mr. Mnuchin's part, but said that if unaddressed the rule would be "a particularly heavy weight" on community banks' lending.

The banks' efforts have prompted pushback from at least one official at the SEC, which oversees the setting of accounting rules to be used by U.S. public companies. Speaking at a conference last week, SEC Chief Accountant Wesley Bricker said he reacted "with concern" when he heard about the banks' efforts, though he spoke about them only in general terms.

Mr. Bricker told reporters at the conference that there wouldn't be a delay in the implementation of the new rule.

He also warned the banks' efforts could undermine the independence of the Financial Accounting Standards Board, the private-sector panel that sets the rules. The FASB worked on the loan-loss rule for years before it issued the rule in June 2016, with extensive input from banks, accounting firms, investors and others.



BaFin chief Felix Hufeld says smaller banks are overburdened.

Mr. Hufeld also repeated a longstanding German warning that low interest rates were hurting German banks. The longer the low-interest period lasts, "the more it will damage the already weak earnings position of German banks, especially those houses whose main source of income is interest margin."

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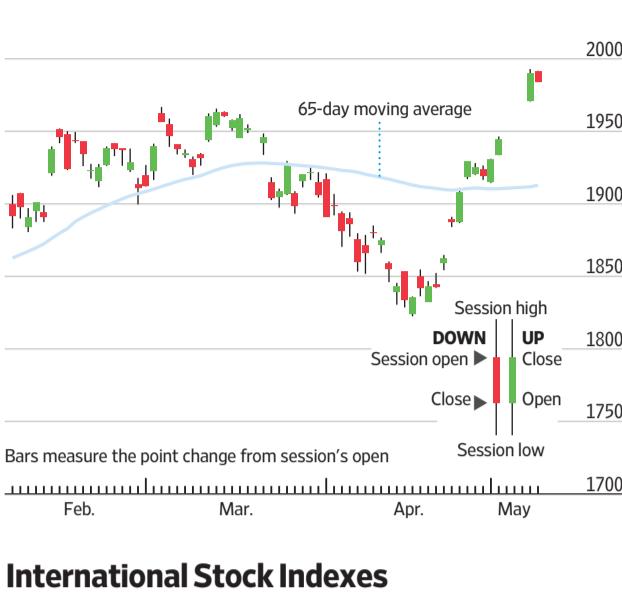
contributed to this article.

MARKETS DIGEST

Nikkei 225 Index

19843.00 ▼ 52.70, or 0.26%

High, low, open and close for each trading day of the past three months.



STOXX 600 Index

395.81 ▲ 1.77, or 0.45%

High, low, open and close for each trading day of the past three months.



S&P 500 Index

Data as of 12 p.m. New York time

Last: 23.76 Year ago: 23.66

Trailing P/E ratio: 23.76 23.66

P/E estimate *: 18.44 17.59

Dividend yield: 1.97 2.20

All-time high: 2399.38, 05/08/17

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.



International Stock Indexes

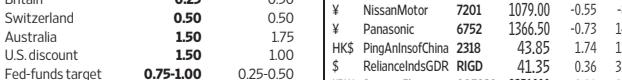
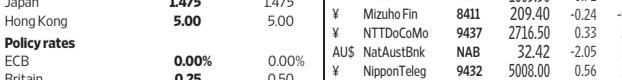
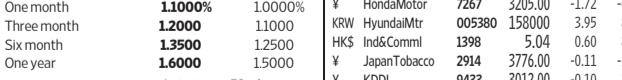
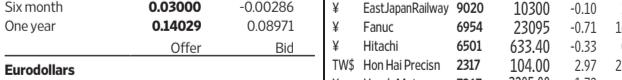
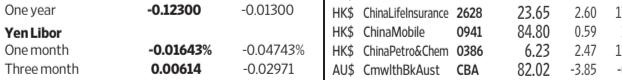
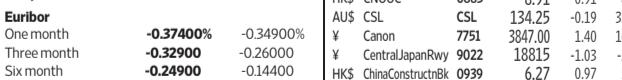
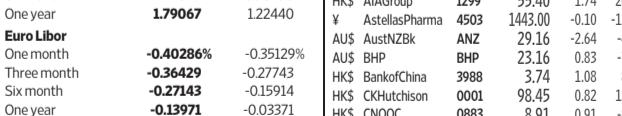
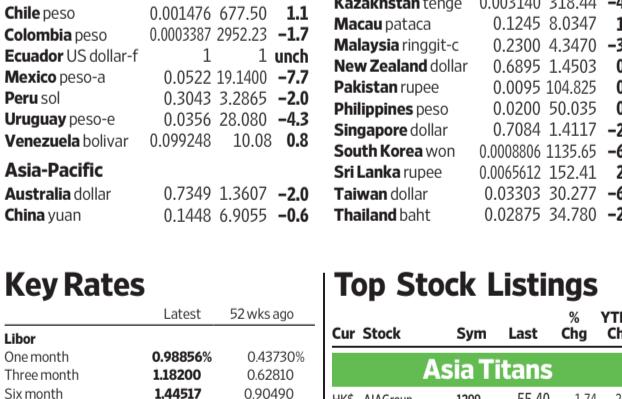
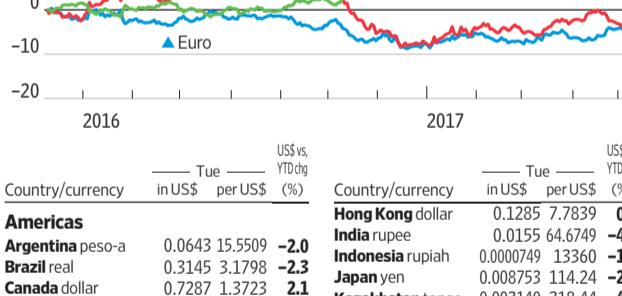
Data as of 12 p.m. New York time

Region/Country	Index	Close	Net Chg	% chg	52-Week Range	Low	Close	High	YTD % chg
World	The Global Dow	2747.36	-4.39	-0.16	2193.75	2755.95	8.7		
	MSCI EAFE	1858.59	-8.35	-0.45	1471.88	1956.39	8.3		
	MSCI EM USD	989.79	4.68	0.48	691.21	1044.05	24.6		
Americas	DJ Americas	577.10	0.58	0.10	480.90	577.99	6.8		
Brazil	Sao Paulo Bovespa	66368.85	842.80	1.29	48066.67	69487.58	10.2		
Canada	S&P/TSX Comp	15568.61	-83.47	-0.53	13581.98	15943.09	1.8		
Mexico	IPC All-Share	49985.83	479.97	0.97	43902.25	50147.04	9.5		
Chile	Santiago IPSA	3689.03	-4.13	-0.11	2998.64	3786.05	14.5		
U.S.	DJIA	21020.25	7.97	0.04	17063.08	21169.11	6.4		
	Nasdaq Composite	6124.74	22.08	0.36	4574.25	6133.00	13.8		
	S&P 500	2401.70	2.32	0.10	1991.68	2403.87	7.3		
	CBOE Volatility	9.79	0.02	0.20	9.56	26.72	-30.3		
EMEA	Stoxx Europe 600	395.81	1.77	0.45	308.75	395.81	9.5		
	Stoxx Europe 50	3257.68	13.94	0.43	2626.52	3263.65	8.2		
France	CAC 40	5398.01	15.06	0.28	3955.98	5442.10	11.0		
Germany	DAX	12749.12	54.57	0.43	9214.10	12783.23	11.0		
Israel	Tel Aviv	1428.62	5.10	0.36	1372.23	1490.23	-2.9		
Italy	FTSE MIB	21486.95	58.85	0.27	15017.42	21664.14	11.7		
Netherlands	AEX	536.26	1.95	0.36	409.23	537.84	11.0		
Russia	RTS Index	1085.68	...	Closed	873.58	1196.99	-5.8		
Spain	IBEX 35	11049.20	-47.10	-0.42	7579.80	11184.40	18.1		
Switzerland	Swiss Market	9113.83	74.22	0.82	7475.54	9121.10	10.9		
South Africa	Johannesburg All Share	54172.76	476.39	0.89	48935.90	54704.22	6.9		
Turkey	BIST 100	95323.38	1490.68	1.59	70426.16	95358.76	22.0		
U.K.	FTSE 100	7342.21	41.35	0.57	5788.74	7447.00	2.8		
Asia-Pacific	DJ Asia-Pacific TSM	1575.15	-9.73	-0.61	1308.52	1586.64	10.7		
Australia	S&P/ASX 200	5839.90	-31.00	-0.53	5103.30	5956.50	3.1		
China	Shanghai Composite	3080.53	1.91	0.06	2806.91	3288.97	-0.7		
Hong Kong	Hang Seng	24889.03	311.12	1.27	19694.33	24889.03	13.1		
India	S&P BSE Sensex	29933.25	7.10	0.02	25230.36	30133.35	12.4		
Indonesia	Jakarta Composite	5697.06	-10.81	-0.19	4704.22	5726.53	7.6		
Japan	Nikkei Stock Avg	19843.00	-52.70	-0.26	14952.02	19857.00	3.8		
Malaysia	Kuala Lumpur Composite	1766.56	-1.59	-0.09	1614.90	1778.47	7.6		
New Zealand	S&P/NZX 50	7412.12	-14.34	-0.19	6664.21	7571.11	7.7		
Pakistan	KSE 100	51073.14	137.23	0.27	36048.76	51073.14	6.8		
Philippines	PSEI	7923.50	-38.83	-0.49	6563.67	8102.30	15.8		
Singapore	Straits Times	3249.97	12.99	0.40	2729.85	3249.97	12.8		
South Korea	Kospi	2292.76	...	Closed	1925.24	2292.76	13.1		
Taiwan	Weighted	9915.48	-21.77	-0.22	8053.69	9972.49	7.2		
Thailand	SET	1560.31	-7.71	-0.49	1381.69	1591.00	1.1		

Source: SIX Financial Information/WSJ Market Data Group

Currencies

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



THE PROPERTY REPORT

GE Joins the Boston Real-Estate Party

Firm breaks ground on headquarters as city sees a building boom, heading for a glut?

By PETER GRANT

General Electric Co. Chief Executive Jeffrey Immelt joined Boston Mayor Martin Walsh and other government leaders to celebrate the groundbreaking for the company's new headquarters on Monday, the most vivid sign so far of a historic real-estate boom gathering steam in New England's biggest city.

GE is moving its headquarters to Boston from Fairfield, Conn., at a time when roughly 14 million square feet of new space is being developed elsewhere in the city. That doesn't count the 40 million square feet of permitted projects that haven't broken ground yet.

About 80% of the new development consists of rental apartments and condominiums. Most of the rest is office space.

"This is the biggest building boom in the history of the city," said Brian Golden, director of the Boston Planning & Development Agency.

Developers who caught the wave early—including major U.S. firms and foreign investors—have made handsome profits. For example, a partnership led by Tishman Speyer that had invested \$535 million into an office project known as One Federal Street just refinanced it in a deal that valued it at \$705 million.

A venture of Related Cos. of New York and Beal Cos. of Boston, meanwhile, converted a derelict candy warehouse into a new headquarters for Nike Inc.'s Converse unit, which relocated about two years ago from Andover, Mass. Last year



MICHAEL DWYER/ASSOCIATED PRESS

The site of General Electric's new Boston headquarters is shown on Monday, prior to the groundbreaking ceremony.

the venture sold the property to Union Investment, a German fund, for \$150 million.

But there also are signs of growing pains and concerns of a space glut in Boston. Many of the residential units under construction are luxury high-rise rentals and condominiums, a relatively untested market in Boston, where most of the housing is low-rise.

The office vacancy rate has mostly been dropping from its postcrash high of 14.5%, according to real-estate firm JLL. But in the first quarter of this year, it increased to 14% from 13.7% in the year-earlier period as new space was added and tenants moved into more efficient offices.

Most concerning to plan-

ners, Boston is facing a shortage of middle- and low-income housing as affluent workers and others bid up the price of market-rate apartments and houses. Mayor Walsh is ahead of schedule on his plan to add 53,000 units by 2030, but it hasn't been easy.

The effort has triggered opposition in neighborhoods where residents are worried about being displaced by market-rate housing. "It's a real struggle for us," said Mr. Golden, who pointed out that 17% of the 3,607 units completed in 2016 were considered affordable, or below market rate.

Boston's boom is partly rooted in the growing popularity of city living, a national

trend that has boosted downtowns in many cities. In the past six years, Boston's population has added 50,000 people, or about 8%, more than all of the previous three decades. The region's 55 educational institutions make Boston an appealing location for a wide range of businesses.

When GE announced its plans to move there last year, Mr. Immelt pointed to Massachusetts' high spending on research and development. "We want to be at the center of an ecosystem that shares our aspirations," he said.

Boston also gave GE tax incentives to move there.

In addition, planners credit a mammoth infrastructure project known as the "Big Dig"

that rerouted a major highway artery underground. Completed in 2007 at a cost of nearly \$15 billion, it was widely criticized at the time for delays and for going way over budget. But today the city is enjoying the benefits of new parks and more walkable connections between downtown and the waterfront.

GE is moving its headquarters to two historic, redbrick buildings and a new 12-story building on 2.4 acres in a revived waterfront area that used to be cut off from the downtown by a highway.

So far, rental and condo markets are holding up despite the thousands of new units being added, according to brokers. Last year, there

were 3,708 sales of condos and single-family homes in core downtown Boston neighborhoods, up from 3,467 in 2015, according to a report by Joe Wolvek of Gibson Sotheby's International Realty. The median sales price rose to \$791,000 from \$685,000, the report said.

Rents also are rising, according to developer Steve Samuels, who has developed hundreds of rentals and currently is building the 30-story Pierce Boston project in the Fenway Park neighborhood. High-end apartments in the neighborhood today go for the upper \$2,000s to the mid-\$3,000s in rent a month, up roughly 2.5% from a year ago, he said.

At the ultraluxury end of the market, the \$900 million One Dalton development will include a Four Seasons hotel and 160 condos priced between \$2.7 million and \$40 million. Developer Richard Friedman agreed that such high-rise luxury living is "very new for Boston."

Mr. Friedman declined to reveal sales numbers. But one of the most expensive units has been sold already, setting a record for Boston, according to people familiar with the matter.

Meanwhile, the office market is beginning to see an increase in so-called speculative developments that are launched before most tenants have signed on, according to a report by JLL. Only 37% of the space under construction is pre-leased, the report said.

Given the strength of the leasing market, those buildings probably won't face problems, according to Benjamin Heller, director of JLL's downtown Boston team. "The buildings that are going to have the hardest time adjusting are older towers built in the 1970s and 1980s," he said.

China Millennials Are Buying Abroad

By DOMINIQUE FONG

BEIJING—Zheng Xiaohui, a marketer from Urumqi in western China, made his first overseas property investment without so much as a visit.

Mr. Zheng, 29 years old, in March purchased a studio apartment in Thailand for about 650,000 yuan (\$94,000) using his smartphone and an app called Uoolu that connects users to overseas property listings.

"Investing in overseas real estate was mainly due to my good impression of Thailand," Mr. Zheng said.

Founded two years ago, Beijing-based Uoolu is focused on tapping a specific group of home buyers: Chinese millennials looking for foreign properties.

About 70% of Chinese millennials, those born between 1981 and 1998, own a home, the highest share of respondents from nine countries and regions who were surveyed in a recent HSBC study. Chinese parents often register home purchases under their child's name to prepare the child for marriage and raising a family, which likely boosts the percentage.

Still, a growing sliver of Chinese millennials are looking to buy property abroad. Kevin Lee, chief operating officer of Beijing-based consulting firm Youthology, put the percentage in the low single digits but said it would continue to increase.

The lure? A millennial's desire to hedge against yuan depreciation and find affordable homes in cities with cleaner air for their children to live in when they study abroad. In the past year, home prices have soared to more than 30 times household income in major Chinese cities.

Uoolu said about 80% of its monthly active users are between the ages of 20 and 39, and that 20,000 customers have bought or are in the process of purchasing overseas property. A similar real-estate platform, Juwai.com, estimates that roughly 30% to 40% of its buyers are millennials.

Cherubic Ventures, a venture-capital firm with offices in Beijing and San Francisco,

invested an undisclosed sum in Uoolu. One selling point, said the firm's founder, Matt Cheng, was Uoolu's target of reaching young Chinese buyers who are tech savvy and interested in cross-border investments "but don't know where to begin."

Overseas investing isn't easy at a time when the Chinese government is clamping down on capital flight amid concerns about a weakening currency. Chinese citizens aren't allowed to transfer more than \$50,000 a year out of the country or use those funds to buy overseas property.

However, this increased government scrutiny is "slowing but not cutting off" the surge of investment in U.S. property, said Arthur Margon, partner at Rosen Consulting Group.

Wang Hao, Uoolu's 33-year-old chief operating officer, said, "the more the government limits people, the more they want to invest overseas."

People often skirt the foreign-exchange rules by, for example, pooling money among family members and friends and separately sending it into overseas bank accounts. Also, Chinese citizens who have studied or worked abroad for a few years might already have bank accounts in other countries and those overseas funds are beyond the Chinese government's control.

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KEITH BEDFORD FOR THE WALL STREET JOURNAL

Taubman Hits Back Against Activist

By ESTHER FUNG

Shopping-center owner Taubman Centers Inc. is fighting back after activist investor Jonathan Litt's hedge fund recently filed proxy materials to nominate himself and a corporate governance expert to the board.

The real-estate investment trust said it reviewed Land & Buildings Investment Management LLC's nominees and concluded its own candidates are significantly more qualified.

"Land & Buildings has a fundamentally flawed view of what is needed to maximize Taubman's value on a sustainable basis—a belief supported by Mr. Litt's repeatedly flawed analysis and erroneous conclusions about Taubman while covering the company as a sell-side analyst," the company said in a stock-exchange filing.

Mall operators are facing headwinds from weaknesses across the retail industry, an oversupply of retail real estate and the rising popularity of online shopping. Their share prices have taken a beating, and operators face pressure from shareholders to strengthen their portfolios, cut

costs and sell assets.

Taubman currently operates 27 retail assets in the U.S. and Asia, and is known for its luxury malls in the U.S., such as the Dolphin Mall in Miami and the Beverly Center in Los Angeles.

In the first quarter, Taubman reported 3.9% growth in net operating income and 1.2% growth in sales per square foot compared with the year-earlier period. Occupancy remained at 92.3% as of March 31, unchanged from a year earlier.

Analysts have raised concerns about the strength of its occupancy after the firm raised its 2017 guidance for income from lease cancellation to a range of \$10 million to \$12 million from \$5 million to \$6 million. When a tenant breaks a lease, it usually has to pay the landlord a termination fee.

Land & Buildings is looking to replace Taubman Chief Executive Robert Taubman and lead director Myron E. Ullman III during the company's annual meeting in June. Mr. Litt is founder and chief investment officer of Land & Buildings, which owns about 1.2% of the REIT.

The other nominee put forward by Land & Buildings is Charles Elson, a corporate governance expert from the University of Delaware.

Mr. Litt said in an email to The Wall Street Journal that Taubman has cherry-picked the time periods and peer groups most advantageous when assessing its own performance, and made only superficial corporate governance improvements after Land & Buildings raised its concerns.

Why should any Taubman shareholder now believe Mr. Litt's allegations?

"The company failed to address in any constructive way its history of poor capital allocation, persistent poor operating margins, missed revenue opportunities, and the dual class structure that effectively limits the ability of shareholders to have their voices heard," Mr. Litt said.

Taubman on Monday said

that during Mr. Litt's tenure as a sell-side analyst, his ratings on the REIT missed the mark. Mr. Litt had a sell or underperform rating on Taubman 28 times, and in the following 12 months of each report, Taubman saw an average stock return of 33.3% while Mr. Litt predicted a 13.7% decline, the firm said in the filing, citing calculations from Mr. Litt.

"Why should any Taubman shareholder now believe Mr. Litt's allegations or trust his judgment to serve as a director?" Taubman said.

Taubman said Land & Buildings has made "highly misleading and inaccurate statements" about the Taubman family's misalignment of interest with other shareholders through the family's ownership of a certain class of shares, and how the firm's net operating income margins fared compared with peers.

The Bloomfield Hills, Mich.-based REIT said the family's Series B preferred shares provide for "one share, one unit, one vote," ensuring that the Taubman family's approximately 30% economic ownership has equivalent voting rights in the company.

MARKETS

Win for Pollsters in France

Correct forecast of a victory by Macron may boost confidence among investors

By JON SINDREU

For investors, pollsters were big winners in the French election after correctly forecasting the outcome, perhaps redeeming a profession that appeared to get Donald Trump's victory and the Brexit result wrong.

That matters because renewed faith in pollsters may allow investors to relax and believe the surveys that suggest the antiestablishment threat to markets is fading.

French pollsters correctly predicted the voting shares of the main candidates in the first round of the presidential election, stating that centrist Emmanuel Macron would place above the antieuro National Front candidate Marine Le Pen. Following that result, investors went on a buying spree, more confident that polls were no longer underestimating the antiestablishment vote. As the polls predicted, Mr. Macron won resoundingly in the second round, albeit with an even larger majority than the polls said.

The failure of polls to predict that Britain would vote to leave the European Union, and Mr. Trump's November victory in the U.S. presidential election, left investors doubting if surveys were accurately capturing the political mood over globalization.

"With Brexit and Trump, the market lost faith in the polls," said Ugo Lancioni, portfolio manager at Neuberger Berman. "Another big miss would have been a disaster."

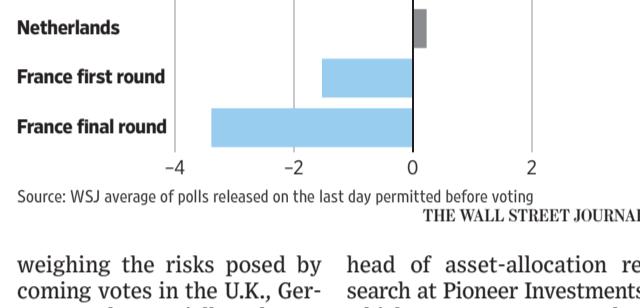
Being able to trust the numbers again may make all the difference for money managers seeking to invest in an increasingly economically vibrant Europe, but who are still



A woman presented her voting card near Paris on Sunday.

France Bucks the Trend

Difference between poll predictions and the share of the vote won by opponents of globalization, in percentage points



Source: WSJ average of polls released on the last day permitted before voting

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weighing the risks posed by coming votes in the U.K., Germany and potentially Italy. For instance, polls suggest that the far-right Alternative for Germany's popularity is slipping in that country.

The fading threat from antieuro political candidates has already helped boost European markets. After years of trailing U.S. stocks, the Stoxx Europe 600 is up more than 9% since the start of the year against a roughly 7% gain for the S&P 500.

"We are in kind of a sweet spot in Europe for the time being," said Monica Defend,

head of asset-allocation research at Pioneer Investments, which manages more than \$240 billion in assets and in March was positioned in anticipation of gains in European stocks.

Some political scientists say pollsters have been unfairly derided. Ahead of the Brexit vote, polls mainly forecast a win for the campaign to remain in the EU, but a few did see a narrow victory for the leave camp. Some who called it wrong were within the margin of error, as the leave camp won by a 3.8-percentage-point gap.

In the U.S. election, despite some errors at the state level, pollsters' predictions that Hillary Clinton would win the popular vote proved true. Mr. Trump's share of the vote was underestimated, but it was the electoral-college result that won him the presidency.

Polls have scored a series of wins since. They predicted that the antieuro candidate, Geert Wilders, would fail to unseat Prime Minister Mark Rutte in the Netherlands' March election. On April 23, they hit the mark on the share of the votes that the five main candidates would get in the first round of the French presidential election.

But analysts warn that there are peculiarities to France that may explain the success of their pollsters and underscore how their success may be hard to replicate in other countries.

French pollsters are experienced in how to assess the National Front's impact because it has been contesting elections since the 1970s.

Widespread use of internet polls meant French pollsters were less likely to underestimate the antiestablishment vote.

"Answering through the internet has the big advantage of avoiding the desirability bias," said Pierre Bréchon, professor at the Grenoble Institute of Political Studies, meaning that participants won't be ashamed to admit they vote for parties and candidates seen as radical.

Yet online polls have long been considered problematic by U.K. pollsters because they exclude older people, who are less likely to use the internet. This led them to underestimate support for the Conservative Party in the U.K.'s 2015 general election, another recent polling misfire. This didn't happen in France, where National Front supporters are younger than the average voter.

European Stocks Close at Highest Since August '15

By RIVA GOLD AND KENAN MACHADO

European shares powered ahead, led by shares of miners, energy companies and banks, in a rally that brings the year-to-date gain for the region's main market benchmark to 9.5%.

U.S. indexes were trading near the breakeven point, while the performance of Asian markets was mixed.

The Stoxx Europe 600 gained 1.77 points, or 0.45%, to 395.81, marking its third gain in four trading sessions. The closing value was the highest since August 2015.

A survey measuring economic sentiment in the euro-zone, released this week by Frankfurt-based research firm Sentix, climbed in April to its highest since the start of 2008.

Near midday in New York, the Dow Jones Industrial Average was down 1 point, or less than 0.1%, to 21011. The S&P 500 rose less than 0.1% and the Nasdaq Composite gained 0.3%. Both indexes inched higher Monday to settle at records.

Major U.S. stock indexes have risen the past few weeks as stronger-than-expected corporate earnings have helped offset a steep decline in commodity prices.

"There is a strong economic backdrop and robust earnings: That environment is conducive to being invested [in stocks]," said Mouhammed Choukeir, chief investment officer at Kleinwort Hambros.

Mr. Choukeir said he favors European equities, where he says companies are posting

better-than-expected earnings in a healthy economy and trade at lower valuations than their U.S. counterparts. "People are starting to believe that maybe the European story is back on its feet," he said.

Earlier, Australia's S&P ASX 200 fell 0.5% as underwhelming results from Commonwealth Bank of Australia and reports that the Australian government would introduce a bank tax weighed on shares of lenders.

Hong Kong's Hang Seng Index rose 1.3%, supported by a recovery in shares of gambling companies and as Chinese

9.5%

Year-to-date gain for the Stoxx Europe 600

markets pared losses that had been stoked by concerns about a clampdown on speculative trading. Stocks in Shenzhen were up 0.7% while the Shanghai Composite Index was up 0.1% after five sessions of losses.

Japanese stocks pulled back 0.3% after Monday's jump to 17-month highs, despite a modest fall in the yen. Japanese wages fell for the first time since May 2016, government data showed.

Bank of Japan Gov. Haruhiko Kuroda said he would act "quickly" to expand stimulus measures if inflation loses traction, but noted no additional steps are needed at the moment.

—Saurabh Chaturvedi and Takashi Nakamichi contributed to this article.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: heard@wsj.com

Crown Pulls Its Wager On Macau

Crown Resorts is taking its bets off Macau's tables, but its fortunes may still depend on Chinese gamblers.

The Australian company said it would sell its 11.2% of Melco Crown, one of Macau's six casino operators. The sale isn't unexpected: Crown has been reducing its stake since last May, when it held 34%, and had already transferred much of its exposure in its shares through equity swaps, leaving its economic interest at just 3.3%.

The sale makes sense for Crown. The cash will allow it to pay for its projects back home without hurting its investment-grade rating.

While the retreat from the world's biggest gambling market looks bold, it's not totally unreasonable if Crown is looking for more-stable sources of revenue. Macau's market started rebounding in the second half of last year as Chinese gamblers started to come back, but the recovery is tentative.

And Beijing's continuing battle against capital outflow and money laundering, which drove the retreat from Macau, may hit it again. Macau's government said Monday that people using bank cards from mainland China will have to go through facial recognition and identity-card checks before withdrawals at ATMs.

Still, Crown's home market isn't immune to Beijing's crackdown. Casinos all over rely on Chinese high rollers, and VIP revenue at Crown's Australian casinos for the six months ended December was down 45% from a year earlier. In October, China's government detained 18 Crown employees for promoting gambling, which is illegal in China. Crown may have left China, but China hasn't left Crown.

—Jacky Wong

Dizzying Rise in Europe's Bonds

The political clouds have cleared over Europe, creating opportunities for investors.

European corporate bonds, however, are already flying close to the sun.

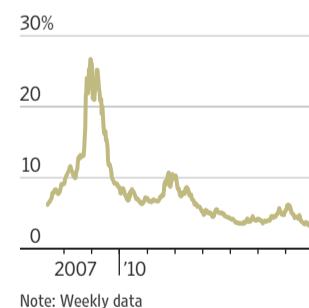
Like other European assets, euro-denominated investment-grade and high-yield bonds have posted big moves since the first round of the French presidential elections. For instance, the yield spread between single-B-rated corporate debt and government bonds has narrowed by nearly 1 percentage point in just over two weeks.

Corporate debt is outperforming as a result, with investment-grade securities up 0.7% and high-yield up 3.3% in 2017, versus a loss of 1.4% for German bunds, according to Bank of America Merrill Lynch indexes.

The rally has taken the market to dizzying levels. Euro high-yield bonds don't match their description, with the BAML index yield hitting a record low last week of

Vanishing Point

Yield on euro-denominated high-yield corporate bonds



Note: Weekly data
Sources: Bank of America Merrill Lynch index via FactSet; Associated Press (photo)

THE WALL STREET JOURNAL

around 2.7%. The spread over government bonds, at just over 3 percentage points, has rarely been narrower since the financial crisis of 2007-08.

The search for yield remains supportive for corporate debt. The eurozone looks in better shape than in 2014, when spreads last reached these kinds of levels,



Macron's victory has reduced political tensions in Europe.

and corporate earnings are finally picking up. The European trailing 12-month default rate has remained low and was at just 2.5% in April, according to Moody's Investors Service.

The European Central Bank is still buying bonds and supply has been thin.

But investors shouldn't take too much comfort. A

brighter eurozone outlook could spur corporate animal spirits, which should worry bondholders. There is little room to absorb surprises such as acquisitions, although this could be of benefit to high-yield bonds, which tend to be issued by targets rather than acquirers.

Investment-grade bondholders could suffer: Becton Dickinson's recent \$24 billion purchase of C.R. Bard saw yields on its euro-denominated bonds shoot higher, undoing more than four months of good performance in a day. And already the focus in Europe is moving back to the ECB's exit from its emergency monetary-policy settings.

The crucial problem for bonds is how strong their performance has been. If Europe maintains its sunny outlook, that will support the market. But the benefits are more likely to go to shareholders.

—Richard Barley

OVERHEARD

It may be a mobile world, but plenty of people seem to like staying home and talking to their voice-enabled speakers. **Amazon.com** created the market with the Echo. It has since racked up an installed base of about 10.7 million U.S. customers who own at least one Echo device, according to Consumer Intelligence Research Partners.

That gives Amazon a strong but not uncontested foothold.

Google launched the Home speaker last fall, undercutting Echo's main price tag and snagging about 24% of the U.S. market for voice-enabled speakers, according to eMarketer.

This may not remain a duopoly for long. **Harman Kardon** unveiled a new speaker Monday using **Microsoft's** Cortana personal digital assistant. It will go on sale this fall, presuming there will be enough customers left with something to say.

Why a Cable Deal Is Bad News for the Phone Industry

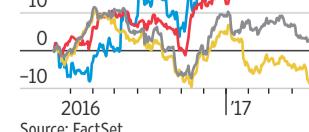
The first wireless deal after a government-imposed hiatus is bad news for the biggest carriers and could scramble the likely outcomes of other anticipated combinations.

Cable operators **Comcast** and **Charter Communications** said Monday they would form a yearlong partnership to expand their wireless offerings. The deal signals the two companies are serious about expanding into the industry. It also ensures that the two biggest cable companies will work together—and not bid against one another—when it comes to wireless deals.

For Comcast and Charter, which are more peers than rivals because their coverage areas don't overlap, teaming

Hold the Phone

Share-price performance



up makes sense. It will allow them to integrate their networks of Wi-Fi hot spots, which cover about 80% of the country, according to New Street Research. This should help them offer better service to subscribers and considerably lower the

cost of running wireless networks on **Verizon Communications'** airwaves.

The partnership could also signal a desire for a deeper relationship between the two cable giants, even possibly a merger down the line. The Obama administration rejected Comcast's deal to buy Time Warner Cable, later allowing Charter to buy it.

Deal making in the wireless industry has been suspended for more than a year as companies bid in a government auction of spectrum. The suspension ended last month. The Comcast-Charter Communications agreement is the first of what could be a wave of mergers that could reshape the industry.

The success of the venture

would make things much worse for the industry's two giants, **Verizon** and **AT&T**, which are already losing subscribers to T-Mobile US and Sprint amid a bruising price war. Given the steep fixed costs of the wireless business, additional pressures on subscriber growth would hit margins hard.

The agreement also could reduce the prospects for a bidding war as two of the biggest players would likely be working together. It also likely takes one of the most speculated-about deals, a Verizon-Charter merger, off the table.

For Sprint and T-Mobile, more competition would stifle their growth. But legitimate wireless competition from cable could also strengthen their case with

regulators for a merger. Many analysts and investors expect Sprint to try again soon to buy T-Mobile. If a deal is approved, Comcast and Charter might be interested in purchasing the combined entity. If it is rejected, they may team up to buy one company or each purchase one after the end of their wireless agreement.

Meanwhile, the cable companies may try to strike more network-sharing deals—such as the ones between the cable companies and Verizon—with other wireless carriers, helping them improve their chances of going it alone in wireless.

Wireless investors can no longer ignore