

# THE WALL STREET JOURNAL.

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THURSDAY, MAY 11, 2017 ~ VOL. XLI NO. 176

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ASIA EDITION

As of 12 p.m. ET DJIA 20959.70 ▼ 0.08% NIKKEI 19900.09 ▲ 0.29% STOXX 600 396.45 ▲ 0.16% BRENT 50.33 ▲ 3.28% GOLD 1220.20 ▲ 0.49% EURO 1.0868 ▼ 0.06% DLR \$114.06 ▲ 0.07%

## What's News

### Business & Finance

Barclays Chairman McFarlane defended Stanley, as several shareholders called for the CEO's firing over his role in trying to unmask a whistleblower. **B5**

◆ Central banks have been the world's biggest buyers of government bonds, but may soon stop—a tidal shift for global markets. **A1**

◆ France's AXA plans to take its U.S. life-insurance operations public, selling shares in a company that also will be home to AllianceBernstein. **B1**

◆ Japanese car makers are painting a bleak picture for the current financial year as the U.S. car market stalls. **B1**

◆ The CFPB signaled it aims to play a larger role in overseeing the market for small-business lending. **B5**

◆ SoftBank CEO Son said he is preparing to shift his focus from turning around Sprint to running a \$100 billion technology-investment fund. **B1**

◆ Time unveiled a plan aimed at strengthening its finances by cutting its dividend, selling off noncore assets and hiring an outside adviser. **B3**

◆ Monaco, a haven for the ultrarich, is creating its first-ever government-backed investment fund. **B5**

◆ ESPN, faced with viewership losses, is planning digital subscription services focused on particular sports, teams and regions. **B3**

### World-Wide

◆ Comey asked the Justice Department for more resources for the FBI's investigation into Russian interference in the 2016 election a week before Trump fired him. **A1, A6**

◆ The president met with Russia's foreign minister amid a political furor over his decision to fire the FBI director. **A5**

◆ South Korean leader Moon Jae-in began his presidency by declaring his willingness to go to North Korea under the right circumstances. **A3, B1**

◆ The U.S. is beefing up joint intelligence efforts with Turkey to help that government better target terrorists in the region. **A5**

◆ The White House said Trump won't decide on whether to withdraw from the Paris climate pact until after a G-7 summit. **A7**

◆ Communities across the U.S. are rallying behind the administration's push for a nuclear repository in Nevada. **A7**

◆ Germany worked to patch up a violation of U.N. sanctions against North Korea, which was leasing an annex of its embassy in downtown Berlin. **A3**

◆ The OECD indicated global economic growth is less likely this year. **A4**

◆ Consumer inflation in China remained mild in April, while producer prices rose at a slower pace. **A4**

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ASIA EDITION

## Comey Sought More Probe Funds



President Donald Trump, center, with Russian Foreign Minister Sergei Lavrov, left, and envoy Sergei Kislyak at the White House on Wednesday.

## After Firing, Eyes on GOP Senators

BY GERALD F. SEIB

Amid the controversy over the firing of the head of the Federal Bureau of Investigation, the key players in Washington suddenly are a small group of moderate and independent-minded

**ANALYSIS** Republican senators whose support, or lack thereof, now becomes the crucial factor for President Donald Trump.

Those senators—perhaps fewer than 10 in all—will, more than anyone, determine whether the probe of Russian interference in the 2016 pres-

idential election now moves toward an independent counsel or some other independent body. They also will determine whether or not a new FBI director can be confirmed without a deal being struck on a new path for that Russia inquiry.

The firestorm that erupted when the president fired James Comey, the man leading an investigation into whether the president himself received covert election-season help from the Kremlin, appears to have been more intense than the White House expected. If Mr. Trump thought Democrats' anger at how Mr. Comey

handled the inquiry into Hilary Clinton's use of a private email server would mute their reaction to Mr. Comey's dismissal, he was sorely mis-

taken. Instead, the Democratic reaction was instant, angry, and intense—and seems likely to stay that way.

But the key for Mr. Trump actually lies within his own party, and especially in the Senate, where his Republicans hold 52 seats, a slim majority. The comparisons to Watergate are easily overdrawn at a moment like this, but it is worth remembering that the Watergate inquiry turned from a manageable problem to fatal

crisis for Richard Nixon when Senate Republicans began to turn on him. Remember Howard Baker.

So the people to watch in coming days are Sens. Bob Corker and Lamar Alexander of Tennessee, John McCain and Jeff Flake of Arizona, Lindsey Graham of South Carolina, Susan Collins of Maine, Chuck Grassley of Iowa, Lisa Murkowski of Alaska, and Ben Sasse of Nebraska—senators whose support for Mr. Trump is no sure thing.

They can't on their own create an independent counsel to look into the question of

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Former FBI director requested resources for Russia investigation before Trump fired him

By MICHAEL C. BENDER  
AND REBECCA BALLHAUS

WASHINGTON—Former Federal Bureau of Investigation Director James Comey asked the Justice Department last week for more resources for the agency's investigation into alleged Russian interference in the 2016 election, a U.S. official said Wednesday.

The request, a week before President Donald Trump fired Mr. Comey on Tuesday, could help shed new light into the motives behind Mr. Comey's dismissal. The White House said Tuesday Mr. Trump had fired Mr. Comey over his much-criticized handling of an investigation into Democrat Hillary Clinton's use of a private email server while secretary of state.

Some lawmakers have voiced concern that Mr. Comey's firing could hinder the FBI's investigation into possible ties between Mr. Trump's presidential campaign and Russia. Mr. Comey told some members of Congress on Monday that he had asked Deputy Attorney General Rod Rosenstein last week for more money for the probe, the official said.

The White House said Tuesday that Mr. Trump, a Republican, relied on the recommendations of Attorney General Jeff Sessions and Mr. Rosenstein in deciding to fire Mr. Comey.

Mr. Trump, in his first re-

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### FBI Furor

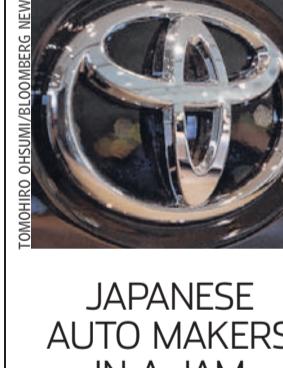
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### INSIDE



NEW LEADER OFFERS TO VISIT NORTH KOREA

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JAPANESE AUTO MAKERS IN A JAM

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## Investors Brace for End of Stimulus

BY JON SINDREU

Central banks have been the world's biggest buyers of government bonds, but may soon stop—a tidal shift for global markets. Yet investors can't agree on what that shift will mean.

Part of the problem is that there is little agreement about how the massive stimulus policies, known as quantitative easing or QE, affected bonds in the first place. That makes it especially hard to assess what happens when the tide changes.

Many expect bond yields could rise and share fall, some see little effect at all, while others suggest it is riskier investments, such as corporate bonds or Italian government debt, that will bear the brunt. But recently, yields on European

Jonna Miller, a Houston obstetrician, has delivered babies for 17 years, some births trickier than others. But getting from point A to point B using BMW's navigation system, she said, is too complicated to bother with.

Dr. Miller, 48 years old, has been on the losing end of a technological tug of war with her 2015 640i coupe. The voice-activated cellphone-calling system refuses to recognize her husband's name.

Safety sensors needlessly beep every time she backs out of her garage or passes through the carwash.

A BMW representative said sensors for the parking-

assistance system "can be turned off simply by pressing one button."

Even so, Dr. Miller's complaints echo other drivers who long for the days when the only console controls

were for the heater and radio. "This might be why I buy a used car in the future," Dr. Miller said.

Auto makers have come to rely on car tech for a disproportionate amount of profit. As they load up their vehicles with gizmos and gadgets, however, they're leaving some drivers dazed and confused—even driving them to attend two-hour demonstration seminars.

Ron Iseman, a retired Air Force intelligence officer living

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## Help! My Fancy New Car Won't Stop Beeping

\* \* \*

Touchy touch screens, buggy software and mystery sounds baffle drivers

BY CHRISTINA ROGERS

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Ron Iseman, a retired Air Force intelligence officer living

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## HEALTH-CARE DEBATE HINGES ON MEDICAID

Benefits for newly insured and hospitals are also state budget busters

BY MELANIE EVANS AND ANDREA FULLER

KLAMATH FALLS, Ore.—The Republican Party's revamp of the U.S. health-care system is heading toward a showdown over Medicaid.

This region, a patch of red in a largely blue state, saw more changes than most from the 2010 Affordable Care Act's expansion of the health-insurance program for low-income people. Its uninsured rate fell sharply. Its sole hospital nearly tripled its Medicaid revenue, helping finance an expansion. The law's funds fueled health-care hiring and provided work for contractors.

At the same time, the cost to Oregon proved hard to handle. New Medicaid re-

sponsibilities that begin this year under the law, also known as Obamacare, will make up about 17% of Oregon's \$1.6 billion shortfall in its coming biennial budget.

Last week, the House passed the American Health Care Act, which would roll back federal financing for expansion and introduce limits on federal Medicaid funding for states.

The health-care overhaul is now in the Senate, where the Medicaid provisions are already proving a potentially significant stumbling block. Just as in Klamath Falls, Democrats and some Republicans want to keep the expansion intact, citing the benefits.

Sen. Rob Portman (R., Ohio), whom Sen-

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## Oracle #1 SaaS Enterprise Applications Revenue

#1

Oracle Cloud 14.5%

#2

Salesforce Cloud 12.4%

1,000+ Employees Segment, 2015

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

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## WORLD NEWS

CAPITAL ACCOUNT | By Greg Ip

# Robots Aren't Killing Our Jobs Fast Enough



From Silicon Valley to Davos, pundits have been warning that millions of individuals will be thrown out of work by the rapid advance of automation and artificial intelligence. As economic forecasts go, this idea of a robot apocalypse is certainly chilling. It's also baffling and misguided.

Baffling because it's starkly at odds with the evidence, and misguided because it completely misses the problem: robots aren't destroying enough jobs. Too many sectors, such as health care or personal services, are so resistant to automation that they are holding back the entire country's standard of living.

"Robot" is shorthand for any device or algorithm that does what humans once did, from mechanical combines and thermostats to dishwashers and airfare search sites. In the long run these advancements are good. By enabling society to produce more with the same workers, automation is a major driver of rising standards of living.

The doomsayers say this time is different, that technological change is so profound and so fast that millions of

workers will end up on the dole or consigned to menial, minimum-wage mobs.

The pessimism would be more plausible if the evidence weren't moving in exactly the opposite direction. The U.S. has many problems, but job creation isn't one of them. In April, nonfarm private employment rose for the 86th straight month, the longest such streak on record.

Monthly job creation has averaged 185,000 this year, more than double what the U.S. can sustain given its demographics. This has driven unemployment down to 4.4%, a 10-year low and below most estimates of "full employment." Growing labor shortages have boosted the typical worker's annual wage gain to more than 3% now from 2% in 2012, according to the Federal Reserve Bank of Atlanta.

If automation were rapidly displacing workers, the productivity of the remaining workers ought to be growing rapidly. Instead, growth in productivity—worker output per hour—has been dismal in almost every sector, even manufacturing.

In a compelling study released this week, the Information Technology and Innovation Foundation demonstrates that the sup-

### Automation Illusion

Job movement between occupations, a measure of technology-driven job change, is the lowest on record, and the fastest-growing sectors are the least productive.

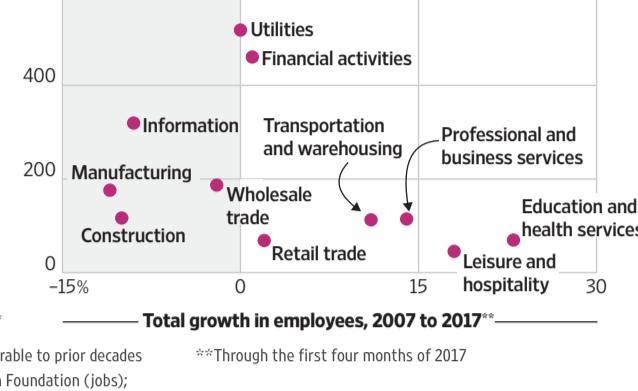
#### Rate of occupational churn



\*Churn rate from 2010-2015; not strictly comparable to prior decades

Sources: Information Technology and Innovation Foundation (jobs); Commerce Department and Labor Department (value added, job growth)

#### Value added per employee, 2016



\*\*Through the first four months of 2017

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posed gale of technology-driven job destruction a myth.

Rob Atkinson, president of the industry-supported think tank, and researcher John Wu examined government data back to 1850 to measure jobs lost in slow-growing occupations and jobs created in fast-growing occupations, their proxy for job creation and destruction driven by technology and other forces. By this measure, churn relative to total employment is the lowest on record.

How can this be? An era that includes the shock of trade with China and the financial crisis ought to have rapidly shuffled workers throughout the employment deck. But we've forgotten how convulsive the past was.

The authors note how in the 1800s and 1900s, agriculture, at the time the largest employer, was radically transformed by the end of slavery, the opening of the West, mechanization, and consolidation of small family-owned farms. In the 1960s, the ex-

pansion of office work created 885,000 janitor jobs, rising health-care consumption created 700,000 nursing aides, and the baby boom led to the hiring of 600,000 more high-school teachers.

Technology is still destroying jobs—just more slowly. In part that's because American consumption is gravitating toward goods and services whose production isn't easily automated. William Baumol, an economist who died last week at the age of 95, long ago observed that societies

would devote a growing share of their income to consumption in sectors where productivity was stagnant.

Since 2007, low productivity sectors such as education, health care, social assistance, leisure and hospitality have added nearly seven million jobs. Meantime, information and finance, where value added per worker is five to 10 times higher, have cut or barely added jobs.

This calls for a change in priorities. Instead of worrying about robots destroying jobs, business leaders need to figure out how to use them more, especially in low-productivity sectors. Someday robots may replace truck drivers, but it's much more urgent to make existing drivers, who are in short supply, more efficient. Clean energy advocates boast about how many people work in solar power when they should be trying to reduce the labor, and thus cost, involved.

The alternative is a tightening labor market that forces companies to pay ever higher wages that must be passed on as inflation, which usually ends with recession.

That is a more imminent threat than an army of androids.

for the Fed to raise short-term rates. "We might have a positive surprise down the line with the Fed not going as hard as we now think," said Neil Williams, chief economist at Hermes Investment Management.

He calculates that selling a third of the Fed's bond portfolio would have roughly the same effect as raising rates to 3% from their current 1% level.

That in turn could dent U.S. stocks, which would look more expensive if safer assets yielded more, said Mark Heppenstall, chief investment officer at Penn Mutual Asset Management. In April, the S&P 500's cyclically adjusted price-earnings ratio was at its highest since 2002.

But investors often pay even closer attention to the "flow effect" of QE, said Fabio Bassi, chief European rates strategist at J.P. Morgan Chase & Co., which is the impact that daily purchases by central banks have on markets. If the ECB stops its monthly €60 billion (\$66 billion) of purchases, it is the weaker government debt and corporate bonds that could be hardest hit.

"If it's not done carefully, at the bare minimum the transition could be extremely disruptive," said Arnab Das, a senior analyst at Invesco.

—Mike Bird contributed to this article.

## BONDS

Continued from Page One  
high-yield corporate bonds hit their lowest since before the financial crisis, in one potential sign that the threat of tapering has yet to affect markets.

When the unwinding begins, money managers might not be positioned for it, and markets could move swiftly. In the summer of 2013, investors suddenly got spooked about the Federal Reserve withdrawing stimulus, leading to a swift bond sell-off that sent yields on the 10-year Treasury up by more than 1 percentage point.

By buying bonds after the 2008 financial crisis, central banks across the developed world sought to push yields lower and drive money into riskier assets, reducing borrowing costs for businesses.

"If it's unclear what benefits we've had in the buying, it's unclear what will happen in the selling," said Tim Courtney, chief investment officer at Exencial Wealth Advisors.

Recent data showed that the European Central Bank holds total assets of \$4.5 trillion, more than any other central bank ever. The Fed and the Bank of Japan each have \$4.4 trillion, although the BOJ isn't expected to

wind down QE soon.

With the world economy finally recovering, investors believe that holdings at the Fed and ECB have peaked. U.S. officials are discussing how to wind down their portfolio, which they have kept constant since 2014. The ECB's purchases of government and corporate debt are now more likely to be tapered later in the year, analysts say, after pro-business candidate Emmanuel Macron's victory in the French presidential election.

A raft of research from analysts and central banks estimates that these policies lowered 10-year sovereign-bond yields by around 1 percentage point in the U.S. and U.K. and by half a percentage point in the eurozone. But it is unclear why.

Economists traditionally thought that it is only what central banks do with interest rates that really matters. Yields went low because interest rates went lower—even negative in places. If investors believe that officials will peg short-term rates at zero for the next 10 years, they will buy a 10-year sovereign bond yielding more than zero. It shouldn't be important how many bonds are around.

Some investors say that, if QE works, it is mostly as a message from central bankers to markets that they are committed to low rates. If that is

correct, then officials can protect markets from a steep sell-off even if they sell back bonds, as long as they loudly commit to keeping interest rates low.

For the ECB, the challenge is to "disentangle the rate expectations from the tapering," said Bastien Drut, a strategist at French asset manager Amundi.

Yet, research suggests that not all of QE's impact has been rhetorical.

*If it's not done carefully...the transition could be extremely disruptive.'*

Much of it may be down to a "stock" or portfolio effect, which happens when sovereign bonds become scarce. Many investors always want to buy government bonds, given they are safe and liquid. So whenever central banks suck this debt out of the market, money managers have to fight over what is left, pushing down yields.

Any central-bank selling would then increase the stock, pushing yields higher.

In the U.S., if that happens and borrowing costs rise, then there would be less pressure

## Indian Farmers Make Ritual Plea for Prosperity



ALL LINED UP: Farmers lie with sticks outside a temple in the eastern Indian city of Ranchi as they wait for blessings during the Manda festival. The festival is for rain, good crops and health.

## CORRECTIONS & AMPLIFICATIONS

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# WORLD NEWS

## New President Offers to Visit North Korea

As 5-year term begins, South Korea's leader also softens language on U.S. missile system

BY JONATHAN CHENG  
AND MIN SUN LEE

SEOUL—South Korea's newly elected leader Moon Jae-in began his presidency by declaring his willingness to go to North Korea under the right circumstances, while appointing two top aides with long histories of interaction with Seoul's nuclear-armed neighbor.

At the same time, Mr. Moon appeared to soften his language on a U.S. missile-defense system whose deployment in South Korea he has criticized.

"Strong security is made possible with mighty defense capabilities," he said in a short inaugural address, adding that he would work to strengthen the U.S.-South Korea alliance.

Mr. Moon's first speech as president Wednesday followed a swearing-in ceremony at the National Assembly, inaugurating a single five-year term hours after the country's election committee certified his victory.

In the address, Mr. Moon drew a contrast with his scandal-dogged predecessor, the impeached Park Geun-hye, with a promise of a clean and just administration.

Mr. Moon's North Korea approach is also a contrast. The conservative Ms. Park took a hard line on Pyongyang and its nuclear and missile programs.



YONHAP/REUTERS

**South Korean President Moon Jae-in, waving after being sworn in, vowed to work on bettering ties between his nation and the U.S.**

Mr. Moon, a liberal, has called for a return to the "Sunshine Policy" of economic cooperation and humanitarian aid that was pursued under two liberal presidents but abandoned a decade ago.

"If needed, I will immediately fly to Washington. I will also visit Beijing and Tokyo and even Pyongyang under the right circumstances," Mr. Moon said. "I remain committed to doing all I can for the settlement of peace on the Korean Peninsula."

Later in the day, Mr. Moon nominated as head of the National Intelligence Service the man who helped arrange two inter-Korean summit meetings

held in Pyongyang, in 2000 and 2007. Suh Hoon, a long-time South Korean intelligence agent who lived in North Korea for several years in the 1990s heading a multinational project under a since-scuttled nuclear deal, told a press briefing that another inter-Korean summit is necessary.

Mr. Moon's pick for chief of staff, Im Jong-Seok, meantime, was jailed for organizing a high-profile unauthorized trip to North Korea in 1989.

But Mr. Moon also appeared to dial back some of the tougher campaign rhetoric he had aimed at the U.S., when he said that South Korea needed

to learn to say "no" to Washington and criticized the process under which the deployment of the U.S. missile-defense system had been decided.

The U.S. says the system, called Terminal High-Altitude Area Defense, or Thaad, is purely defensive and aimed at deterring North Korean missiles. China says the system's powerful radar undermines its own national security. Mr. Moon had said that, if elected, he would review the decision-making process.

In his address Wednesday, Mr. Moon didn't mention a review of Thaad, and said that he would speak with both Wash-

ington and Beijing to resolve tensions over Thaad.

His campaign positions raised the prospect of a clash with the Trump administration, which has sought to exert greater pressure on Pyongyang in its first few months in power.

On Tuesday, the White House congratulated Mr. Moon and said it looked forward to working with him.

Mr. Moon's first-day actions appeared meant to underscore his spoken messages of security and unity. After a briefing from the Joint Chiefs of Staff and a visit to the national cemetery, he stopped by the offices of the four major rival parties he de-

feated in the race.

"Opposition parties are partners in the administration of state affairs," said Mr. Moon, who needs to build a coalition to pass bills through the National Assembly. He pledged to meet frequently with them and to appoint people from outside his own party.

At an afternoon press briefing—his first since arriving at the presidential Blue House—Mr. Moon announced the nomination of former lawmaker and longtime journalist Lee Nak-yon as prime minister, the No. 2 position in the country. Mr. Lee, from Mr. Moon's Democratic Party, is governor of a southwestern province that was a bastion of support for the president.

Mr. Suh, the spy-chief nominee, is expected to take the lead on North Korea. In his career in intelligence, he met frequently with the late North Korean leader Kim Jong Il, father of current leader Kim Jong Un, according to South Korea's quasi-official Yonhap News Agency.

The project he headed in North Korea, the construction of light-water reactors, was never completed under the terms of a 1994 agreement involving the U.S. and South Korea.

In addition to the North Korea portfolio, Mr. Suh will be assigned the overhaul of the intelligence service, another of Mr. Moon's campaign pledges. His supporters regard the NIS as conservative-leaning and accuse it of meddling in domestic politics, including helping Ms. Park defeat Mr. Moon in the 2012 presidential vote.

## Growth Tops South Korean Agenda

BY KWANWOO JUN

SEOUL—Among the immediate tasks facing South Korea's new President Moon Jae-in: keeping alive a fragile recovery in Asia's fourth-largest economy.

South Korean exports grew at a faster pace than expected in the first three months of this year after two years of decline. But weighing on the economy is the specter of U.S. protectionism, a declining population, a standoff with its biggest trading partner China and the role many economists say that South Korea's conglomerates have in holding back growth potential.

Mr. Moon's economic policies, though still preliminary, place a greater emphasis on the role of the government in boosting soft domestic demand and reversing high youth unemployment.

Center stage is Mr. Moon's pledge to create 810,000 new public-sector jobs over the course of his single five-year term, in part by hiring more firefighters, policemen and social workers.

"At home and abroad, economic conditions are tough,"

Mr. Moon said in his inaugural speech on Wednesday. "Above all, I will take care of job creation."

To help accomplish that, he has pledged to raise taxes and unleash a \$9 billion fiscal stimulus package to spur growth.

This blueprint faces an uncertain fate in the National Assembly, where his ruling Democratic Party falls short of a majority. Both tax increases and additional budget spending would require lawmakers' approval, which would need support from politicians outside his party to succeed.

Citibank said in an analyst report on Wednesday that it was skeptical the Democratic Party could muster the votes needed to approve the stimulus plan.

After decades of rapid growth, largely driven by family-controlled conglomerates and state-backed firms, South Korea has been losing steam. Gross domestic product growth was 2.8% last year and in 2015 after 3.3% growth in 2014. The central bank projects 2.6% growth this year.

The country is squeezed between lower-cost China

and a cheaper yen that has made Japanese exports more competitive in sectors including machinery, cars and auto parts.

The large conglomerates, known as *chaebols*, are no longer creating as many jobs at home as they used to, as they ship jobs overseas in search of lower labor and production costs.

**Mr. Moon's economic policies place more emphasis on the role of the government.**

South Korea's youth unemployment rate is about 10%, more than double overall joblessness.

The persistently high rate has raised concerns about the health of the economy and led to widespread pessimism among young college graduates about future job prospects. Mr. Moon enjoyed broad support from younger voters.

During his campaign, Mr. Moon also said he would curb

corporate misconduct by *chaebols* and enhance transparency in their corporate governance.

South Korea's economy also faces a demographic headwind, with one of the world's lowest birthrates and oldest populations. South Korean women have an average of 1.2 babies, half of the global average, according to the World Bank, and less than the replacement fertility rate of roughly two.

Because of those factors, Mr. Moon's "big government" plans are likely to lead to a temporary pickup in growth that could last through next year, but not likely much further beyond that, said Trinh D. Nguyen, a Hong Kong-based economist for Natixis.

"The demographic drag will be difficult to offset, unless South Koreans are willing to pay through sustained fiscal stimulus, which is unlikely given its historically conservative fiscal stance," Mr. Nguyen said.

Another daunting task facing Mr. Moon's government is a more protectionist U.S. under President Donald Trump, which could curb demand for South Korea's products.



**Cityhostel Berlin is next door to Pyongyang's official embassy.**

## Germany Grapples With Sanctions Breach

BY ZEKE TURNER

metal that is used to miniaturize nuclear warheads.

Earlier, the country's embassy in Singapore was unmasked as a front for a shipping business, an important source of foreign currency.

The new clip of threats coming from North Korea has left the U.S.'s top diplomats pleading with partners to shore up gaps on their home turf.

"We have said this before and it bears repeating: the policy of strategic patience is over," U.S. Secretary of State Rex Tillerson told the U.N. Security Council in April.

**The Cityhostel Berlin occupies a building that belongs to North Korea's embassy.**

The Cityhostel Berlin is less than a mile from the Brandenburg Gate and offers shared rooms to tourists, many of them students arriving by bus, for less than €20 (\$21.75) a night. It occupies a building that belongs to the North Korean Embassy on its grounds in Berlin. The official embassy is next door.

Now Berlin says it is cracking down on the hostel's use of the building as a sanctions violation.

"The nonstop nuclear threats from the North Korean government worry us greatly," Markus Ederer, a senior official in Germany's Foreign Office, said on Tuesday. "We have to turn up the pressure in order to get North Korea back at the negotiating table," adding, "It means that, more than anything, we have to consistently enforce the sanctions imposed by the United Nations and the European Union."

The crackdown comes on the heels of evidence that North Korea has used diplomatic property to support its nuclear program.

According to an update on sanctions enforcement published in March by the U.N.'s Panel of Experts, a North Korean businessman attempted to use Pyongyang's embassy in Beijing to export a lithium

would like one and those working part time who would like more hours.

—Tom Fairless

EUROPEAN CENTRAL BANK

### Draghi Brushes Off Calls to End Easing

European Central Bank president Mario Draghi clashed with Dutch lawmakers on Wednesday over the ECB's monetary stimulus, underscoring mounting pres-

sure for a policy change from Frankfurt as the region's economy heats up.

Mr. Draghi's rare visit to The Hague comes at a sensitive time for the ECB, which is considering when to start winding down its €60 billion-a-month bond-purchase program, known as quantitative easing. The program is currently due to run at least through December.

Tempers occasionally flared during a two-hour hearing in the Dutch parliament, as politicians

questioned Mr. Draghi on the ECB's record of transparency, and attacked policies they said subsidized southern European countries and harmed Dutch pensioners.

Mr. Draghi defended the ECB's decisions, which he said had helped support households throughout the region, including the Netherlands. He brushed off calls for a swift exit from its quantitative-easing program.

—Tom Fairless and Todd Buell

INDONESIAN PRESIDENTIAL PALACE/AGENCE FRANCE PRESSE/GETTY IMAGES



**EASY RIDER:** Indonesian President Joko Widodo on a two-wheeled trip through eastern Papua to visit the site of a proposed highway across the rugged province.

## WORLD NEWS

# A Pension Plan: Working Construction at 61

With few benefits, rural laborers who helped build modern China face toiling into their old age. Wang Fenghe is out in the cold.

BY CHUN HAN WONG

ALASHANKOU, China—Just before his 61st birthday, Wang Fenghe journeyed for three days to this snow-swept trading post on the Kazakhstan border to lay roof on a copper factory.

The work in subzero temperatures aggravated the pain in his arthritic hip. With virtually no pension, Mr. Wang came for the \$33-a-day job, his team replacing a crew that had fled the snow and ice.

Mr. Wang belongs to a generation of laborers who streamed out of the countryside to build modern China. Most haven't been able to stake claims in the cities they helped transform, or benefit from the social-safety nets that sprang up around them. They now face the prospect of working well into their twilight years.

"I'll work till I'm 70 if I have to," Mr. Wang said. "No one will feed me if I don't work."

His predicament underscores how far China has to go in extending the benefits of its growing wealth to all of its citizens. Beijing has pledged to improve conditions in the construction sector and for the rural poor, but improvements are unlikely to come in time to ease Mr. Wang's later years.

Of all migrant workers born before 1980, about 30% are in construction, trapped by a lack of other skills in a sector notorious for hazards and unscrupulous employers. For those born later, it is



Wang Fenghe, a construction worker from China's northeast, drags a roof panel at a copper factory under construction in Alashankou.

less than one-sixth, Chinese government data show.

"If workers had alternatives, they wouldn't enter this sector," said Li Dajun, a Beijing labor activist who studies China's construction industry, the world's largest with 51 million workers, according to government data.

"The work is dirty and tiring, safety is poor, and wages are often late or unpaid."

A roof collapse on a site in suburban Beijing nearly killed Sichuan native Liu Shunxiong four years ago. A

friend of his died. Mr. Liu's right arm remains partially disabled and he says his ears still buzz. A two-year court battle for compensation wiped out his savings. At one of his first jobs after the accident, the contractor disappeared without paying the crew.

Mr. Liu will soon turn 55, China's average retirement age, but he is deeply in debt and sees no escape from many more years on construction sites. "It's my lot in life," he says.

China's labor ministry

didn't respond to questions about pensions for rural workers. In recent months, President Xi Jinping has called for a stepped-up battle against poverty.

The government is taking steps to restructure the construction sector, said Yi Jun, a vice minister of housing. "We must genuinely help migrant workers professionalize," Mr. Yi said in a March interview. "This way they can get access to social-security benefits and some retirement support." He acknowledged improvements

could take years.

Mr. Wang said he accepts the tough conditions as part of the hand he was dealt by a rural upbringing. Born in 1955 in China's impoverished northeast, Mr. Wang joined the local farming collective after elementary school. In 1975, he enlisted in the People's Liberation Army, lured,

he said, by the call to "defend the homeland and protect Chairman Mao."

Mr. Wang hasn't received any military pension and to save money he has stopped taking medicine for a gastric

## Old-Age Divide

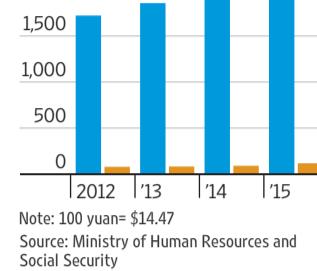
Rural Chinese rarely get more than the minimal pension, while urban retirees can get more benefits based on past work.

### Average monthly pension:

Retired urban workers

All pensioners

2,500 yuan



Note: 100 yuan = \$14.47

Source: Ministry of Human Resources and Social Security

THE WALL STREET JOURNAL.

ailment he contracted while in the army. He and his wife get a handful of dollars each month through a minimum-livelihood program known as dibao. But they haven't benefited from a rural pension program, launched in 2009, that offers monthly payouts starting around \$10 to those over 60—worth about 3% of average urban pension benefits, according to government data.

"We depend on the heavens for food," said Mr. Wang, who considers himself lucky to have stayed largely injury-free and able to work. In January Mr. Wang went home after completing his work. For the train ride, he splurged on a sleeper bunk. "I wanted to be able to lie down," he said.

# China Consumer Inflation Edges Up

BY MARK MAGNIER

BEIJING—Consumer inflation in China remained mild in April, edging up on higher costs for rent, education and other nonfood items, while producer prices rose at a slower pace, in a sign of weak underlying demand.

The consumer-price index was up 1.2% from a year earlier, the National Bureau of Statistics said on Wednesday, accelerating from 0.9% in March and slightly outpacing the 1.1% forecast of economists polled by The Wall Street Journal. Producer prices decelerated for a second consecutive month, to 6.4% from March's 7.6% and below expectation.

"Although the CPI picked up a bit, it's still very weak," said Macquarie Group Ltd. economist Larry Hu. "Even as the Chinese government is busy deflating asset bubbles in the financial system, it should be careful of the implications for the real economy."

Beijing in recent months has selectively tightened short-term interest rates in the interbank market and non-banking parts of the financial system, as concerns grow over speculative property markets and rising debt.

But April's weak price data suggest that tightening policy too quickly could worsen the economic outlook, economists said.

The real economy is still



Consumer inflation remains tame in China, but higher oil prices are affecting the transport sector.

quite weak" and "already past its peak for this year," Mr. Hu added. "We're moving from tailwind to headwind."

Food costs in April were down 3.5% from a year earlier, led by lower pork and vegetable prices, compared with March's 4.4% drop. Offsetting this was a 2.4% increase in nonfood prices, including higher oil prices working their way through China's transport and utilities sectors.

Gao Yating, a 30-something employee at a Beijing food market, said egg and green-vegetable prices have fallen by

up to 50% in the past few months while her housing costs have increased.

"Since last summer, our rent has gone up from 1,800 yuan [\$260] to 2,200 yuan and now takes a large part of my salary," said Ms. Gao. "We can save on food and clothing, but we can't do much to control rent."

Economists expect growth to slow in coming months along with housing starts—as purchasing restrictions in top markets tamp down speculation—further reducing building-materials prices.

Higher industrial prices over the past half year have boosted corporate earnings—first-quarter profits were up by as much as 300% for companies in such businesses as coal and petrochemicals—but these are likely to decline as commodity prices fall, economists said.

"Beware of reflation Chinese-style," said Diana Choyeva, an economist with Endo Economics, in a report. "It is not indicative of strong growth."

—Liyan Qi contributed to this article.

# Beijing Graft Probe Crosses Borders

BY ROB TAYLOR

A Chinese-born citizen of New Zealand whom Beijing had accused of large-scale corruption was sentenced by a New Zealand court in a money-laundering case jointly probed by both countries.

An Auckland court on Wednesday sentenced William Yan—also known as Bill Liu, Yang Liu and Yong Ming Yan—to serve five months home detention in his luxury penthouse. The judge rejected a maximum seven-year sentence after Mr. Yan said the amount of money he laundered was small enough not to amount to a major crime.

"We are pleased with the sentencing outcome and it is in line with what we had hoped," his lawyer Marc Corlett said.

Mr. Yan and two associates were previously ordered to pay \$30 million in civil fines in New Zealand's biggest-ever "forfeiture order," officials said. Authorities on Wednesday said China and New Zealand would share those proceeds.

New Zealand officials said the cross-border case was a sign of growing cooperation with China after Chinese President Xi Jinping urged help with his country's antifraud crackdown. The case "demonstrates the effectiveness of our relationships with overseas law-enforcement agencies, in this instance with China," New Zealand police said.

New Zealand is becoming pretty aware than China does use its economic influence, but in this particular case, New Zealand has been pretty concerned consistently to maintain the independence of its judicial processes," said Prof. Ayson, from the Centre for Strategic Studies at Victoria University in Wellington.

—Chun Han Wong in Beijing contributed to this article.

# OECD Tempers Global Growth Expectations

BY PAUL HANNON

A significant pickup in global economic growth has become less likely this year as the outlooks dim for the U.S., U.K. and China, according to leading indicators released Wednesday by the Organization for Economic Cooperation and Development.

The Paris-based research body's gauges of future activity, based on data for March, pointed to faster growth in Germany and Canada, but steady expansions in other large developed economies. They include the U.S. and the U.K., for which leading indicators were pointing to pickups as recently as February.

The leading indicators also pointed to steady growth for China, having previously pointed to an acceleration. Of the world's major economies, only India is set to see a turn for the better, since it is no



College students attend a job fair in Shijiazhuang, northern China.

longer likely to slow and should instead record steady growth.

The stalling of the OECD's leading indicators is the latest setback for hopes that 2017 would mark a breakout year for the global economy, after a long stretch of disappointingly

weak expansions. At the turn of the year, investors, business people and policy makers had expected to see a series of spending increases and tax cuts from the new U.S. administration that would deliver a boost to U.S. and global growth. But those expecta-

tions are being reassessed.

"The expectations of much faster growth are subsiding," said Sergei Guriev, chief economist at the European Bank for Reconstruction and Development, who was presenting new growth forecasts in a news conference.

Figures released in recent weeks have recorded slowdowns during the first three months of the year in the U.S., U.K. and France, though Germany recorded a pickup. Economists expect to see a rebound during the second quarter.

The OECD's leading indicators are designed to provide early signals of turning points between the expansion and slowdown of economic activity, and are based on a variety of data series that have a history of anticipating swings in future economic activity. The changes in activity signaled by the indicators usually follow six to nine months after.

Mr. Yan fled China in 2001 with three passports, traveling to Australia and New Zealand, according to China's Communist Party disciplinary agency. He was granted a New Zealand passport in 2008 despite a 2005 notice for his arrest issued by the international po-



Former pharmaceutical executive and gambler William Yan.

## WORLD NEWS

# U.S., Turkey To Increase Cooperation

The U.S. is beefing up joint intelligence efforts with Turkey to help that government better target terrorists in the region, according to U.S. officials.

By Gordon Lubold,  
Julian E. Barnes  
and Margaret Coker

cials, in an apparent bid to alleviate Turkish anxieties as the Pentagon implements a plan to arm Kurdish forces operating inside Syria.

The U.S. is increasing the capabilities of what is known as an "intelligence fusion center" in Ankara to help Turkish officials better identify and track the Kurdistan Workers' Party, or PKK, a network that both the U.S. and Turkey have designated a terrorist group.

The plan, which isn't yet finalized, could end up doubling

of the capacity of the fusion center, adding more U.S.-provided intelligence assets like drones and other capabilities, according to the U.S. officials.

The expanded intelligence sharing would deliver on an important national security priority for Turkey, which has been fighting a decadeslong battle against the PKK and its goal of establishing a Kurdish

autonomous zone that could include Turkey, Syria, Iran and Iraq.

Still, the U.S.-Turkey intelligence agreement highlights a deep contradiction in U.S. policy in the Middle East. The PKK has close ties to the Kurdish group in Syria that the U.S. will be arming, and Turkish officials say the groups are analogous. Critics of U.S. policy, including Turks, question why the U.S. would arm one branch of the group in Syria while stepping up a war against another branch of the group in Iraq and Turkey.

The U.S. doesn't publicly recognize the relationship among the various Kurdish groups, although many officials have privately acknowledged the ties.

U.S. officials for more than a year have discussed arming the Peoples' Protection Units, the Kurdish group in Syria known as the YPG, despite Turkey's concerns. President Donald Trump approved a Pentagon plan on Monday to provide small arms, ammunition and machine guns to the YPG to help those Kurdish fighters encircle Islamic State extremist group's de facto capital of Raqa in northern Syria.



A Turkish helicopter took off for a mission against Kurdish separatist rebels. The U.S. plans to boost support for these efforts.

That announcement comes just a week before Mr. Trump hosts his Turkish counterpart, Recep Tayyip Erdogan, at the White House. Turkish officials acknowledge that they expected the U.S. decision, but are angry about its timing.

Initial Turkish reaction to the decision has been muted, and U.S. officials briefed on calls between Washington and Ankara say they believe the Turkish fury will pass.

Speaking to reporters in Lithuania, U.S. Defense Secretary Jim Mattis said he wasn't worried about the relationship and that the U.S. and Turkey

"will work out any concerns."

"We will work very closely with Turkey in support of their security on their southern border...and we will stay closely connected," Mr. Mattis said. "We will work together."

Mr. Mattis didn't explicitly mention the increased intelligence cooperation.

Officials in Ankara are debating how the YPG decision will affect discussions with the White House on other national security issues key to Turkey, including its demand that the U.S. extradite the Pennsylvania-based Turkish cleric accused by Mr. Erdogan of trying

to overthrow him. The officials are trying to calibrate their approach to the coming meetings, as they want to strengthen, not damage, what Mr. Erdogan sees as his most important strategic alliance.

Turkey's fight against the PKK has raged for decades and has cost tens of thousands of lives among Turkish civilians as well as its military. PKK-linked terror offshoots routinely bomb and attack positions inside Turkey.

Fusion centers are used around the world to allow U.S. and host countries to cooperate on intelligence gathering.

In Turkey, U.S. forces provide satellite and other intelligence to the Turkish military to allow their pursuit of PKK elements across the rugged, mountainous Turkish-Iraqi border. That cooperation has existed since 2007.

Improvements to the fusion center is coincidental, according to a U.S. official, and not directly related to the decision to arm the YPG. Instead, it is being done to show the U.S. is serious about terror threats to Turkey, while also showing Ankara the U.S. remains a strong ally. "It is the right thing to do," the official said.

## U.S. Boosts Its Baltic Operation

BY JULIAN E. BARNES

VILNIUS, Lithuania—The U.S. will bolster its ability to observe Russia's military in the Baltic Sea region ahead of a major exercise by Moscow, U.S. defense officials said.

The officials said the Defense Department would enhance its surveillance ability, including by moving ships into the Baltic Sea and taking over North Atlantic Treaty Organization air-policing duties while the Russian exercises occur in September. The U.S. could temporarily deploy a Patriot missile-defense battery in the region, officials said.

Defense officials said the Russian drill, known as Zapad, or West, will showcase some of Russia's newest and most-advanced weaponry, and will be a chance for the U.S. to gather fresh intelligence.

They said Russia could use the exercise to upgrade its military equipment in the area, leaving behind some of the advanced systems after the exercises conclude.

U.S. Defense Secretary Jim Mattis, speaking to reporters Wednesday, said U.S. support for Baltic air defenses would be discussed in Brussels at coming NATO meetings. "We will deploy whatever capability is necessary here," Mr.



U.S. defense chief Mattis meets with NATO soldiers in Lithuania.

Mattis said, while visiting the Lithuanian training ground where the German-led NATO battle group is based.

Mr. Mattis visited with NATO troops and a U.S. tank company to highlight the steps being taken to deter any potential military moves by Russia on NATO's eastern flank.

"We are here in a purely defensive stance," Mr. Mattis said. "Everyone knows this is not an offensive capability. Anyone who says otherwise, I would just say I have too much respect for the Russian army to think they believe there is any offensive capability."

Ahead of the Russian exercise, which will take place in Belarus, the U.S. is considering moving a Patriot missile defense battery into the Baltic states region as part of its own allied drills in July, defense officials said. The U.S. could keep the battery in the region longer, for the duration

of the Zapad exercise, but officials have said they don't intend to place a Patriot unit there permanently.

Defense officials said they believe the Zapad exercise could involve between 70,000 and 100,000 troops. Russia has said there will be only a few thousand involved, below the number requiring international observers.

Russia conducts a large military exercise every year, but the drills are moved between military regions. The last large Zapad exercise was in 2013, before the annexation of Crimea.

The return of the maneuvers to the Baltic region has put officials here on edge.

Allied officials have also been worried about Russia's move to upgrade its weaponry in the region, including the deployment of nuclear-capable Iskander missile systems in Kaliningrad, a Russian exclave bordering Poland.

## Trump Meets With Lavrov

BY FELICIA SCHWARTZ

WASHINGTON—President Donald Trump met Russia's foreign minister amid a political furor over Mr. Trump's decision to fire the director of the FBI in the midst of an investigation into whether associates of Mr. Trump colluded with the Russian government to influence the 2016 election.

Sergei Lavrov, Moscow's top diplomat, is in Washington for the first time since 2013.

He began by meeting with Secretary of State Rex Tillerson at about 8:30 a.m. Wednesday. Asked by reporters if Mr. Comey's firing would cast a shadow over their discussions, Mr. Lavrov dismissed the question.

"Was he fired?" Mr. Lavrov said. "You're kidding, you're kidding," he added, grimacing to indicate his opinion of the question before turning away with Mr. Tillerson.

The Russian envoy's visit reciprocates Mr. Tillerson's trip to Moscow last month, when he conferred with President Vladimir Putin after meeting other Russian officials. On Wednesday, Mr. Tillerson thanked Mr. Lavrov for coming to Washington to continue the talks that began in Moscow.

Russia has said it is working toward establishing a meeting between Messrs. Trump and Putin. Mr. Lavrov stressed in an interview the importance of a meeting be-

tween the two presidents, but said there was no high intrigue around the plans, Interfax reported.

"A meeting between the leaders is quite important to establish personal contact. It always helps subsequently to work on issues," Interfax reported Mr. Lavrov as saying.

Mr. Putin met with members of his security council early Wednesday to discuss Mr. Lavrov's trip to Washington and Russia's ties with the Trump administration, state television channel Russia 24 said.

Several associates of Mr. Trump's presidential campaign are under Federal Bureau of Investigation and congressional investigations for contacts with Russian officials as part of a continuing series of U.S. probes into Russian meddling in the 2016 election. Russia has denied any interference.

Mr. Trump's surprise decision to fire FBI Director James Comey on Tuesday removes the federal official overseeing the inquiry into possible connections between Mr. Trump's campaign and Russia's alleged election-hacking operation, and immediately sparked calls from lawmakers for a special investigator to take over the probe.

The Justice Department had recommended Mr. Comey's removal, citing a lack of public confidence in the FBI. Many Democrats accused Mr. Trump of trying to derail the federal

and several congressional investigations.

The growing alarm, particularly from Democratic lawmakers, added to the tension and scrutiny surrounding Mr. Lavrov's meetings Wednesday.

In Mr. Trump's letter to Mr. Comey informing the FBI director he had been fired, the president said the FBI had cleared him in the bureau's probe of possible collusion between Trump campaign officials and the Russian government.

During his visit to Moscow last month, Mr. Tillerson described relations between the U.S. and Russia as being at a post-Cold War low. He told officials at the State Department last week that Mr. Putin shrugged his shoulders and nodded when Mr. Tillerson offered that assessment during a meeting in Moscow.

Still, Mr. Tillerson told U.S. diplomats that the U.S. was focused on trying to re-engage with Russia to bring about an end to the crisis in Syria and address other issues.

The Trump administration wants to work with Moscow on international security issues, including the Syrian war, efforts to counter the Islamic State extremist group and the crisis in Ukraine.

Mr. Lavrov was stopping in Washington before heading to a meeting of the Arctic Council in Alaska later Wednesday.

—Thomas Grove contributed to this article.

## Ex-President's Deposition on Graft Charges Rivets Brazilians

BY LUCIANA MAGALHAES

CURITIBA, Brazil—The deposition of former President Luiz Inácio Lula da Silva for his alleged role in a monumental corruption scheme pitted Brazil's most prominent politician against an investigative judge who has become wildly popular for his crusade against corruption.

Tens of thousands of demonstrators, most supporting Mr. da Silva but some backing the so-called Car Wash investigation, descended on this normally tranquil city on Wednesday as Judge Sergio Moro was to begin questioning the popular leftist leader for the first time. Brazilian prosecutors allege that Lula, as most Brazilians call him, was the "chief commander" of a yearslong corruption scheme that stole billions of dollars from state-controlled oil giant **Petróleo Brasileiro SA**, or Petrobras.

"I'm here to help protect Lula's legacy," said Modesto Ferreira, a farmer who traveled 15 hours by bus to back

Mr. da Silva. "There is an elite movement against Lula, but I don't think there's another politician in the world with as many supporters as he has."

The deposition, a video recording of which was expected to be made public later in the day, was shaping up to be an encounter that could define the lineup for the country's 2018 presidential election.

Mr. da Silva, who faces trial on five indictments of corruption, influence-peddling and money-laundering charges, has publicly suggested he may run for president again.

Polling firm Datafolha published a recent poll showing the former Workers' Party leader would comfortably emerge as one of the two winners in a first round of voting, with 30% support.

But Mr. da Silva would be banned from running if he is found guilty in any of the five trials he faces this year in cases centering on how construction companies overcharged Petrobras on projects,

the illegal funds then

channeled to politicians. Many Brazilians will watch any video emerging from the deposition, in which the charismatic former president is expected to energetically defend himself.

What is at stake will be the former president's public image and the possibility of

him running for president in 2018," said Daniel Vargas, a law professor at the Getúlio Vargas Foundation in Rio de Janeiro. "Will the president keep his reputation or, in the end, will Judge Moro's heroic image prevail?"

Mr. da Silva, 71, who fin-

ished his two terms with record approval ratings in January 2011, was to be questioned on Wednesday in a small room in Curitiba's main courthouse about allegations that he and his wife received \$1.2 million—mainly in construction upgrades to a luxury beach-

front apartment—from a company that did business with Petrobras. The former president says the apartment never belonged to him and was renovated by a construction firm in hopes of convincing Mr. da Silva to buy it.

Mr. da Silva's lawyers say the investigation amounts to a political witch hunt. That accusation brought out supporters chanting "Lula, the warrior of the Brazilian people."

"We want Lula or someone like him in the presidency," said Valdemar Sieheneichler, 53, who came with 14 members of his family from a small town. "Brazil needs to belong to its people again."

Mr. Moro, who has convicted powerful businessmen and politicians since the Car Wash probe started in 2014, says he is a neutral investigator acting on the evidence, irrespective of politics.

"The interrogation is an opportunity for the former president to defend himself, and is a normal act of the [legal] process," Mr. Moro said.



Ex-President Luiz Inácio Lula da Silva arriving Wednesday in Curitiba for a hearing before a judge.

HEULER ANDREY/AGENCE FRANCE PRESSE/GTY IMAGES

channel to politicians. Many Brazilians will watch any video emerging from the deposition, in which the charismatic former president is expected to energetically defend himself. What is at stake will be the former president's public image and the possibility of him running for president in 2018," said Daniel Vargas, a law professor at the Getúlio Vargas Foundation in Rio de Janeiro. "Will the president keep his reputation or, in the end, will Judge Moro's heroic image prevail?"

Mr. da Silva, 71, who fin-

## U.S. NEWS

# Before the Ouster, a Growing Frustration

Trump associates irked Comey wouldn't tamp down questions about possible Russia role

WASHINGTON—The more James Comey showed up on television discussing the FBI's investigation into possible ties between the Trump campaign

By **Rebecca Ballhaus,**  
**Michael C. Bender**  
and **Del Quentin Wilber**

and Russia, the more the White House bristled, according to aides to President Donald Trump.

Frustration was growing among top associates of the president that Mr. Comey, in a series of appearances before a Senate panel, wouldn't publicly tamp down questions about possible collusion with Russian interference in the 2016 presidential race. A person with knowledge of recent conversations said they wanted Mr. Comey to "say those three little words: 'There's no ties.'"

In the months before his decision to dismiss Mr. Comey as head of the Federal Bureau of Investigation, Mr. Trump grew unhappy that the media spotlight kept shining on the director. He viewed Mr. Comey as eager to step in front of TV cameras and questioned whether his expanding media profile was warping his view of the Russia investigation, the officials said.

One White House aide, speaking after Mr. Comey's dismissal, described him as a show horse.

"Oh, and there's James—he's become more famous than me," Mr. Trump said as Mr. Comey crossed the room to greet him at a Jan. 22 reception for law enforcement.

In firing Mr. Comey, Mr. Trump said he relied on recommendations by his top two Justice Department officials that the FBI needed new leadership. But he made a point of thanking the director for "informing me, on three separate occasions, that I am not under investigation."

That purported detail about the FBI's investigation into possible collusion between the Trump campaign and Russia hadn't previously been disclosed. The FBI declined to comment.

The culmination of those frustrations came with Mr. Comey's summary dismissal, by letter to FBI headquarters, when Mr. Comey was in Los Angeles



Mr. Trump with then-FBI Director James Comey at a White House event in January. Mr. Comey was in the FBI's Los Angeles headquarters when he learned of his firing.

to meet with FBI agents and attend a job fair. It marked the dramatic end of a rocky relationship between the two that saw Mr. Trump oscillate between effusive praise for and accusations of wrongdoing against Mr. Comey.

His focus on the FBI director began in July 2016, when Mr. Comey, in an extraordinary press conference, said that while Democrat Hillary Clinton had been "extremely careless" in her handling of classified information while secretary of state, the FBI wouldn't recommend criminal charges against her.

Mr. Trump, at a rally later that day, said the system was "rigged" in Mrs. Clinton's favor and suggested that she had tried to bribe the Justice Department.

When Mr. Comey in late October—weeks before the election—informed congressional

leaders that the FBI had new evidence in the Clinton email probe, effectively reopening the investigation, Mr. Trump praised the move. "What he did, he brought his reputation—he brought it back," Mr. Trump said at a rally that month. "He's got to hang tough because a lot of people want him to do the wrong thing. He did the right thing."

Mr. Trump reversed course again when Mr. Comey, just two days before the election, told Congress that the new information in the Clinton probe didn't change the FBI's determination not to prosecute.

At a rally in Michigan that evening, Mr. Trump accused Mr. Comey again of rigging the system to protect Mrs. Clinton.

"You can't review 650,000 new emails in eight days—you just can't do it, folks," he said. "Hil-

lary Clinton is guilty."

Since his election victory, Mr. Trump appeared at times to warm to Mr. Comey, whom Mrs. Clinton has partially credited with Mr. Trump's victory. The two hugged at an event shortly after his inauguration, and the president in April defended Mr. Comey's handling of the email investigation, telling Fox Business Network that the FBI director wanted to "give everybody a good, fair chance."

Critics of Mr. Trump have pointed to his previous statements about Mr. Comey as proof that the president's decision to fire him wasn't motivated by the reason cited in his dismissal.

Instead, they suggest that Mr. Trump was seeking to short-circuit the FBI's investigation into his own associates, noting that as a candidate Mr. Trump criticized Mr. Comey only when he

made decisions that adversely affected his campaign.

Senior White House adviser Kellyanne Conway, in a CNN interview late Tuesday, said Mr. Trump's praise for Mr. Comey's handling of the email probe during the campaign was irrelevant to his decision to dismiss the FBI director. "You're looking at the wrong set of facts. You're going back to the campaign," she said. "This man is the president of the United States."

Mr. Comey was in the FBI's Los Angeles headquarters when he learned of his firing, according to a law-enforcement official. Before he left the office, he addressed hundreds of employees and offered encouragement to them, this official said, adding that the mood was "somber." News channels later showed a white private jet, reportedly carrying Mr.

Comey, taxiing at the airport en route back to Washington.

On Tuesday, an FBI official sent a letter to the chairman of the Senate Judiciary Committee acknowledging that Mr. Comey had overstated evidence stemming from the investigation into Mrs. Clinton's email use. People familiar with the matter said the mistake sealed Mr. Comey's fate. Keith Schiller, Mr. Trump's longtime bodyguard who is director of Oval Office Operations, delivered the letter to FBI headquarters. One person familiar with the matter said Mr. Comey was giving a presentation to field agents when one agent in the presentation got a news alert on his mobile and told the director the report said he was fired.

—*Ian Lovett, Byron Tau and Carol E. Lee contributed to this article.*

## GOP

Continued from page A1

possible Russian collusion with Mr. Trump's team in 2016. But if they jump on that bandwagon, they could generate decisive pressure on Deputy Attorney General Rod Rosenstein to take that step. Mr. Rosenstein, new to the job, wrote the memo that was the key to Mr. Comey's firing. The question of whether to appoint an independent counsel now falls to him, because his boss, Attorney General Jeff Sessions, has recused himself from any Russia inquiry.

**'The loss of an honorable public servant is a loss for the nation.'**

Because of the Republicans' thin margin in the Senate, those senators have powerful leverage, not only over how the Russia inquiry proceeds and how the FBI vacancy is filled, but also over the rest of Mr. Trump's agenda.

None of them has called for an independent counsel. But going forward, it is worth remembering that two members of that small group of senators—Messrs. Corker and Flake—are up for re-election next year. Their political antennae will be highly sensitive.

Thus it was noteworthy that those two sounded particularly dubious about the firing in their initial reactions Tuesday night. Mr. Flake tweeted: "I've spent the last several hours trying to find an acceptable rationale for the timing of Comey's firing. I just can't do it."

## COMEY

Continued from page A1

marks to reporters since firing Mr. Comey the previous day, said he had dismissed the FBI director "because he was not doing a good job."

Mr. Trump was speaking Wednesday morning in the Oval Office, as prominent Democrats and some Republicans were questioning the timing of the ouster of the man who was investigating Trump campaign aides' ties to Russia.

The president's comments came as he was meeting with Henry Kissinger, secretary of state under former President Richard Nixon, a meeting that wasn't on the president's public schedule.

Mr. Trump said he was meeting with Mr. Kissinger to discuss Syria, adding, "We're going to stop the killing and the death."

Earlier Wednesday, Mr. Trump met with Russian Foreign Minister Sergei Lavrov and Russian diplomat Sergei Kislyak.

The Russian Embassy released photos of the meeting on Twitter. The White House hasn't disclosed photos or information about the meeting,

and Mr. Kislyak wasn't mentioned on the president's public schedule.

It was an undisclosed meeting with Mr. Kislyak last year that prompted Mr. Sessions to recuse himself from matters related to a probe of Trump associates' ties to Russia, before he recommended on Tuesday that the president fire Mr. Comey—who was overseeing the Russia probe.

Mr. Trump didn't respond to a question about whether the new FBI director would head up the Russia probe.

Sen. Chuck Schumer of New York, the Democratic leader, said from the Senate floor

Wednesday that Mr. Trump provided no good reason for the firing of Mr. Comey and questioned the timing, given the continuing probes.

"Were those investigations getting too close to home for the president?" Mr. Schumer asked.

He called for a "closed, and if necessary, classified all-senators briefing with the attorney general and the deputy attorney general separately, at which they can be asked questions" and said the Senate should also question Mr. Comey now that he is a private citizen.

Majority Leader Mitch

McConnell (R., Ky.), for his part, said from the Senate floor that he didn't favor opening a new investigation into alleged Russian interference, saying that could complicate a current review by the Senate Intelligence Committee.

In another development, a federal grand jury in Northern Virginia has issued subpoenas for records tied to the former White House national security adviser, Mike Flynn, according to a person familiar with the matter. The subpoenas to associates of Mr. Flynn were earlier reported by CNN.

Sarah Isgur Flores, a Justice Department spokeswoman, declined to comment.

The FBI is investigating Mr. Flynn's communications with Russian officials and his financial dealings with Russia and Turkey.

A law-enforcement official said candidates to serve as the interim director of the FBI were to be interviewed Wednesday by Mr. Sessions and Mr. Rosenstein.

The Justice Department hopes to name the interim successor in the next few days.

—*Siobhan Hughes, Kristina Peterson, Byron Tau and Del Quentin Wilber contributed to this article.*



Minority Leader Chuck Schumer on the Senate floor Wednesday.

U.S. SENATE-TV/REUTERS

## Sessions and Deputy Urged Dismissal

BY ARUNA VISWANATHA

President Donald Trump fired Federal Bureau of Investigation Director James Comey on the recommendation of Attorney General Jeff Sessions and Deputy Attorney General Rod Rosenstein.

Mr. Rosenstein said in his letter recussing Mr. Comey that the FBI director shouldn't have spoken publicly last summer after

closing an investigation into former Secretary of State Hillary Clinton's use of a private email server. He also criticized Mr. Comey's decision to announce, days before the November election, that the investigation had reopened.

Mr. Rosenstein, who was confirmed to be deputy attorney general by the Senate in a 94-6 vote on April 25, is a longtime federal prosecutor who has worked for both Re-

publicans and Democrats. In his new position, he is in charge of the Justice Department's investigation into Russian influence in the 2016 presidential election and any ties to the campaign of Mr. Trump.

Mr. Sessions recused himself from any Russia probe in March, leaving the deputy attorney general in charge.

Mr. Rosenstein, 52 years old, won the backing of many

Senate Democrats, with only six voting against his confirmation. Some Democratic lawmakers had said they wouldn't support him unless he committed to appointing an independent prosecutor to lead the Russia investigation.

During his confirmation hearing, Mr. Rosenstein said he couldn't make any promises in that regard before he was in the job and fully briefed on the investigation.

## U.S. NEWS

# Nuclear Waste Depot Plan Revived

By KRIS MAHER

Communities across the country are rallying behind the Trump administration's push for a nuclear repository in Nevada, hoping their decades-old wait to ship radioactive material could be coming to an end.

Yucca Mountain was designated 30 years ago as a final resting place for used fuel and other nuclear waste. Progress has stalled since then amid opposition by Nevada politicians who remain concerned about such a facility's environmental impact. But President Donald Trump's budget proposal allocates \$120 million to restart the licensing process for Yucca Mountain.

The development is welcome news in communities from Southern California to Maine, where long-shuttered facilities have been housing used fuel rods that will be radioactive for thousands of years. Local officials say the lack of movement has cost them millions of dollars in lost tax revenue, kept them from redeveloping the sites and created security and safety risks for residents.

"Yucca Mountain would be great. Any place would be great to get it away from here," said David Knobel, director of finance for Zion, Ill., a city of 25,000 on Lake Michigan about 50 miles north of Chicago. The former Zion Nuclear Power Station closed in 1998, but it is still being dismantled and 1,000 tons of spent fuel is stored there.

About 200 acres of lake-front property in Zion can't be redeveloped until the nuclear material is removed. Meanwhile, the city lost about half of its property-tax revenue, or \$18 million, when the plant shut. To compensate, the city raised property taxes to among the highest in the state, which led some businesses to move to neighboring Wisconsin, according to Mr. Knobel.

"We're a nuclear-storage dump through no choice of our



Nevada officials oppose the proposed Yucca Mountain nuclear waste dump, above, near Mercury.

other things. The bill also would make it easier to develop interim storage sites, like ones proposed in Texas and New Mexico.

Energy Secretary Rick Perry, in an April 25 letter to the House Energy and Commerce Committee, said the importance of resuming the licensing process became clearer to him during a recent tour of the Yucca Mountain site. "We owe the American people a long-term solution to the ever growing inventory" of spent fuel and nuclear waste, Mr. Perry wrote.

To proceed with the Yucca Mountain licensing, a panel of judges would need to adjudicate more than 200 objections filed by Nevada officials, a process that could take three to four years.

Utilities have sued the federal government for its failure to comply with its obligation to take spent fuel, and the government has paid more than \$6 billion to reimburse utilities for storage costs. Utilities, meanwhile, have contributed more than \$30 billion into the Nuclear Waste Fund, which is intended to pay for the permanent repository.

To date, an exploratory tunnel into Yucca Mountain has been constructed, and government scientists have conducted tests on the geological stability and composition of the mountain. The planned repository 1,000 feet underground is about 100 miles northwest of Las Vegas.

Ward Sproat, former director of the Office of Civilian Radioactive Waste Management at the Energy Department,

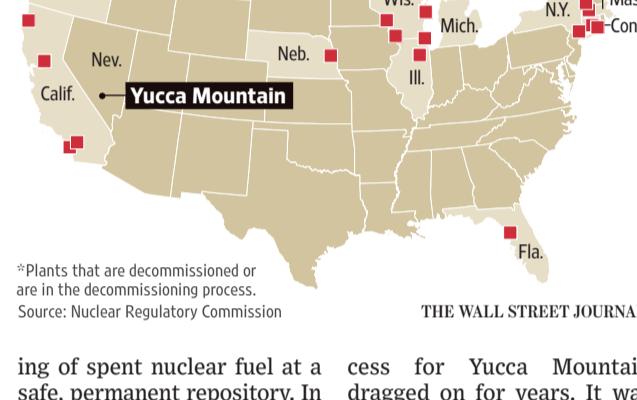
said much of the new momentum around the Nevada site is coming from lawmakers in other states with decommissioned nuclear plants.

"It's amazing how eventually the political awareness and interest in this whole issue starts to ratchet up as more people have old reactors in their states and the spent fuel is stranded," he said.

### Fuel Gauge

Twelve states are home to closed nuclear power plants that hold spent fuel.

#### Closed plant sites\* with stored spent fuel



\*Plants that are decommissioned or are in the decommissioning process.  
Source: Nuclear Regulatory Commission

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ing of spent nuclear fuel at a safe, permanent repository. In 1987, lawmakers designated Yucca Mountain as the site to develop in what became known as the "Screw Nevada" amendments.

The federal government entered into contracts with utilities to begin collecting spent fuel from the oldest facilities in 1998. But the approval pro-

cess for Yucca Mountain dragged on for years. It was halted in 2010 when President Barack Obama bowed to opposition from Nevada lawmakers.

A draft bill in the House of Representatives would amend the 1982 Nuclear Waste Policy Act to resolve issues, such as providing water and road access to the facility, among

# Nafta Revamp Slowed By Senate Maneuvers

By NATALIE ANDREWS  
AND JACOB M. SCHLESINGER

WASHINGTON—The U.S. won't be able to start renegotiating the North American Free Trade Agreement until late summer at the earliest, as congressional delays bog down one of President Donald Trump's top-priority agenda items.

The latest snag emerged this week when Arizona Republican Sen. John McCain—a staunch free-trade backer who has raised doubts about Mr. Trump's "America First" trade policy—said he wanted to slow down the Senate's approval of Mr. Trump's trade representative, a step required before the talks can begin.

Two weeks after Mr. Trump tried to create a sense of urgency around rewriting the 23-year-old pact by threatening to pull out of it, the timetable for launching the renegotiations remains months away. The slowdown has irritated Mexican and Canadian leaders, who say the uncertainty over the region's trade rules has chilled investment. It also means the talks risk spilling into election years in both the U.S. and Mexico, complicating completion over the next year.

The main cause of the delay is the fact that the Senate has yet to confirm Mr. Trump's nominee for U.S. trade representative, Robert Lighthizer. Trade law requires that a confirmed trade representative consult with top trade lawmakers before the White House can seek to negotiate a pact—and that the administration wait 90 days after that consultation before beginning the process with trading partners.

Senate leaders said last week that they would vote on Mr. Lighthizer this week. But Mr. McCain has moved to block quick action.

Mr. McCain told reporters on Tuesday that he has "some questions that I would like answered." Mr. McCain didn't elaborate.

A McCain spokeswoman later said the questions relate to work Mr. Lighthizer had done as a private lawyer on behalf of foreign governments, his advocacy of trade policies that Mr. McCain considers "protectionist" and whether he shares Mr. Trump's skepticism about adhering to multilateral free-trade agreements, such as Nafta.

That means that Congress can't hold its Nafta consultation until mid-May and that the mandated 90-day wait before negotiations start won't end until late August at the earliest.

Mr. Trump expressed his frustration with the congressional delays in an April interview with The Wall Street Journal, decrying "this ridiculous 90-day rule."

# Trump Delays Call on U.S. Future in Climate Deal

President Donald Trump won't make a decision on whether to withdraw from the Paris Agreement on climate change until after he meets

By Rebecca Ballhaus,  
Michael C. Bender  
and Emre Peker

with Group of Seven leaders this month, the White House's top spokesman said.

Mr. Trump will wait to make his decision because he "wants to make sure that he continues to meet with his team to create the best strategy for this country going forward," press secretary Sean Spicer said on Tuesday.

White House officials had been expected to soon 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.

Mr. Trump's decision to wait until later this month to render an official verdict comes as a blow to advocates of withdrawing from the climate-change accord, since the G-7 summit in Italy will allow advocates of the agreement to press the president not to withdraw.

One G-7 leader, French President-elect Emmanuel Macron, urged Mr. Trump not to dismantle the accord in a phone call on Monday. European Union and other 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.

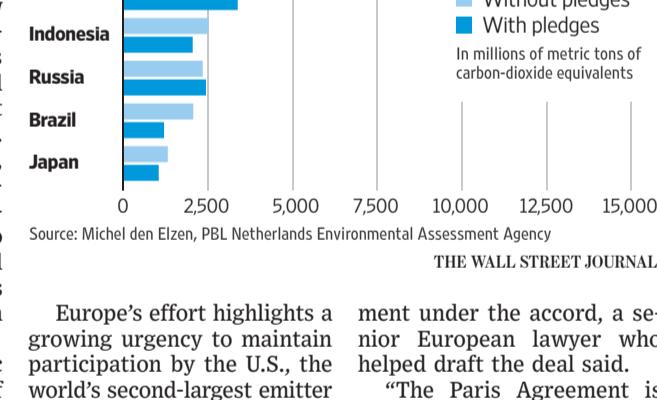
During his campaign, Mr. Trump pledged to withdraw from the agreement completely. Two weeks after his election in November, he said he had an "open mind" about the pact among 190 countries.

Under the Paris Agreement, each participating country determines its own set of emissions targets and a plan to reach them. The U.S. had pledged to cut greenhouse-gas emissions by 26% to 28% from 2005 levels by 2025.

The European diplomatic push 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.

### Air of Uncertainty

President Trump is considering whether to pull the U.S. out of the Paris climate accord. Projected impact of carbon-cutting pledges made at the conference:



Source: Michel den Elzen, PBL Netherlands Environmental Assessment Agency

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ment 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 to comment.

## U.S. WATCH



February, Mr. Trump's first full month in office. The Trump administration says that increased deportations and promises of stricter border enforcement are prompting Central Americans to think twice before making the dangerous journey to the U.S.

The drop also comes amid deteriorating security conditions in Mexico, rising transit costs for border-crossing migrants and Mexico's increasing willingness to receive Central American refugees, migrants and experts say.

The flow of Mexican nationals crossing to the U.S. has been declining steadily since the turn of the century, in part due to Mexico's aging population and rising wages. Another possible factor in the decline: More Central Americans are seeking asylum in Mexico, rather than trying their luck at the U.S. border.

—Robbie Whelan and Laura Meckler

NEW YORK CITY

### After 15 Years, Grammys Are Back

The Grammy Awards will be held in New York City next year

for the first time in more than a decade, organizers and city officials said. The 60th annual Grammy Awards will take place at Madison Square Garden in January—a move that marks the end of the show's 15-year run in Los Angeles.

"While we're best known for Music's Biggest Night, we serve the music community year-round, and a large part of that community is alive and thriving in New York City and on the East Coast," Neil Portnow, president and CEO of the Recording Academy, the group that runs the Grammy Awards, said in a statement. He said he "couldn't be more excited" to bring the show back to New York.

The return of the music awards is a win for Mayor Bill de Blasio, whose administration worked for months to lure the event back to New York.

The show is boon for the city, injecting about \$200 million into the local economy, city officials said. A study released by Ms. Menin's office earlier this year found that music is a \$21 billion-a-year industry in New York City and supports 60,000 jobs.

—Mara Gay

oppose such designations because they remove the ability to develop the land or mine it for resources. Mr. Zinke's options include moving to rescind the monument, altering its boundaries, or leaving it untouched as many tribal and environmental groups advocate.

—Jim Carlton

### IMMIGRATION

### Arrests at Southern Border Plummet

The number of people apprehended on the southwest border trying to enter the U.S. fell to its lowest level in nearly two decades, a sign President Donald

Trump's tough talk on immigration is discouraging Central Americans from trying to cross the border.

Border Patrol agents arrested 11,129 migrants crossing from Mexico to the U.S. in April, the Department of Homeland Security said, a decline of 71% from the same month last year.

The sharp decline began in

## IN DEPTH

# HEALTH

*Continued from Page One*  
ate leaders tapped to help draft the upper chamber's health-care plan, said he is concerned the House bill "does not do enough to protect Ohio's Medicaid expansion population."

Those pushing for repeal argue the ACA's expansion of Medicaid comes at an unsustainable cost, expanding the safety net well beyond the most vulnerable citizens and squeezing state and federal spending for other critical services.

Rep. Greg Walden, a Republican who represents Klamath Falls, led one of the committees handling the House proposal. Medicaid expansion to nondisabled adults, he said, is "not sustainable" for state or federal budgets.

The ACA flooded Medicaid-expansion states with more than \$79 billion in federal funds through September 2015, the most recent federal data show. In a few short years, those funds created winners—patients, hospitals, job seekers—who have become vested in preserving the funding.

Under the law, the federal government covered the cost in the first years of expanding Medicaid in states that accepted the help. Starting in 2017, states must pay 5% of these extra Medicaid costs and 10% by 2020. In states that expanded Medicaid, the median growth in state Medicaid spending is expected to be 5.9% in fiscal year 2017, compared with 4% in nonexpansion states, because of the new costs, according to results of a 50-state survey of Medicaid directors by the Henry J. Kaiser Family Foundation, a nonprofit focused on health care.

Under the House GOP bill, states would have to fund up to 50% of the cost by 2020 to maintain their expanded Medicaid coverage, before other provisions that would further reduce federal Medicaid funding, according to the Congressional Budget Office. The CBO projected in March that some states would abandon the expansion, though it didn't say how many.

### Health-act winners

The ACA broadened Medicaid, which previously covered low-income children, very poor parents and the disabled, to include more low-income Americans, with 16.7 million newly enrolled in Medicaid and a related program through February, bringing the total to 74.5 million people.

Among the biggest beneficiaries, a Wall Street Journal analysis of federal data shows, were places such as McKinley County, N.M., a low-income area where Medicaid enrollment rose to more than half the population from about a third. In Imperial County, Calif., on the Mexico border, where roughly one in five workers is unemployed, the uninsured population fell to 10% from 20%.



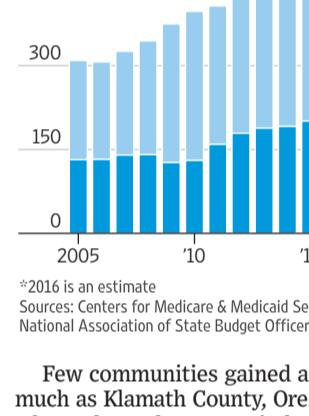
JOE KLUNE FOR THE WALL STREET JOURNAL

Nurse practitioner Stefanie Roberts in an urgent-care room that Sky Lakes Medical Center opened to help handle new Medicaid enrollees.

### Picking Up the Tab

The federal government and states share the cost of insuring Medicaid enrollees...

#### Federal and state Medicaid spending

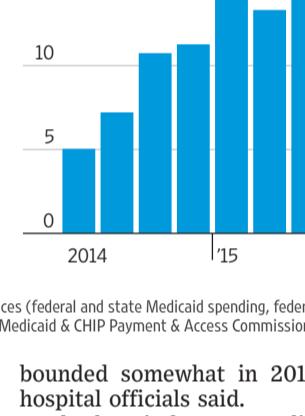


\*2016 is an estimate

Sources: Centers for Medicare & Medicaid Services (federal and state Medicaid spending, federal spending on expansion); National Association of State Budget Officers/Medicaid & CHIP Payment & Access Commission

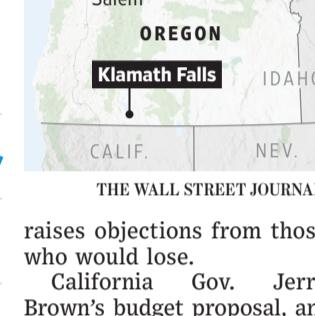
...with the U.S. paying the bill initially for expansion under the Affordable Care Act...

#### Federal spending, ACA Medicaid expansion population



...but starting this year, states expanding with federal help must help pay, adding to their already growing Medicaid tab.

#### Percentage of state spending going to Medicaid\*



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raises objections from those who would lose.

California Gov. Jerry Brown's budget proposal, announced in January, helped pay for Medicaid expansion and plug a \$1.6 billion annual-budget gap with funds earmarked for affordable housing and with a freeze on some scholarships.

Objecting to the Democrat's proposal have been the California State Student Association and Housing California, an advocate for affordable housing. The governor is expected to release an updated budget proposal Thursday.

### Medicaid expansion helped county, 'but if we can't afford it, we can't afford it.'

Ohio Gov. John Kasich, a Republican, has proposed new premiums for Medicaid enrollees and lower Medicaid payment rates for hospitals. Opposing him are Ohio hospitals lobbying legislators to find money elsewhere.

Oregon must confront an immediate budget shortfall to continue Medicaid expansion in 2018. Oregon legislative leaders said without new revenue or cuts elsewhere in the state budget, they will have to drop 350,000 adults from

Medicaid who gained access under the ACA in the coming two-year fiscal period.

Oregon Gov. Kate Brown opposes Medicaid cuts to fix the state budget. "I am very clear that I am not interested in cutting benefits or cutting people," the Democrat said. She proposed taxing hospitals to help raise \$379 million, arguing they enjoyed big ACA-revenue gains and "should have some skin in the game."

Mr. Kruse, the GOP state senator, said a hospital tax is Oregon's best option to maintain expansion without cuts to education and public safety.

The Oregon Health Leadership Council, which includes the state's hospitals, health plans and medical groups, objects, calling instead for a lower hospital tax and \$200 million from Oregon general funds, among other policy proposals.

Klamath County Commissioner Derrick DeGroot said Oregon's looming budget shortfall is evidence the state can't afford Medicaid expansion. The expansion "has been very beneficial to our county," the Republican said. "But if we can't afford it, we can't afford it."

With Medicaid's fate uncertain in Congress and budget battles in Oregon's capitol, Klamath Health Partnership put plans on hold for a 6,000-square-foot expansion, said Signe Porter, the nonprofit's chief executive.

### Uncertain gains

Sky Lakes hospital had planned to spend \$25 million on a clinic and training center to begin construction in 2018, said Paul Stewart, the hospital's CEO. But that money may be needed to subsidize existing clinics if patients lose Medicaid coverage.

And the tax that Oregon's governor proposed, he said, would force Sky Lakes to scale back its workforce and programs it expanded under the ACA.

Among those pushing to keep the expansion intact is Klamath County Community Corrections, which handles probation and parole. The prison system saved about \$500,000 between 2014 and October 2016 because of federal ACA Medicaid funding, said Kiki Parker-Rose, director of Klamath County Community Corrections. The district attorney can recommend treatment instead of prison for some nonviolent criminals with addiction problems because Medicaid under the ACA will pay for it. Prisoners released early can also get treatment.

Oregon lawmakers have until midnight on July 10 to agree on a budget. Lobbying will grow intense, with advocates competing over the same money, said Sen. Richard Devlin, a Democratic leader in the Legislature's Joint Ways and Means Committee.

Lawmakers can't solve every budget problem and must balance trade-offs, he said.

"You don't go in and try to fix one problem in a budget," he said, "and create three more."

bumper. Some jotted notes; one woman knitted.

"If you aren't a person who uses technology at home, you are just lost," said Mary Louise Seldenfleur, 80 years old, who bought a 2017 Toyota Camry.

At Mercedes-Benz of Fairfield, in Fairfield, Calif., product experts spend as much as two hours reviewing gadgetry with new buyers, said General Manager Mo Ayubayar. The dealership offers home visits from so-called product concierges.

Once upon a time, Mr. Ayubayar recalled, "I'd say, 'Here are the keys. Call me if you have any questions.'" Now, tech specialists supplement the sales team.

Doug Cooper, a rancher north of Casper, Wyo., refuses to buy a new truck, training or not. He mostly uses his pickups on dirt roads and muddy fields, no place for finicky sensors or fancy electronics that balloon the sticker price.

Backup cameras are particularly vulnerable on the range, he said. Mr. Cooper once tried to help a friend load an elk into the truck bed, he said, and had trouble removing the tailgate because of all the camera wiring.

"One doesn't paint the house in a little black dress," he said. "Detroit is trying to make us work in a tuxedo."

—Chester Dawson contributed to this article.

# TECH

*Continued from Page One*

in Ormond Beach, Fla., quit using his Acura RDX's built-in navigation system after it told him to take a left turn at a red light—into a pond. Imagine, he said, "if it had been night and the light had been green."

While not a hazard, the voice-controlled car radio often snubs his requests, Mr. Iseman said: "I'll say play Elton John and it will bring up a list for Three Dog Night and Foreigner." He disabled the car's lane-keep assistance feature, which beeps when drivers stray from their lanes, after the warning turned into a nag.

Third-party researchers say a lot of drivers kill this feature even though it helps prevent crashes.

"We will continue working diligently to enhance the usability and functionality of these in-demand technologies," Acura said in a statement.

The new safety-infotainment industrial complex is intended to reduce risk and make drivers' lives easier—a good idea when it all works.

Ford Motor Co.'s MyFord Touch infotainment system was so buggy when first introduced that Chairman Bill Ford, Henry Ford's great-grandson, was stranded roadside after the software



SELDENFLEUR FAMILY



DOUG COOPER

Left, Mary Louise Seldenfleur in her 2017 Toyota Camry. If you aren't a person who uses technology at home, you are just lost, she says. Right, Doug Cooper, of Wyoming, and his 1953 Dodge Power Wagon, which has no radio and is still running after 64 years of ranch use.

crashed, according to a class-action lawsuit filed in 2013 against the company alleging such flaws posed a safety risk. Ford declined to comment on the litigation.

MyFord Touch was revolution

ary when it launched in 2010, a Ford spokesman said, and "like all new and complex software, continuously evolved and improved after its initial release."

T.G. "Terry" Barrett and his wife, Janet Nickles, of Pine

Top, Ky., bought matching

Honda Civics last year loaded

with a full complement of digi

tal features. Soon after, the

touch screens on Mr. Barrett's

car went haywire, scrolling

wildly and shutting on and off

unouched, he said.

Then the beeping started.

Constant beeping, he said,

with no way to stop it. His

wife's car chimed in with its

own beeping.

The local Honda dealership

rebooted the system several

times, updated the software

and replaced the entire touch

panel. Still, the beeping. "This

has been going on for more

than a year now," Mr. Barrett

said. He was told another soft

ware upgrade wasn't quite

ready. Car makers, he said, are

"moving too fast and want to

sell things before the bugs are

worked out."

Honda said in a statement:

"The screen supplier has cor

rected the issue in new pro

duction, and there will soon be

a software update" for existing

vehicles.

AutoTrader.com, a car-buy

ing website, polled more than

1,000 car owners recently

about car tech and more than a third said they wanted only standard features. A similar study by Deloitte found advanced dashboard apps to help find parking spaces or connect with other smartphones were among a vehicle's least useful features.

Many American consumers

believe the inability to de

liver reliable dashboard fea

tures casts doubt on the auto

industry being able to engi

neer self-driving cars that

won't crash, the Deloitte

study found.

The learning curve for new

models seems to steepen every

year, along with driver com

plaints. Getting customers up

to speed "is one of the biggest

challenges we have," said Bill

Fay, the Toyota brand's U.S.

chief, whose work follows him

home. His wife, he confessed, struggles with new features. "I'll show her and she says. I still don't know how to work this," he said. "Eventually, we make progress."

On a rainy night in Top-

sham, Maine, a dozen new-car

owners huddled in the service

garage of Lee Toyota for a 90-

# LIFE & ARTS

## MUSIC

# Lorde Plots What Comes Next

With her second album 'Melodrama' out soon, the pop star discusses her choice: go mainstream or try to keep her edge

BY NEIL SHAH

**WHEN SHE RELEASES** her second album "Melodrama" next month, New Zealand pop star Lorde faces a perennial problem in the music business: How to broaden her appeal to the mainstream while retaining the original fan base that made her a star.

Lorde, whose real name is Ella Yelich-O'Connor, topped the charts in 2013 with the watershed single "Royals," a critique of pop's celebration of affluence. Her new 40-minute follow-up album contains 11 songs about being "a newborn adult," the pop singer says. It chronicles one night at a house party.

The sophomore album presents 20-year-old Lorde with two possible directions: If she abandons her alternative roots and veers more toward pop—a path taken by her friend Taylor Swift—she risks alienating fans. Yet staying the same, or becoming less commercial—a strategy pursued by Pearl Jam in the 1990s and, more recently, rapper Kendrick Lamar—could mean stagnation in today's streaming-dominated pop game.

Helping Lorde navigate is Jonah Daniel, a seasoned, unflashy manager who met Lorde at last year's Coachella music festival. "In business, the hardest year is the first. In music, the hardest record is the second," says Mr. Daniel, who also manages Australian singer-songwriter Sia. "My job is to anticipate, to set up a strategy, so Ella can be protected but heard in a loud way."

Ron Perry, president of Lorde's publisher SONGS Music Publishing, says it's unfair to artists to compare follow-up albums to commercial smashes with a big cultural impact like Lorde's debut "Pure Heroine," which sold nearly 4 million copies.

"When Nirvana put out 'In Utero,' it wasn't going to do what



The singer in concert recently. The 'Melodrama' album cover, right.

"Nevermind" did," Mr. Perry says. "It's easy for me to say that, as her friend. But it's hard to be her—and live that."

The youngest solo artist to top the Billboard Hot 100 singles chart since Tiffany in 1988, Lorde is a foil to sunnier pop icons such as Katy Perry. In lyrics to the song "Still Sane," she embraces her ordinariness: "Still like hotels and my newfound fame / Hey, promise I can stay good." And she criticizes group-think: "I'm kind of over getting told to throw my hands up in the air,"

she sings on the single "Team."

In an interview, Lorde discussed wanting to make a bigger-sounding pop record—like the ones she grew up on—yet needing to maintain her integrity.

It started when she parted ways with manager Scott MacLachlan and Joel Little, who co-wrote and produced "Pure Heroine." Mr. Perry of SONGS, which signed a publishing deal in 2013 with Lorde, began playing a bigger role, helping her interview potential musician partners. She eventually chose Jack An-

tonoff, a friend through Taylor Swift who co-wrote and co-produced two songs for Ms. Swift's "1989," the 2014 album where she decisively left country for pop. Working with Mr. Antonoff, a member of the band fun., and someone she knew, "made it easier to open up," says Mr. Perry.

In late 2015, Ms. Yelich-O'Connor's breakup with boyfriend James Lowe sparked a creative outpouring. "I was newly single, living alone. I felt so new in so many ways," she says. "All of a

sudden you're just spewing out a record." A year of early work on "Melodrama"—material that sounded too much like "Pure Heroine"—was shelved.

Unlike "Pure Heroine," which has a unified sound—minimalist pop melodies and hip-hop and dance beats—"Melodrama," due June 16, is musically varied, according to Mr. Daniel. "The record is about how there's so much within people, within situations—situations like a party, or a breakup," Ms. Yelich-O'Connor says.

The highs and lows of a party are a motif, Ms. Yelich-O'Connor says, for the pains of becoming an adult. "Like a toddler, you have to teeth all over again."

"Green Light," the first single, edges towards mainstream pop, but contains an abrupt musical shift—a key change—rare for Top 40 radio. The song, released March 2, reached No. 19 on the Billboard chart on March 25.

Unlike her friend Taylor Swift, Lorde gives the impression that she doesn't plan to conquer the English-speaking world. Instead, she hinted that she's aiming for a medium-size level of fame that gives her artistic freedom and resembles her heroes—Kate Bush, Robyn, Florence + the Machine.

Lorde doesn't work with an army of writers and producers. There are no feature appearances on "Melodrama." "Everybody definitely wants you to get in the room with, like, these 20 people, at the start, when you're making a record. It's very funny. It's like, 'Okay, take what you did and now—don't do it,'" Ms. Yelich-O'Connor says. "It was so important to me to be able to recognize myself in the work."

Ms. Yelich-O'Connor says, "If you go through that tunnel and you don't hate yourself at the end, and you don't hate everyone around you, and they don't hate you, you've probably done okay."

## MUSIC

# IF YOU WERE LORDE'S MANAGER, WHAT WOULD YOU DO?

**FIVE MARKETING** experts discuss how they would guide the pop star on her second album: Stick with her authentic, down-to-earth image? Or promote her into a big commercial megastar like her friend Taylor Swift?

—Neil Shah

**Kristin Lemkau**

**J.P. Morgan Chase**

chief marketing officer

First, as a mother, what I like about Lorde is that she seems to represent a new type of confidence. That song ["Team"] about not putting your hands in the air—it's all about being who you are and not trying to be part of the crowd. It's about female empowerment. Now, if she really changed her sound or got bigger like Taylor Swift, my daughter would be fine. Fans would be fine. Fans are going to be

supportive of Lorde's superstardom as long as the music stays good. I'd say, go for the "moms bringing their daughters" demographic.

**David Lubars**

**BDDO Worldwide**

chief creative officer

I don't necessarily want to compare Lorde to Bob Dylan, but let's think about Dylan: He just goes his own way, constantly surprising fans. The muse led him, as opposed to marketing. I think that's what Lorde is going to have to do—just follow her muse and not worry about it. She's going to have to come up with the goods, and that's challenging, but it's a more liberating way to be—to be evaluated on your talent and not your iconography. She should just experiment and try different things.

**Ryan Schinman**  
**Mayflower Entertainment**  
co-founder

What makes Lorde special is her connection with fans. There's an insatiable appetite among corporations to latch onto stars like Lorde because, if she buys something, her fans will do it. It's not just about how many fans—it's about how many fans are truly engaged with the artist. I don't believe that artists, by using songs in commercials, are selling out. It could expand her audience. But I don't see Lorde showing up in a TV spot any time soon. If you say yes to everything, and let people too deep behind the curtain, it sometimes doesn't work. You want fans wanting more. In terms of live shows—whether to play huge venues or not—I'd do a hybrid: I would still do smaller venues, but mix

those in with bigger dates. Her audience craves intimacy.

**Danielle Korn**

**McCann Erickson**

executive vice-president

It depends on what she herself wants. It's a very personal decision. Lorde struck a chord. If you think of her versus Katy Perry, she's the antithesis: Katy is commercial, the music Katy puts out is not moody, it's upbeat, and she's done a number of commercial deals, and licensed her music. And I'm a huge fan of Katy Perry. But Lorde is different. She would have been almost a beatnik in the old days. And she's a songwriter, too. When I think about her persona, her team is going to be incredibly careful about corporate partners. If she did partner with the right brand, I don't think it

would hurt her. I don't think Millennials think it's selling out, as long as it's for something that's cool.

**Rohit Deshpande**

**Harvard Business School**

professor of marketing

Whether it's Uber or Airbnb or pop music, the best innovations often come from the margins, not the core. It's tough in the music business—at some point you want to go from niche to mainstream. But if you're writing from a place that's far away, what does fame and fortune do? It brings you into the limelight, to the U.S. and Western Europe—away from New Zealand. The temptation to wander into this wonderful, magical new space filled with beautiful people and lots of money, that's one of the reasons why artists lose it.

## TELEVISION

# A TALKING DOG CO-STARS IN A NEW SERIES

BY JOE FLINT

**IN THE FIRST EPISODE,** Martin complains that Nan isn't paying enough attention to him. She's ignoring his needs and taking him for granted. While acknowledging that these are "first-world problems," he stares into the camera and says, "I just think we have a little work to do."

Another romantic comedy about busy millennials trying to make love work? Not exactly. Martin is a dog and Nan is his owner. And, yes, Martin talks—to himself anyway.

Premiering May 17 on ABC, "Downward Dog" is about a self-obsessed, somewhat melancholy mutt with thoughts viewers can hear and a distracted but loving owner. The series took an unusual route to its television debut, starting as web series made for laughs for friends and ending up debuting at the Sundance Film Festival.

The show has generated buzz from the web series and four epi-

sodes of the ABC series that were screened at Sundance. "I had genuine love and affection for it right out of the gate," said ABC Entertainment President Channing Dungey.

Creators Samm Hodges and Michael Killen didn't have grand ambitions for "Downward Dog" when they started making webisodes to pass the time between shooting commercials at Mr. Killen's Pittsburgh-based production and visual-effects company Animal Inc.

"It was just for fun," said the 33-year-old Mr. Killen, who helped develop Taco Bell's talking Chihuahua commercials.

The webisodes caught the eye of manager Jimmy Miller. Mr. Miller signed the duo and struck a deal with television and movie production company Legendary Entertainment.

"We never wrote the web series to be a TV show," said Mr. Hodges, 32, adding, "It's challenging to write for a protagonist with no thumbs that can't do anything."

The web series, where episodes

ran only a few minutes, focused primarily on the dog and his owner. For a TV show, the pair added an on-again, off-again love interest for Nan as well as a job as a creative director in an advertising agency, ensuring that the show would be more than just Martin's deep thoughts.

ABC ended up aggressively bidding for the project.

Convincing an actor to co-star with a dog was no easy task. Allison Tolman, best known for her portrayal of Molly in season one of the FX drama "Fargo," questioned her agent's sanity when she heard the pitch.

"I was like, 'What, are we that desperate that we're looking at talking dog shows?'" recalled Ms. Tolman, who plays Nan. "My first reaction was not great, that's for sure." After reading the script and watching the episodes online she was sold, in part because the show felt so real. "This is a really big sell that this dog can talk so everything else has to be super realistic and very natural," Ms. Tolman said.



'Downward Dog' is about Nan (Allison Tolman) and her dog Martin (Ned).

CRAIG SJODIN/ABC

## OPINION

### REVIEW & OUTLOOK

#### Comey's Deserved Dismissal

President Trump fired James Comey late Tuesday, and better now than never. These columns opposed Mr. Comey's nomination by Barack Obama, and the Federal Bureau of Investigation Director has committed more than enough mistakes in the past year to be dismissed for cause.

Mr. Trump sacked Mr. Comey on the advice of Deputy Attorney General Rod Rosenstein, a former U.S. Attorney with a straight-up-the-middle reputation who was only recently confirmed by the Senate. In a memo to Attorney General Jeff Sessions, Mr. Rosenstein cited Mr. Comey's multiple breaches of Justice Department protocol in his criminal investigation of Hillary Clinton's mishandling of classified material.

The FBI isn't supposed even to confirm or deny current investigations, but in July 2016 Mr. Comey publicly exonerated Mrs. Clinton in the probe of her private email server on his own legal judgment and political afflatus. That should have been the AG's responsibility, and Loretta Lynch had never recused herself.

"It is not the function of the Director to make such an announcement," Mr. Rosenstein wrote. "The Director now defends his decision by asserting that he believed Attorney General Loretta Lynch had a conflict. But the FBI Director is never empowered to supplant federal prosecutors and assume command of the Justice Department."

Mr. Rosenstein added that at his July 5 press appearance Mr. Comey "laid out his version of the facts for the news media as if it were a closing argument, but without a trial. It is a textbook example of what federal prosecutors and agents are taught not to do."

Then, 11 days before the election, Mr. Comey told Congress he had reopened the inquiry. His public appearances since have become a self-exoneration tour to defend his job and political standing, not least to Democrats who blame a "Comey effect" for Mrs. Clinton's defeat. Last week Mr. Comey dropped more innuendo about the Trump campaign's alleged ties to Russia in testimony to Congress, while also exaggerating

the new evidence that led his agents to reopen the Clinton file.

For all of these reasons and more, we advised Mr. Trump to sack Mr. Comey immediately upon taking office. The President will now pay a larger political price for waiting, as critics question the timing of his action amid the FBI's probe of his campaign's alleged

Russia ties. Democrats are already portraying Mr. Comey as a liberal martyr, though in October they accused him of partisan betrayal.

The reality is that Mr. Comey has always been most concerned with the politics of his own reputation. He styles himself as the last honest man in Washington as he has dangled insinuations across his career about the George W. Bush White House and surveillance, then Mrs. Clinton and emails, and now Mr. Trump and Russia. He is political in precisely the way we don't want a leader of America's premier law-enforcement agency to behave.

As for the Russia probe, if Mr. Trump is trying to cover up anything, firing the FBI Director is a lousy way to do it. Such a public spectacle will make details more likely to leak if agents feel their evidence is being sat on. Mr. Comey's credibility was also tainted enough that whatever he announced at the end of the probe would have been doubted.

As Mr. Rosenstein put it in his memo, "I agree with the nearly unanimous opinions of former Department officials. The way the Director handled the conclusion of the email investigation was wrong. As a result, the FBI is unlikely to regain public and congressional trust until it has a Director who understands the gravity of the mistakes and pledges never to repeat them. Having refused to admit his errors, the Director cannot be expected to implement the necessary corrective actions."

A new FBI Director who looks at the Russia evidence with fresh eyes and without the political baggage of the past year will have a better chance of being credible to the American people. Mr. Trump should now devote himself to nominating someone of integrity who can meet that standard.

#### Allan Meltzer, Monetary Conscience

Allan H. Meltzer, the great economist of monetary affairs who died Tuesday at age 89, was the consummate insider who understood the value of staying outside the government. Other than a short stint in the late 1980s as a member of the President's Council of Economic Advisers, Meltzer made a distinguished career offering constructive criticism to the powers that be.

Most notably, he and his mentor, the economist Karl Brunner, created a remarkable entity known as the Shadow Open Market Committee in 1973. To this day, the committee offers a much-needed alternative to the Federal Reserve's economic analysis.

Meltzer's not-unreasonable assumption was that the Fed's Open Market Committee needed watching, a shadow. What drove Professors Meltzer and Brunner to create an alternative voice was Richard Nixon's decision to impose wage and price controls to stem inflation. In 1998 Congress was looking for advice on how to reform an array of institutions, including the World Bank and the International Monetary Fund, for which the U.S.

provided billions in funding. They turned to Meltzer to chair what came to be known, naturally, as the Meltzer Commission.

A frequent contributor to these pages, Meltzer was at the center of most of the great debates about the direction of U.S. economic policy, whether the appropriate level in the 1980s of the various MIs in the money supply or the government's bailouts of financial institutions in 2008. Along the way, Meltzer wrote a magisterial "History of the Federal Reserve."

Discerning readers may detect a theme running through Allan Meltzer's life. It is that his was a career born of deep and caring respect for the institutions of economic governance. He understood that economic decision-making is a powerful force in the life of nations, and he dedicated his life to ensuring that his profession performed that role with intellectual rigor and honesty for the public good.

It must have been satisfying work because, somehow, Allan Meltzer always had a smile on his face.

#### The 'Republicans Are Doomed' Gambit

Barack Obama emerged from his short-lived political retirement on Sunday to call on Members of Congress to show the "political courage" to preserve ObamaCare. But wait. That plea doesn't square with the deluge of recent stories predicting that Republicans have doomed their majority in 2018 by voting last week to repeal ObamaCare. How does it take "political courage" to oppose something that everyone claims is politically suicidal?

Perhaps because the predictors of Republican doom could be wrong. The midterm election is still 18 months away, and many events will intervene that could influence the result. But even if the campaign does turn on repealing ObamaCare, we'd argue that the politics are better for Republicans if they pass their reform and fulfill a campaign promise than if they fail and then duck and cover.

Start with the safe assumption that the Democratic base will be highly motivated to vote next November no matter what Republicans in Congress do. The left will be eager to repudiate President Trump, and that means trying to retake the House and Senate. House Republicans can't do much to deflate that liberal enthusiasm, any more than Democrats could deter the tea party in 2010.

That means the only way to survive the liberal wave will be to keep the Republican base eager to vote too. But there's no better way to dampen GOP enthusiasm than by failing to show any tangible achievements for electing a Republican Congress and President. It's far easier to politically defend legislative success, even if a law's benefits still aren't clear, than it is to justify an obvious failure. And Republicans made no clearer promise in 2016 than that they'd repeal ObamaCare.

Another reason to pass repeal and replace is that Republicans will be blamed for the failing state of the ObamaCare insurance exchanges no matter what they do. Some conservatives think the Republicans could blame Democrats for higher premiums and fewer choices if they do nothing. But who will believe them? The media will say the opposite, and voters know the GOP promised to do something.

#### The fastest way to lose Congress is by not repealing ObamaCare.

There's no guarantee that the House reform, or the final version that emerges from Congress, would prevent higher premiums, especially in the first year. But at least the GOP's reforms would make it more likely that insurers remain in the exchanges because they'll have a chance of selling policies that make a profit.

And 2019 could see a significant recovery as the reforms kick in—news that would begin to break next summer and fall as insurers announce their 2019 plans. Republicans could take credit for even modest progress given that the critics are predicting catastrophe. The status quo guarantees continued deterioration in health-care options of the kind taking place in Iowa, Kentucky and Virginia.

Twenty Republicans voted against the House bill last week, and presumably they think this helps their chances in 2018. But the history of midterm elections shows that voting against something won't save Members in swing districts if there's a national tide.

Many moderate Democrats voted against ObamaCare in 2010, but nearly every one was still swept away that November. Republicans and independents came out to oppose President Obama and his agenda, and that meant voting against the nearest vulnerable Democrat. The Democrats who survived were in the most liberal, and thus the politically safest, districts.

The same is likely to be true in 2018 if Republicans can't motivate their base to turn out in swing districts. The most likely to lose would be Members like Michael Coffman in suburban Denver, Barbara Comstock in northern Virginia or Brian Fitzpatrick in suburban Philadelphia—no matter their votes last week against the American Health Care Act.

Many of the Democrats and media voices now predicting Republican doom have no idea what will happen in 2018 but want to scare the GOP into doing nothing. Then they can claim that Republicans failed because they were both too radical and incompetent. The lesson for Republicans is to keep their promise to voters to replace ObamaCare and defend without apology what they accomplish.

#### France Is Ripe for Rebirth



BUSINESS WORLD  
By Holman W. Jenkins, Jr.

not reach deep.

He leads a party that's all of one year old and has no seats in Parliament. That may change with next month's legislative elections, though the big winners could still be the status quo parties he ran against.

Then again, his strong showing in the four-person preliminary round prior to Sunday's run-off indicates that his platform of economic renewal does have an organic following in France. Especially so among younger folk whose next purchase might otherwise be a one-way ticket to London, New York or Silicon Valley.

France is not Greece. It remains as powerful in the European Union as Germany, because Germany can do nothing without French support. The euro is nothing like the growth prison for Paris that it has been for Athens, since France is not controlled by creditors who have deliberately chosen penury for the patient rather than recovery.

France may well be one of the countries that survived fiscally only because of the invisible bailout engineered by the European Central Bank. If so, that's sad. France has the power to restore its creditworthiness on its own. If you woke up a year from now and the French economy was growing 3% or 4%, you would have zero fear about its survival in the eurozone or the European Union or even the long-term payability of its debt.

Yes, collective-action paralysis is a problem of modern interest-group society—the inability to deal with glaring but solvable problems. Yes, politicians say they care about the national good, though they usually define the term to mean their own re-election.

Yet there is perhaps no country better suited to lead the Western world right now out of its slow-growth, over-regulated, welfarist malaise. France presents a problem of extraordinarily low-hanging fruit. Its labor law, which is astonishingly anti-employer, requires only a vote and stroke of a pen to revoke. Reducing the size of the state can start with easy fasting, since any government that consumes 57% of GDP clearly has a lot of fat.

Remember, facing the same generation-long problems of stagnation and unemployment, its current president, François Hollande, decided his calling card would be "I hate the rich" and a

punitive tax on high incomes. Most of all, Mr. Macron can do a great deal just by not being that guy.

This lesson, if anything, has been underlearned in our roately pessimistic era. Barack Obama, after his first year in office, became a president who wouldn't stoop to do anything for growth. He signaled only hostility to business. He promoted only an agenda of increased taxes, regulation and redistribution. Donald Trump has rung up no major accomplishments and yet the return of optimism to investors, business and consumers is palpable.

Marine Le Pen's policies were objectionable and her party's history even more so. But it remains true, as many keep saying, that she flagged problems that France's leadership class had tried to ignore, concerning immigration, loss of sovereignty, the EU and the euro.

#### The liberal nation-state is history's best model. Can Trump and Macron revive it?

Yet, with the EU and the euro, she always portrayed France as weak and oppressed by Germany. Her best line in the campaign was actually a head-scratcher. No matter how the race ended, she said, France would be governed by a woman, herself or Mrs. Merkel.

For somebody who ran as a French nationalist, this was strangely to underrate the importance and influence of France no matter who its leader is.

Fourteen years ago, Germany was the sick man of Europe. A Socialist premier, Gerhard Schröder, quoting Margaret Thatcher, rammed through a package of unemployment, pension, health-care and tax changes, setting the stage for Germany's persistent strength while France and Italy have floundered. In a rare moment of perspicacity, this column even warned at the time of a future crisis for the euro if other EU members didn't grasp the reform nettle (they didn't).

The politician's job, in most times, is to attach himself to an innocuous slogan and steer a course that upsets as few special interests as possible. But it doesn't take a miracle to reawaken the animal spirits of a country as hugely blessed as France, with an educated and worldly population, rich culture, magnificent physical properties and powerful global appeal. Besides, the democratic, liberal nation-state as pioneered by Europe remains history's most successful political model.

In a way just about opposite to how most pundits currently describe the world, maybe the Trump-Macron wave signals its return to health and dynamism.

#### LETTERS TO THE EDITOR

#### President Moon Is Firm on Denuclearization

North Korea's recent missile launches and the looming threat of further nuclear tests have focused global attention on the tensions surrounding the Korean Peninsula. It is true the political vacuum created by the disgraced exit of Park Geun-hye only heightened the uncertainty and propelled North Korea policy as one of the key issues that defined Tuesday's presidential elections in the Republic of Korea.

But the May 5 editorial "A Korean Election Nail-Biter" gives a misguided impression that President Moon Jae-in "would hamper U.S. efforts to increase pressure on the North to give up its nuclear program" and that Mr. Moon furthermore enjoyed an election boost from President Trump's "off-hand remarks" on North Korea.

Pressuring North Korea to give up its nuclear and missile programs is one of Mr. Moon's top priorities. He made it clear during his campaign that the Korea-U.S. alliance will continue to be the main pillar of his administration's foreign policy. He has pledged to immediately begin working closely with Mr. Trump to develop and execute a joint plan to resolve the North Korean nuclear issue. Mr. Moon thinks it essential to have an early summit with Mr. Trump to reaffirm the robustness of their alliance and clarify their common position going forward.

#### How About Complaining About a Real Oppressor?

Regarding your editorial "Venezuela's Missing Prisoner" (May 8): Given the disappearance of political prisoner Leopoldo Lopez in Venezuela, perhaps Sean Penn, Oliver Stone, Michael Moore, Harry Belafonte and their ilk could redirect their incessant criticism of President Trump to a real dictatorial regime that they have cozied up to in past years.

For all their jabbering about repression coming to America, their silence regarding the plight of the Venezuelan people is deafening.

ROBERT ZACK  
Sarasota, Fla.

While the U.S. position, as announced on April 26 by U.S. Secretary of State Rex Tillerson, Secretary of Defense Jim Mattis and Director of National Intelligence Dan Coats, focuses on applying pressure on North Korea to change its current course and return it to the path of dialogue, Mr. Moon's proposal contemplates a formal peace process that goes hand in hand with denuclearization to give all sides the vision of a final solution.

Given that both positions mix pressure and dialogue in their respective approaches to North Korea, there is ample room for the U.S. and South Korea to calibrate and plan their joint engagement with the North. Mr. Moon has declared unequivocally that North Korea's renunciation of nuclear weapons and commitment to a denuclearized Korean Peninsula is the indispensable first step to the restart of engagement.

Tuesday's election, triggered by the impeachment and removal of Ms. Park, was first and foremost a vote on how to turn the page on the corruption that plagued the Park government and address the socioeconomic injustices that have accumulated over the past two conservative governments. The conservatives have tried and failed to use the North Korea issue against Mr. Moon. A rigid, hard-line policy against North Korea during the past decade has only yielded more missile and nuclear tests. South Koreans can clearly see that Mr. Moon will be firm on denuclearizing the Republic.

The claim that Mr. Trump's "off-hand remarks in the thick of an election" ended up helping Mr. Moon gives too much credit to U.S. influence and underestimates the political maturity of one of America's few democratic allies in the region.

CHUNG EUI-YONG  
Foreign-policy advisor  
To President Moon Jae-in  
Seoul

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## OPINION

# Prepare for a New Supercycle of Innovation

By John Michaelson

**A**dverse events usually flow from a world financial crisis: unemployment, political turmoil and geopolitical realignment. We've seen these since the crash of 2008.

But there are benefits as well. Crashes are usually followed by massive economic reorganization, spectacular outbursts of innovation, the creation of new industries, increased productivity, and decades of high growth. We haven't seen these benefits since the crash of 2008. Thankfully, this is about to change.

**A financial crisis opens the economy to new forms of growth—which are about to start pouring down.**

The 1930s, remembered mostly for the Great Depression, were also a time of great technological progress—jet engines, television, synthetic materials, even early computers. Other periods of economic stress, such as the 1970s, led to a similar explosion in innovation.

A decade past the worst crisis in recent memory, we've seen few of these benefits. But the U.S. economy is poised to embark on an innovation boom of historic proportions that will undermine incumb-

bent players, transform everyday life and make some alert investors very rich.

Why now? Let's start with how crashes usually spur new technologies and processes. Crashes play an important role in the economy by clearing out weak companies and outdated ideas. Think of a forest fire. By forcing a reallocation of financial and human capital, crashes compel firms to innovate to survive and wipe out those that fail to adapt. That transforms the economic landscape by opening room for new innovative companies to grow. Accepted wisdom and practices are challenged. Once-unassailable companies are vulnerable. The winners going into a crash are rarely the winners a decade later.

We haven't seen much economic transformation since the Great Recession because unprecedented government interference, policy, support and subsidy froze the economy and preserved the status quo.

First, central bankers slashed interest rates almost to zero. This recapitalized the financial system and sent stocks soaring. But it also propped up teetering, inefficient giants in business and banking, removed pressure on governments to reform, and stifled upstarts.

Second, governments issued a flurry of regulations, further bolstering legacy players and shielding them from competition. Upstarts lack the scale to bear this regulatory burden. Incumbents flourish.



crease in world-wide processing power, bandwidth and storage. At the same time, costs have fallen by a factor of 10,000. Advances in these platforms, in themselves, don't produce innovation. But they facilitate the development and deployment of entirely new applications that take advantage of these advances. Amazing new applications are almost never predictable. They come from human creativity. That is one reason they almost never come from incumbent companies. But once barriers to innovation are lowered, new applications follow.

The combination of advances in platforms and intolerable pain is about to result in an explosion in entirely new applications that are inexpensive to operate, are far less likely to fail, are far more secure, and easily accommodate unimagined advances in ease of use and effective output. This scenario will be seen in sector after sector.

While everyone is focused on Uber, Snapchat and consumer applications, a more colossal supercycle of innovation in enterprises is beginning to occur. Throughout the economy, companies desperately need to overhaul legacy systems and business models frozen in place for a decade. Incumbents, watch out. The coming innovation supercycle will upset the status quo whether you like it or not. Better late than never.

*Mr. Michaelson is CEO of Michaelson Capital Partners.*

Along with lax antitrust enforcement, low rates made it attractive for large companies to buy competitors rather than invest productively, resulting in record levels of economic concentration and excess profits. In short, large enterprises and banks have felt no pain. They felt no pressure to change, and there was no room for innovative young companies to prosper.

Things are about to change. Consider information technology. Today's enterprise IT systems are built on platforms dating from the 1970s to the 1990s. These systems are now horrendously expensive to operate, prone to catastrophic crashes and

unable to ensure data security. The cloud only made this worse by increasing complexity.

Corporate CEOs complain that they are unable to get the data they need. These rickety systems cannot easily accommodate data mining and artificial intelligence. Evidence of their deficiencies is seen daily. The New York Stock Exchange stops trading for hours. Yahoo acknowledges the compromise of one billion user accounts. Airline reservation systems repeatedly go down. The pain level for users is becoming intolerable.

Each decade for the past 60 years, we have seen a thousand-fold in-

which is an initiative of China but also an asset of the world.

Of course, there are far more advantages that Hong Kong enjoys and more fields that it could participate in. The city itself is in search of new growth drivers and ways to achieve economic upgrading.

It is important for Hong Kong to follow the Belt and Road spirit of "extensive consultation, joint participation and shared benefits" in building the initiative, so as to better transform itself to a high-end service and knowledge economy. Such transformation cannot be realized overnight or automatically. It calls for long-term and proactive efforts. Continued meaningless wrangling in the city would only erode Hong Kong's strengths and result in the loss of precious time and opportunities.

It is our belief that with joint efforts, the Belt and Road Forum will be a success, and Hong Kong's participation will deliver even more fruitful results. The Foreign Ministry Commissioner's Office is ready to lend a helping hand.

*Ms. Tong is the acting commissioner of the Ministry of Foreign Affairs of the People's Republic of China in the Hong Kong Special Administrative Region.*

## What 'Belt and Road' Means for Hong Kong

By Tong Xiaoling

In coming days, the Belt and Road Forum for International Cooperation will be held in Beijing. With the attendance of 28 heads of state and government, more than 1,200 representatives from public, business, academic and financial circles, as well as media of more than 110 countries, it will be China's most important diplomatic event of the year. Hong Kong's Chief Executive Leung Chun-ying will also participate in the forum with his delegation.

It took more than three years for the Belt and Road to evolve from concept to reality, delivering tangible fruits and benefiting a growing number of countries and peoples. In Pakistan, a fully launched economic corridor connecting to China is expected to lift the country's economy by 2.5 percentage points annually in the decade to come. More importantly, it will help address the root cause of terrorism in the region.

From London, it now takes only 18 days for British products such as Scottish whisky to be transported by rail to Yiwu, in Zhejiang province, thanks to the opening of the China-Europe freight train. Fifty-six

economic cooperation zones were established by Chinese businesses in the Belt and Road countries by 2016, with investment of more than \$1.5 billion and generating 180,000 local jobs.

In Hong Kong, I am often asked by friends why the city needs to be part of the Belt and Road and how it stands to benefit. In my view, Hong Kong should participate and has the strengths to perform well.

The city has played an important role in the comprehensive reform and opening up of the whole country. As an advanced, external-oriented economy, Hong Kong is bound to integrate itself further into the mainland for mutual benefit and to continue to serve as a "superconnector" between the mainland and the rest of the world. There is no reason for Hong Kong to be absent from a national initiative and international project as significant as the Belt and Road.

Already, initial steps have been taken. A Belt and Road steering committee and an office have been established by the Hong Kong government. The city has recently been approved to be a new member of the Asian Infrastructure Investment Bank, and efforts are being made to set up a local AIIB office.

A number of local business chambers, social groups and media agencies have already paid visits to Belt and Road countries, with my office playing a facilitating role. In future, Hong Kong may take a more effective part in the building of the Belt and Road, thanks to the advan-

**The city has a crucial role to play as 'superconnector,' helping integrate China and the rest of the world.**

tages and experience the city has accumulated over the decades. The following four strengths would be its most prominent.

Hong Kong enjoys an institutional advantage under "one country, two systems." It can participate in the planning of the national strategies, such as the Greater Bay Area in the Pearl River Delta Region, and continue to receive Beijing's strong support. At the same time, the city remains a free port and an international financial, trading and shipping center, as well as the largest offshore trading hub for the yuan. No city on the Chinese

mainland or elsewhere enjoys such unique advantages.

Hong Kong is also geographically well located. It serves as a pivot for the maritime Silk Road. It has more than 700 transportation companies, providing services to 43 Belt and Road countries by air and 45 countries by sea. These advantages are definitely needed by China as it continues to open itself to the world.

Hong Kong has talented people. The city has a large number of English-speaking professionals closely connected with the world and who have excelled in the fields of finance, accounting, engineering, construction, law, arbitration and medicine. They would greatly facilitate the mainland businesses in going global.

Hong Kong's advantages also lie in its cultural diversity. It is a place where Eastern and Western cultures converge. Besides Chinese citizens, many of its seven million residents are foreign nationals. Quite a few multinationals set up their Asia-Pacific headquarters in the city as they value the freedom, diversity and openness that Hong Kong boasts. A diversified and cooperative cultural environment is required to build the Belt and Road,

delay ended the momentum of the sanctions regime against Iran that had been gradually built over years. And it means that when a confrontation with Iran finally comes, the regime will be much closer to producing numerous nuclear weapons than when the deal was made.

On the other hand, the delay also gives more time for the mullahs to fall before they can obtain nuclear weapons—and more time for the democracies to build up courage and determination to prevent the regional nuclear arms race that would follow Iran's acquisition of the bomb.

President Trump doesn't have to solve the Iranian nuclear-weapon threat during his first term. The deadline for building the coalition with the strength and determination to stop Iran will come after 2020. But he would be wise to use the term to develop the American and international understanding and policies that can create the will and power to stop Iran.

*Mr. Singer is a founder and senior fellow of the Hudson Institute, is a senior fellow at the Begin-Sadat Center for Strategic Studies at Bar-Ilan University in Israel.*

## The World Didn't Agree to a Nuclear-Armed Iran, Even in 10 Years

By Max Singer

The U.S. and its allies can prevent Iran from getting nuclear weapons, but only if they are clear about what the controversial 2015 nuclear deal actually says. Critics of the agreement, officially called the Joint Comprehensive Plan of Action, often say the deal gives Iran permission to acquire nuclear weapons after 10 years. Yet the stated premise of the plan was that Iran would never build or acquire nuclear weapons—ever.

An item in the deal's general provisions states that the plan "will ensure the exclusively peaceful nature of Iran's nuclear programme." Another item reads: "Iran reaffirms that under no circumstances will Iran ever seek, develop, or acquire nuclear weapons."

The world powers that negotiated the deal agreed to lift the sanctions against Iran only on the stated assumption that Iran never had, and

never would have, a nuclear-weapons program. Although it's unlikely any parties to the deal believed Iran's nuclear program was only for peaceful purposes, they all found it diplomatically convenient to assert that it was. This diplomatic prevarication means that any time evidence is found suggesting Iran is trying to produce or acquire nuclear weapons, the U.S. may feign shock at being deceived. And without violating what it agreed to in the nuclear deal, the U.S. can announce that it will do whatever is necessary to ensure that Iran will not succeed in acquiring nuclear weapons.

Nothing in the agreement precludes the countries that signed the deal from acting to prevent Iran from acquiring nuclear weapons. Since Tehran had insisted that it didn't have a nuclear-weapons program, the regime cannot claim that its pursuit of nuclear weapons was authorized by the Joint Comprehensive Plan of Action.

The problem of stopping Iran is therefore not a legal one. The question is whether the U.S. and other powers have the tools to compel Iran to abort its nuclear-weapons program, and whether they have the will to use them. Are the great democracies determined enough to impose decisive economic sanctions or to encourage internal opposition to the Iranian revolutionary regime? What about military force?

The U.S., Britain, France and Germany no doubt have the power to end Iran's nuclear-weapons program. If they cut off all communication with the country—flights, telephone, internet, banking—along with the countries that would follow their leadership, Iran would be compelled to yield regardless of what China and Russia might do. And Beijing and Moscow wouldn't be enthusiastic about standing against the West's actions to defend Iran.

The democracies don't need to commit to changing the Iranian regime, or to collaborate actively with Iranian dissidents. Even moderate political and social support by the U.S. and Europe for Iran's internal opposition could scare the regime

into postponing its efforts to get nuclear weapons.

No military attack, even by the U.S., could reliably destroy all of the Iranian weapons-production facilities, but complete destruction isn't necessary. Partial elimination might be

**Obama's deal only delayed a showdown. America and its allies should be using the time to prepare.**

enough to convince the regime that rebuilding wouldn't be worthwhile because they could be attacked again. And a successful attack could also undermine the Iranian security services' control of the population.

The decisive question is how strongly the U.S. and the other democracies are determined to prevent Iran from having nuclear weapons. If they have the will to do so, they have the necessary power, and the nuclear deal is not an impediment.

This isn't a defense of the Iran deal, which simply postponed a showdown for a decade or so. This

delay ended the momentum of the sanctions regime against Iran that had been gradually built over years. And it means that when a confrontation with Iran finally comes, the regime will be much closer to producing numerous nuclear weapons than when the deal was made.

On the other hand, the delay also gives more time for the mullahs to fall before they can obtain nuclear weapons—and more time for the democracies to build up courage and determination to prevent the regional nuclear arms race that would follow Iran's acquisition of the bomb.

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## THE WALL STREET JOURNAL.

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News Corp

From "Why Governments Make Bad Venture Capitalists" by Allan H. Meltzer in *The Wall Street Journal*, May 5, 1993. Meltzer died Tuesday at 89.

A successful venture-capital firm doesn't just pick winners and wait to harvest the returns. This is a recipe for failure. A venture capitalist manages a portfolio of companies. Critical for success are decisions about where to put money, which firms to close and which to foster.

Here governments are at a dis-

tinct disadvantage. Governments, especially ours, confuse job creation with wealth creation. It is hard for them to close down firms that are not doing well. Such money-losing tendencies are reinforced by congressional representatives, mayors and local constituencies that lobby to keep losers open, hoping for a better future. The thrift-industry debate shows what can happen under such pressures. . . .

Why, in general, is government less efficient? One big reason is that products and companies do not leap

## LIFE & ARTS

### PHOTOGRAPHY

# The Littlest Photographers

Children as young as 4-years-old are using smartphones and picture-editing apps to create memorable images

BY ALINA DIZIK

**NEED HELP** taking a great selfie? Just ask your child.

Thanks to smartphones and a crop of editing apps, children as young as four are taking pictures—with surprisingly professional results.

Photo-taking now is commonplace among youngsters once kept far from chemical-laden darkrooms and delicate equipment, says Michelle Dunn Marsh, executive director of Photographic Center Northwest, a Seattle-based photography nonprofit. "The tools of photography have become very simple and very good," she says. "We're not seeing a 5-year-old who is setting up a lighting environment."

Erin Stewart, 41, lets her older daughter Natalie be the official photographer on family vacations and at parties. But results can vary. On a trip to Paris more than a year ago, Natalie photographed the carousel near the Eiffel Tower but skipped the landmark. And rather than capturing her younger brother blowing out his birthday candles, Natalie opted to photograph a nearby friend eating a snack. "What interests them is sometimes different," says Ms.

Stewart, a stay-at-home mother of three in Orinda, Calif. Natalie, now 10, uses apps to add a grained look to photos. She likes capturing images in black-and-white, which Ms. Stewart isn't crazy about because it makes her daughter look older.

Children as young as 10 can take a course on mobile photography and video for social media as part of a four-week or seven-week program at Usdan Summer Camp for the Arts in Wheatley Heights, N.Y. The course allows students to take photos using "what's most familiar to them" and is now one of the most popular, says instructor Michael Barraco.

The class is great for younger students, because it doesn't involve



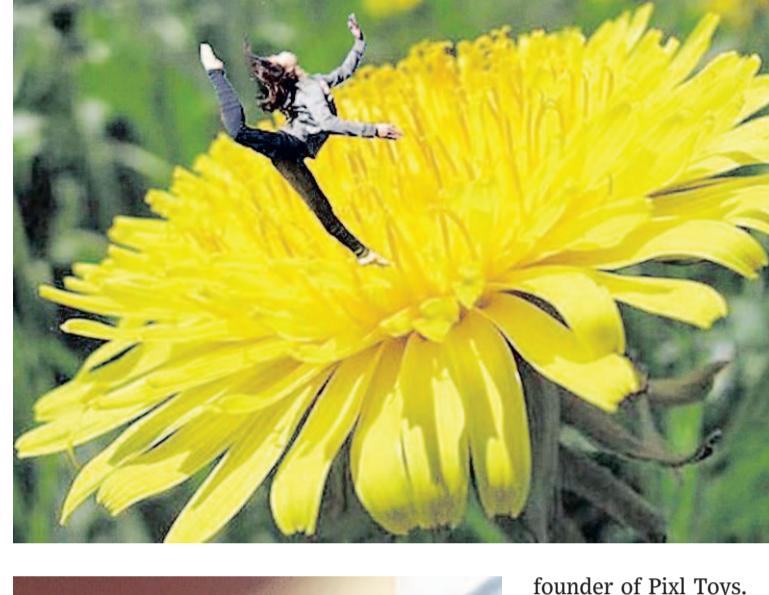
Clockwise from above, young photographer Becca Bojia; a photo illustration by Lindsay Buckley, using the Enlight app, and a family vacation portrait by Peter Stewart, then 5 years old, during a holiday in Spain.

pricey equipment that's often part of a more traditional photography course, Mr. Barraco says. Instead, participants use affordable smartphone-compatible macro and wide-angle lenses. They also figure out how to store and share images that they accumulate on their phones. "They take as many photographs as possible, but there's not always a lot of thought of what's going to become of those images," he says.

After completing the course at Usdan last year, Teryn Hickson, now 11, says she takes fewer selfies and more close-up shots of

landscapes and family. This year, the fifth-grader from Amityville, N.Y., says she has been the photographer at her brother's college basketball games, often switching lenses to capture on-court shots. At school, friends turn to her for help re-creating images she posts on her social media accounts, including pictures of loved ones who look as if they are flying, thanks to careful posing and some post-photography editing.

Entrepreneurs are stepping in to fill the gap between toy cameras and breakable digital ones.



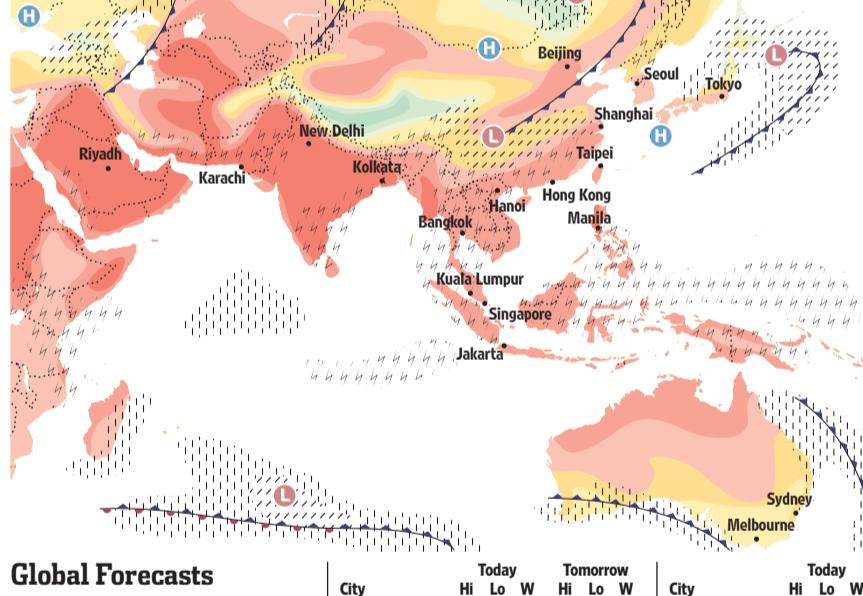
CLOCKWISE FROM LEFT: BECCA BOJIA; LINDSAY BUCKLEY/ENLIGHT; PETER STEWART

founder of Pixl Toys. This year, Mr. Stoops launched a Kickstarter campaign for the Pixlplay. He raised \$64,000—more than twice his original goal—to produce a case that allows parents to convert a smartphone to a kid-safe camera without the risk of a shattered screen and with the option to turn off browsing.

Toy companies have long sold kid-friendly cameras. VTech Electronics North America, of Arlington Heights, Ill., started offering the Kidizoom camera, a 1.3-megapixel camera in 2007. They added

the Kidizoom Action Cam in 2015 and a Kidizoom Smartwatch in 2014. Both products can take pictures, which is their most-used feature. "Kids at a younger age have started to look for adult technology," says Jennifer Eiselein, vice president of marketing.

### Weather

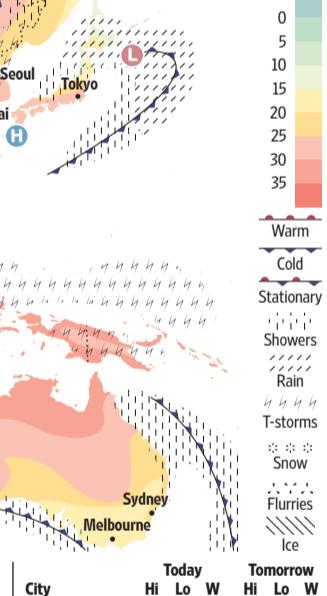


### Global Forecasts

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

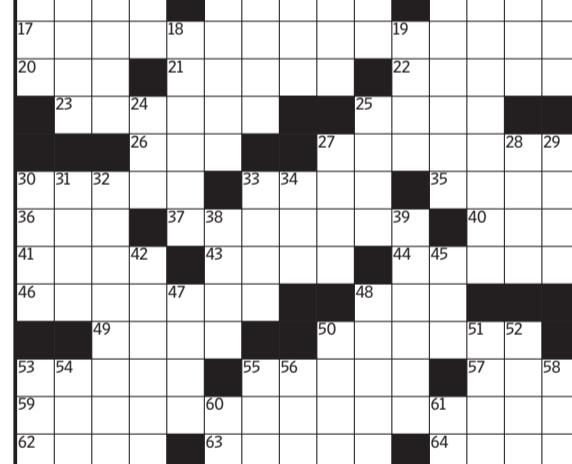
| City         | Today |    |    | Tomorrow |    |    |
|--------------|-------|----|----|----------|----|----|
|              | Hi    | Lo | W  | Hi       | Lo | W  |
| Amsterdam    | 20    | 12 | pc | 18       | 11 | sh |
| Anchorage    | 15    | 6  | s  | 15       | 5  | s  |
| Athens       | 25 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

### AccuWeather.com



| City             | Today |    |    | Tomorrow |    |    |
|------------------|-------|----|----|----------|----|----|
|                  | Hi    | Lo | W  | Hi       | Lo | W  |
| Geneva           | 18    | 10 | t  | 19       | 10 | c  |
| Hanoi            | 32    | 25 | t  | 29       | 25 | t  |
| Havana           | 32    | 19 | s  | 33       | 21 | s  |
| Hong Kong        | 30    | 24 | pc | 30       | 25 | c  |
| Honolulu         | 28    | 21 | sh | 29       | 23 | pc |
| Houston          | 30    | 22 | c  | 30       | 17 | pc |
| Istanbul         | 22    | 14 | s  | 24       | 17 | pc |
| Jakarta          | 32    | 23 | c  | 32       | 24 | t  |
| Johannesburg     | 22    | 9  | s  | 21       | 6  | t  |
| Kansas City      | 19    | 11 | r  | 22       | 9  | s  |
| Kuala Lumpur     | 32    | 20 | s  | 33       | 18 | s  |
| Kuwait           | 25    | 19 | pc | 24       | 19 | pc |
| Lima             | 20    | 12 | t  | 18       | 11 | sh |
| London           | 21    | 13 | pc | 22       | 12 | pc |
| Los Angeles      | 21    | 13 | pc | 22       | 12 | pc |
| Manila           | 35    | 26 | p  | 36       | 27 | s  |
| Melbourne        | 17    | 8  | c  | 18       | 7  | pc |
| Mexico City      | 27    | 15 | pc | 27       | 15 | pc |
| Miami            | 33    | 23 | s  | 33       | 24 | s  |
| Milan            | 18    | 13 | c  | 19       | 13 | t  |
| Minneapolis      | 20    | 8  | p  | 22       | 12 | s  |
| Monterrey        | 37    | 21 | pc | 35       | 19 | pc |
| Montreal         | 14    | 6  | c  | 17       | 9  | c  |
| Moscow           | 8     | -2 | r  | 9        | -1 | pc |
| New Delhi        | 34    | 26 | p  | 35       | 26 | pc |
| Nashville        | 30    | 17 | pc | 23       | 13 | r  |
| New York City    | 17    | 10 | p  | 15       | 10 | c  |
| Orlando          | 36    | 19 | s  | 34       | 19 | pc |
| Paris            | 20    | 7  | c  | 24       | 10 | s  |
| Philadelphia     | 19    | 10 | pc | 20       | 12 | t  |
| Phoenix          | 33    | 21 | s  | 36       | 22 | s  |
| Pittsburgh       | 18    | 10 | c  | 15       | 9  | r  |
| Port-au-Prince   | 32    | 20 | pc | 33       | 21 | s  |
| Portland, Ore.   | 15    | 8  | r  | 14       | 7  | t  |
| Rio de Janeiro   | 25    | 20 | r  | 25       | 18 | pc |
| Riyadh           | 37    | 25 | pc | 35       | 23 | t  |
| Rome             | 25    | 15 | pc | 24       | 13 | pc |
| Salt Lake City   | 28    | 17 | s  | 29       | 11 | s  |
| San Diego        | 21    | 15 | pc | 20       | 15 | pc |
| San Francisco    | 19    | 11 | pc | 18       | 10 | s  |
| San Juan         | 29    | 24 | sh | 30       | 24 | pc |
| Santiago         | 13    | 8  | r  | 16       | 6  | r  |
| Santo Domingo    | 31    | 21 | pc | 31       | 21 | s  |
| Sao Paulo        | 21    | 14 | c  | 23       | 15 | c  |
| Seattle          | 15    | 8  | r  | 15       | 7  | t  |
| Seoul            | 27    | 17 | pc | 25       | 14 | s  |
| Shanghai         | 33    | 19 | pc | 23       | 17 | t  |
| Singapore        | 31    | 26 | c  | 30       | 26 | c  |
| Stockholm        | 9     | -2 | pc | 11       | 0  | pc |
| Sydney           | 21    | 14 | pc | 21       | 14 | pc |
| Taipei           | 33    | 24 | c  | 32       | 24 | c  |
| Tehran           | 33    | 21 | s  | 30       | 19 | pc |
| Tel Aviv         | 26    | 17 | s  | 26       | 17 | s  |
| Tokyo            | 25    | 18 | pc | 26       | 17 | pc |
| Toronto          | 13    | 6  | c  | 14       | 7  | r  |
| Vancouver        | 14    | 7  | r  | 15       | 6  | sh |
| Washington, D.C. | 17    | 11 | r  | 14       | 12 | r  |
| Zurich           | 20    | 10 | t  | 20       | 10 | t  |

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



### OVER-UNDER | By Alex Eaton-Salners

| Across | 25 | Uplifting experience for vacationers? | 46 | *Artistic toy that glows in |
|--------|----|---------------------------------------|----|-----------------------------|
|--------|----|---------------------------------------|----|-----------------------------|





## BUSINESS NEWS

# Pressure Mounts on Ford's Chief

Directors want CEO to clarify his strategy for the auto maker as stock price languishes

By CHRISTINA ROGERS  
AND JOANN S. LUBLIN

Ford Motor Co.'s directors are pressing Chief Executive Mark Fields to sharpen his strategy as the company races to catch up on electric cars, reverse its shrinking market share in the U.S. and buoy its languishing stock price, according to people familiar with the situation.

Company directors, meeting this week in Dearborn, Mich., ahead of the annual shareholders meeting Thursday, scheduled an additional day of talks Tuesday to address growing uncertainty about the auto maker's course, these people said. Ford has been solidly profitable since Mr. Fields became CEO in July 2014, but its stock price has fallen by about a third in that period.

Mr. Fields is pushing to retool the company for an industry that is migrating to new technologies such as electric vehicles and self-driving cars. But amid uneven progress on that front, he has come under criticism from some managers for shifting too much focus away from conventional businesses that still account for the bulk of profits.

While Chairman Bill Ford and other directors support Mr. Fields, the people say, they are urging him to heighten his focus on growth opportunities.

"We do not share details or discussions from our board meetings for competitive reasons," a Ford spokesman said. "We also are unable to comment on rumors or speculation."

On Wednesday, Ford shares were down four cents to \$11.12 in midday trading. The stock slipped below \$11 earlier in May, its lowest point since August 2015.

Founded in 1903 by one of the industry's most iconic figures, Henry Ford, the auto maker was dealt a blow in early April when its market capitalization fell below electric-car startup Tesla Inc.

Tesla is valued at \$52.4 billion, or 18% higher than Ford, despite the Silicon Valley electric-car company's financial losses. Tesla sells a fraction of the cars delivered by Detroit's auto makers but is seen as having a lead on new technologies.

When asked about Tesla's



Ford CEO Mark Fields is pushing into new areas such as ride-sharing and autonomous vehicles.

### Downhill

Ford has lost more than one-third of its market value under CEO Mark Fields' tenure, while Tesla has gained.

Market capitalization since July 1, 2014



Source: FactSet

billions on vehicle testing in a bid to unseat Detroit.

In 2016, Mr. Fields was awarded a \$2.5 million stock incentive to continue broadening Ford's strategy beyond the profitable trucks and SUVs that deliver the bulk of profits.

Under a deal laid out in the company's proxy statement, management was to focus on making progress on autonomous vehicles, supercharging the Lincoln brand, increasing market share in China, "developing a lean mindset" and pursuing "moonshot" ideas such as ride-sharing ventures.

Under Mr. Fields, Lincoln has gone from a tarnished afterthought in the global luxury car market to one of the faster-growing brands in the U.S. It is also making inroads in China, a huge auto market where Ford is far behind.

But Ford's share of its core market, the U.S., is in decline. The company accounted 15.1% of U.S. car sales in the first four months of the year, down from 15.6% in the year-earlier period, after a 5.1% volume decline.

Some efforts are in the early stages. Ford earlier this year announced a \$1 billion investment in Argo AI, a Pittsburgh-based artificial-intelligence company that is still considered a startup.

There have been stumbles. Ford joined with Boston-based van-shuttle service Bridj for a pilot program in Kansas City. The startup's CEO, Matt George, announced last month that he was folding the company after it wasn't able to secure funding.

Ford, in a statement Tuesday, said it provided vehicles for the startup, but that the partnership didn't extend beyond that.

# Peanuts Brand Changes Owners

By EZEQUIEL MINAYA

Charlie Brown and Snoopy are moving to Canada, with Nova Scotia-based DHX Media Ltd. acquiring the entertainment division of a company with a majority stake in the Peanuts brand.

DHX Media, which owns rights to popular children's television programs including "Teletubbies" and "Caillou," said Wednesday it has agreed

to pay \$345 million to buy the division from Iconix Brand Group Inc.

Iconix holds an 80% controlling interest in the company that owns the Peanuts brand and licenses characters from the Charles M. Schulz comic strip. The Schulz family will continue to own the remaining 20% interest in Peanuts, which generated \$1.3 billion of retail sales in 2015.

Shares of Iconix were ahead

4.2% at \$7.30 in midday trading Wednesday. DHX Media shares were off 1.2% at \$4.30.

The transaction, which is expected to close by the end of June, provides a needed cash infusion for Iconix. The New York-based company booked a \$252.1 million loss in 2016, following a \$189.3 million loss in the prior year. Revenue fell 3% last year to \$368.5 million.

Iconix previously divested itself of the Sharper Image brand, selling it to FAO Schwarz owner ThreeSixty Group Inc. in December for \$100 million.

Earlier this week, at the Sohn Investment Conference in New York, Debra Fine—founder of hedge fund Fine Capital Partners—said she was bullish on DHX Media because "the value of children's content does not diminish."

DHX Media is building up its stable of children's programming at the same time that streaming platforms, run

by the likes of Netflix Inc. and Amazon.com Inc., are hungry for entertainment content. The company plans to finance its purchase with cash, debt and a convertible share offering.

Mr. Schulz launched Peanuts, originally titled "Li'l Folks," in 1950. With characters such as Lucy, Linus and Peppermint Patty, Peanuts became one of the most widely syndicated comic strips in history, expanding into dozens of animated television specials. Mr. Schulz died in 2000 at the age of 77.

When Iconix acquired the Peanuts brand in 2010, it said it expected to receive roughly \$75 million in annual royalties.

One of Peanuts' most visible and longest running licensing deals came to an end recently when MetLife cut ties with Snoopy last year. People familiar with the matter said the most-recent contract was signed in 2014 and cost MetLife \$10 million to \$15 million a year.



Peanuts, with Snoopy and Charlie Brown, joins DHX Media.

# News Corp Posts Loss, but Revenue Rises

By LUKAS I. ALPERT

News Corp narrowed its losses in the quarter ended in March, driven by digital subscriber growth at The Wall Street Journal, cost cuts, and the strong performance of the in-store marketing and coupon business.

The company reported a loss of \$5 million, or one cent a share, compared with a loss of \$149 million, or 26 cents a share, in the same period a year earlier. Excluding restructuring charges and other one-time items, adjusted earnings

came in at seven cents a share.

News Corp—which publishes the Journal, the New York Post and other newspapers in the U.K., Australia and the U.S.—reported a 5% gain in revenue to \$1.98 billion for the fiscal third quarter.

Analysts polled by Thomson Reuters had forecast adjusted earnings of five cents a share on revenue of \$1.89 billion.

The news and information-services business, which accounts for roughly two-thirds of the company's top line, reported a 3% gain in revenue to \$1.26 billion, as ad revenue in-

creased 4% because of higher in-store product revenues at News America Marketing.

Print advertising remains volatile, but News Corp Chief Executive Robert Thomson said there was "some moderation" during the quarter.

At the Journal, digital subscriptions rose to 1.198 million at the end of March, up about 118,000 from 1.08 million subscribers at the end of December. Including print editions, the Journal ended the quarter with a total of 2.2 million subscribers.

"Digital now accounts for

53% of total subscriptions, up from 44% last year and 38% two years ago," Mr. Thomson said on a call with analysts. "In fact, we added even more subs this quarter than in the second quarter, suggesting that the appetite for premium news and thoughtful commentary is undiminished."

Many media companies, from newspapers to cable-news outlets, have had a boost in subscribers and viewers because of the tumultuous 2016 presidential election and the start of the Trump administration.

# Time Inc. Seeks Out Cost Savings

By JEFFREY A. TRACHENBERG  
AND AUSTEN HUFFORD

Less than two weeks after deciding not to sell itself, Time Inc. unveiled a plan to strengthen its finances by cutting its dividend, selling off noncore assets and hiring an outside adviser to help it reduce costs.

The publisher also said its executive chairman, Joe Ripp, will retire. Mr. Ripp was chief executive from September 2013 until last fall. John Fahey,

Time Inc.'s current lead independent director, has been elected nonexecutive chairman, a move that becomes effective at the company's annual meeting June 29.

The company said it would cut its quarterly dividend to 4 cents a share, from 19 cents a share, and will no longer provide quarterly or annual revenue forecasts in an effort to focus on longer-term targets.

The dividend reduction should save Time Inc. about \$60 million annually. The company paid out \$77 million in dividends in 2016. Its shares were off 14% at



Former Time CEO Joe Ripp is retiring as executive chairman.

\$13.02 in midday trading Wednesday. Since the sales process ended last month, the stock has declined 29%.

"What I'd tell investors is not to look at the short-term vagaries of the stock-market price," Time Inc. Chief Executive Rich Battista said in an interview. "Over time we believe we're going to show tremendous shareholder value based on our assets and our position in the digital marketplace."

Mr. Battista described Mr. Ripp's pending departure from the board as a normal transition for a former chief executive.

Also leaving the board is former Sony Corp. CEO Howard Stringer. Dan Rosensweig, chief executive of the online learning platform Chegg, Inc., has been nominated to the board.

On an earnings call with analysts Wednesday, Mr. Battista offered a broad view of how he intends to reshape the largest magazine publisher in the U.S. Time Inc. publishes People, Sports Illustrated and its namesake Time, along with such smaller titles as Coastal Living.

For the first quarter, the company reported a loss of \$28 million, compared with \$10 million a year earlier. Total revenue fell 7.8% to \$636 million, as advertising revenue dropped 8% to \$331 million.

The company, he said, will sell some noncore assets while investing in the brands and businesses that Time views as part of its growth strategy. It will emphasize video and custom advertising opportunities and continue to invest in its digital operations.

"We're aggressively reducing our cost base," said Mr. Battista during the call. "We can do a lot more."

# Disney Takes Steps To Bolster ESPN

By BEN FRITZ

Faced with subscriber and viewership losses, Walt Disney Co.'s ESPN is planning to launch digital subscription services focused on particular sports, teams and regions.

Disney Chief Executive Robert Iger on Tuesday once again spent much of a conference call with Wall Street analysts following the release of financial results discussing the fate of ESPN. The sports channel accounts for the majority of profits in the company's cable business, which has lost momentum in the past few years while other divisions are booming.

Overall, Disney reported revenue growth of 3% for the three months ended April 1, to \$13.34 billion, and an 11% increase in net income to \$2.39 billion compared with the same period a year earlier.

Disney had announced plans to launch this year its first ESPN "over the top" service, similar to Netflix, that will include sports not on the linear network like baseball.

Mr. Iger's comments on services tuned to the narrow interests of particular sports fans indicate many more are in development.

The CEO said there are no current plans to offer a replica of the ESPN cable channel online to those who don't subscribe to cable, akin to Time Warner Inc.'s HBO Now, but conceded "there is an inevitability to that."

ESPN recently laid off about 100 of its 8,000 employees, including some high-profile on-air talent, and is taking steps to shake up its programming for non-live sports, such as its signature SportsCenter program, are down.

Over the past five years, ESPN has gone from 99 million subscribers to 87.44 million, according to Nielsen. Disney Chief Financial Officer Christine McCarthy said the rate of cable-subscriber losses in the recent quarter increased by "less than half a point" from the prior quarter, though she didn't offer specifics. Subscribers losses generated a three-percentage-point decline in revenue from pay-TV sub-

scriptions, she noted, offset by a seven-point increase from contractual rate increases.

Mr. Iger touted the presence of ESPN and other Disney networks on new less-expensive "skinny" TV packages from companies like Hulu and Alphabet Inc.'s YouTube that are aimed at young, price-sensitive consumers. But he conceded they aren't making up for losses from traditional cable and satellite packages.

Disney's cable revenue grew 3% to \$4.06 billion in its fiscal second quarter, while operating income fell 3% from a year earlier to \$1.79 billion. Decreases at ESPN, caused in part by higher costs for the NBA and college football playoffs, were offset by increases at the Disney Channels and Freeform.

## Core Focus

Walt Disney's operating income, by segment



\*Includes interactive media

Source: the company

THE WALL STREET JOURNAL.

The company's theme-parks unit saw the biggest revenue increase, up 9% to \$4.3 billion, and a healthy 20% increase in operating income to \$750 million.

Attendance at domestic parks was up 4%, and Shanghai Disney Resort, which opened last June, was profitable for the first time last quarter and will break even in the fiscal year ending September, said Ms. McCarthy. The company's first theme park in mainland China will reach an internal goal of 10 million visitors in the next few days, Mr. Iger said.

## TECHNOLOGY

WSJ.com/Tech

# Microsoft Takes On Oracle In 'Cloud'

BY JAY GREENE

SEATTLE—As Microsoft Corp. gains momentum in its cloud-computing business, it is setting its sights on an old nemesis: Oracle Corp.

Microsoft was slated Wednesday to introduce two services for Azure, its business for supplying web-based and on-demand computing resources.

One of the new offerings is called Azure Cosmos DB. Microsoft says the database will let customers rev up and wind down applications as needed throughout the world, allowing the company to guarantee performance levels—a crucial feature for large corporate customers. Microsoft claims the guarantees, called service-level agreements, are the first for cloud-database services.

The second is a service that lets customers move the databases they run in their corporate data centers to Azure. A year ago, Amazon.com Inc.'s pioneering cloud-computing business, Amazon Web Ser-

Databases are big battlegrounds as computing moves to the cloud.

vices, rolled out its own database-migration offering to help customers shift their computing to its on-demand subscription service.

Oracle, the database leader in customer-run data centers, is most at risk from the new Microsoft offerings, said Patrick Moorhead, an analyst with the research firm Moor Insights & Strategy, who was briefed on the new services. Customers are most willing to consider new technology vendors when they shift from running their own computing to renting cloud services, he said.

"These big wars are won and lost in transitions," Mr. Moorhead said.

Databases are among the biggest battlegrounds as computing moves to the cloud. That is because companies are amassing huge amounts of data, collecting information on topics such as customer-purchasing habits and factory-machine performance.

The massive computing power of cloud operations, such as Azure and Alphabet Inc.'s Google Cloud, enables companies to analyze that data in ways that would have been prohibitively expensive just a few years ago.

Microsoft was expected to announce the new cloud services at Build, its annual conference for app and service developers.

Oracle didn't immediately reply to a request for comment.

# Airbus Offers U.S. Drone Services

Potential applications include checking bridges and rail lines; regulatory hurdles loom

BY ANDY PASZTOR  
AND ROBERT WALL

Airbus SE is jumping into the U.S. market for commercial-drone services, even as many industry officials and consultants worry a regulatory logjam threatens to impede such initiatives.

A new subsidiary called Airbus Aerial marks the French aerospace company's first American foray into unmanned aerial vehicles, after a series of stumbles and false starts in Europe. When it comes to developing or producing unmanned aircraft systems, Airbus lags behind rivals Boeing Co., Lockheed Martin Corp., Northrop Grumman Corp. and Israel Aerospace Industries Ltd.

Airbus aims to help close the gap with the services effort that was announced Wednesday.

Building on experience the company has in imaging technologies and project management, the plan envisions using drones made by others along with in-house designs.

The goal is to start next year offering services to both government and corporate customers, ranging from monitoring agriculture to checking on bridge maintenance to inspecting rail lines and cellphone towers. Trials could start this year.

Airbus envisions eventually using the same entity to help deliver packages and provide data connectivity for cars and other urban uses in the U.S. and elsewhere.

"The drone-services market will grow incredibly fast" over the next decade or 15 years, and the company's pedigree in airborne technology and hard-



Airbus drone at a factory in France. The company aims to generate sales in excess of \$100 million within five years from drone services.

ware certification will "provide customers choices they don't have today," said Dirk Hoke, head of Airbus Defence and Space.

By 2020, the global market for drone services will be worth more than \$127 billion, according to an estimate from PwC LLP. Infrastructure applications alone could represent \$45 billion in business. Other estimates see the package-delivery segment, which currently is waiting for a regulatory breakthrough to begin operations in the U.S., reaching millions of daily flights globally within two decades.

But Airbus's aggressive plans to generate sales in excess of \$100 million within

five years from drone services could falter on governmental inaction. The company and other drone proponents must overcome regulatory uncertainty in the U.S. stemming partly from inherent technical challenges integrating drones into the national airspace. The prospect of new, low-altitude air-traffic-control networks—

required for delivering packages to homes or factories—also is complicated by a moratorium on most new federal rules that was imposed by President Donald Trump's administration.

Some 100,000 drones are registered for commercial operations in the U.S., but today they are largely restricted to fly-

ing within sight of operators and staying below 400 feet.

For imaging applications, Airbus envisions ultimately merging information from satellites and drones to ensure "the reliability and consistency of the data," according to Jana Rosenmann, senior vice president for unmanned aerial systems.

To spur U.S. government action, trade groups such as the Association for Unmanned Vehicle Systems International have advocated for an industry exemption from traditional rule-making procedures. There hasn't been any clear, high-level response from the Trump administration.

Airbus made its announce-

ment at a conference in Dallas sponsored by AUVSI.

In congressional testimony in March, Earl Lawrence, director of the Federal Aviation Administration's unmanned aircraft systems integration office, gave no indication about the timing of the next phase of regulations, which had been expected by late 2016.

Meanwhile, last week European aviation officials proposed regulations for small drones that would give the industry and national authorities flexibility to determine technical standards and safe operating zones. The European market is more fragmented and is developing more slowly than in the U.S.

# EU Weighs New Rules for Big Tech Firms

BY NATALIA DROZDIAK

BRUSSELS—Tech companies in Europe face the prospect of more rules dictating how they conduct business.

The European Union's executive body is considering new rules that would prevent web platforms, such as Alphabet Inc.'s Google, Amazon.com Inc. and TripAdvisor Inc., from offering unfair terms to small businesses that use their services to sell or promote products.

The European Commission on Wednesday said it wants to address complaints by businesses about unilateral contract changes, lack of access to essential sales and customer data, and poor transparency regarding companies' rankings in search results. Companies also lack possibilities for redress to resolve disputes, the EU said.

"It's quite clear to us that the platforms are gatekeepers and in the business-to-business relationships there are a certain number of problems," said Jörgen Gren, a senior EU official involved in the initiative.

The commission said it would carry out a detailed analysis to decide by year-end whether new legislation is needed. Brussels initially flagged the concerns of businesses about transparency on platforms last May.

When tackling problems of transparency with search results, the EU said it wouldn't necessarily require platforms to divulge the inner workings of their algorithms but that the topic would be discussed as the commission conducts its analysis. The commission will also explore whether paying providers are ranked higher in search results than others, an EU official said.

Search rankings are at the heart of one of the cases by the commission's competition directorate against Google, which Brussels accuses of skewing results to favor its own comparison-shopping service over that of rivals. Google denies the charges.

The plan to further scrutinize web platforms' operations comes as part of the commission's midterm review of its Dig-

ital Single Market project, through which the EU aims to translate its single market in goods and services among its 28 member states into the online space. The project entails more than a dozen legislative and other initiatives, such as harmonizing the bloc's data-protection rules and ensuring consumers can shop across borders online.

The commission's delibera-

tions highlight continuing concerns in top European policy circles about the power of U.S. technology companies, which had sparked a flurry of investigations, including the three separate EU antitrust probes into Google. Both Brussels and national capitals are cracking down on how tech companies operate regarding issues such as data privacy, copyrights

and taxes.

The commission is eager to promote small businesses and entrepreneurs at a time when the bloc is still suffering from a generally weak job market. Seeking to create jobs, the commission has encouraged the growth of the so-called sharing economy—platforms like Uber Technologies Inc. that link service providers to consumers.

Associations representing large American tech companies said they were dismayed by the commission's plans.

"We believe there's not enough of a basis for general intervention and that the European Commission should use other instruments when there's market failure," said James Waterworth, vice president for Europe at the U.S.-based Computer & Communications Industry Association, a lobby group that represents Facebook Inc. and Google.

EDiMA, a European trade association representing online platforms such as TripAdvisor and Apple Inc., said it was "disappointed and astounded" at the announcement.

## BUSINESS WATCH

probe of the bribery allegations and upgraded compliance operations, according to financial filings. Wal-Mart hasn't yet agreed to the offer, this person said, but negotiations are in the final stages. Spokesmen for Wal-Mart and the Justice Department declined to comment.

The Justice Department launched its investigation as a series of New York Times articles described alleged bribes Wal-Mart paid in Mexico to obtain permits to build stores there, potential violations of the

Foreign Corrupt Practices Act. That spurred an investigation of Wal-Mart employee behavior across the globe, including in Brazil, China and India.

—Aruna Viswanatha

and Sarah Nassauer

BOMBARDIER

### Opposition Grows Against Chairman

Bombardier Inc. has come under increased shareholder pressure to check the boardroom influence of its founding family after Canada's largest pension plan joined two other major funds in opposing the re-election of Pierre Beaudoin as executive chairman.

Canada Pension Plan Investment Board said Wednesday it won't vote to re-elect Mr. Beaudoin, grandson of the company's founder, and two other independent directors. The other directors are Vikram Pandit and Patrick Pichette. CPPIB owns less than 1% of Bombardier's Class B shares. Its opposition to Mr. Beaudoin follows similar moves by Quebec's pension fund and Ontario Teachers' Pension Plan.

—Jacquie McNish

### SoftBank Takes \$1.4 Billion Charge On Efforts in India

SoftBank Group Corp. said Wednesday that it took a loss of \$1.4 billion on investments in its most recent fiscal year, largely from the company's high-profile stakes in Indian online marketplace Snapdeal and taxi-hailing app Ola.

The write-down, disclosed in SoftBank's results for the year ended in March, will likely help the Japanese telecommuni-

cations and internet company reboot its investment strategy in India. SoftBank is pushing Snapdeal, India's No. 3 online retailer, to merge with market leader Flipkart as U.S. behemoth Amazon.com Inc. gains ground there, according to people involved in the talks.

SoftBank is preparing to funnel billions of dollars into the rapidly growing and competitive Indian technology market, these people say.

The company is shifting its strategy from one that bet smaller amounts on a wide range of promising startups to

one focusing on larger bets on market leaders.

That strategy includes a plan to invest more than \$1.5 billion into mobile-payment company Paytm in a move that would give SoftBank a 20% stake in Paytm's parent, One97 Communications Pvt. Ltd., the people have said.

Also, SoftBank is doubling down on Ola, investing roughly \$250 million last month in a bid to keep market share away from Uber Technologies Inc.

Snapdeal and Ola officials weren't immediately available for comment.

## FUND

Continued from page B1

Bank's already-high debt levels. Total interest-bearing debt minus cash positions at SoftBank stood at ¥11.2 trillion (\$98 billion) at the end of March, up from ¥9.2 trillion a year earlier.

SoftBank and investment teams in London and San Francisco have lined up deals for the fund. The list includes satellite operators Intelsat SA and OneWeb Ltd., New York-

based shared-office-space company WeWork Cos., Indian mobile-payment company Paytm, and a 25% stake in ARM that would be purchased from SoftBank, said people familiar with the matter.

A deal related to automotive technology also is in the pipeline, Mr. Son said.

While Mr. Son said he planned to devote much of his time to the fund, leaving SoftBank's core businesses to deputies, he said would take charge of U.S. negotiations seeking ways to combine resources at Sprint with those of

other carriers to meet rising network costs.

A meeting between Mr. Son and U.S. President Donald Trump in December raised speculation that Mr. Son could revive plans to merge Sprint and T-Mobile US, which he abandoned after opposition from antitrust regulators under the Obama administration.

"T-Mobile is the most likely partner, but we will keep an open mind," Mr. Son said. "The negotiations start now."

—Newley Purnell  
in New Delhi  
contributed to this article.



A Wal-Mart store in Mexico, last year. The U.S.-based retailer faces allegations of bribes paid to obtain store permits in Mexico.

DANIEL BECERRIL/REUTERS

## FINANCE & MARKETS

# Watchdog To Review New Area Of Lending

BY YUKA HAYASHI

**WASHINGTON**—The Consumer Financial Protection Bureau signaled it aims to play a larger role in overseeing the market for small-business lending, launching an inquiry into whether small companies have enough access to credit.

The CFPB's foray into this space has been watched closely by the financial industry, as it takes the bureau out of its primary jurisdiction over consumer financial products and services. Whether the CFPB could eventually roll out a brand new rule is uncertain, given efforts by Republican lawmakers and the White House to curb its authority.

If the agency did go ahead with such a rule, it could have a significant impact on online lenders, many of which cater to small-business customers, legal experts say. It could also lead to the expansion of the bureau's policing over fair-lending violations, an area the CFPB has emphasized in recent years.

While the agency has so far largely stayed clear of small-business lending, CFPB Director Richard Cordray previously said it was beginning to work on a new regulation in this

**The CFPB will examine the market for loans to small companies.**

area. As an initial step, the CFPB said it would gather comments from the public—including individual businesses, banks, nonbank lenders and consumer groups—for 60 days.

"One fundamental issue for the CFPB and policy makers is to what extent the consumer protection regulatory regime can or should be applied to small business financing," said Michael Gordon, head of law firm WilmerHale's consumer regulatory practice and a former senior CFPB official. "There are profound differences."

Already, the National Association of Federally-Insured Credit Unions, a trade group, has requested the CFPB to exempt its members from "any future rule making that would require further disclosure of business loan information."

The CFPB has a mandate under the 2010 Dodd-Frank financial-overhaul law to regulate some aspects of small-business lending. Specifically, the bureau requires financial institutions to report information about credit applications made by small businesses and those owned by women and minorities.

Small businesses account for a huge portion of the economy. According to census data, there are roughly 27.6 million small businesses in the U.S. Small businesses have created two of every three jobs since 1993, and now provide work for almost half of all employees in the private sector, the CFPB said.

"Yet, we perceive large gaps in the public's understanding of how well the financing and credit needs of these entrepreneurs are being served," Mr. Cordray said in remarks prepared for delivery at a hearing on Wednesday.

The CFPB hasn't defined which companies are considered small businesses. That is one thing the inquiry is expected to address.



# Haven for Rich to Invest on Own

Monaco is opening a fund targeting private-equity-style investments

BY JUSTIN BAER

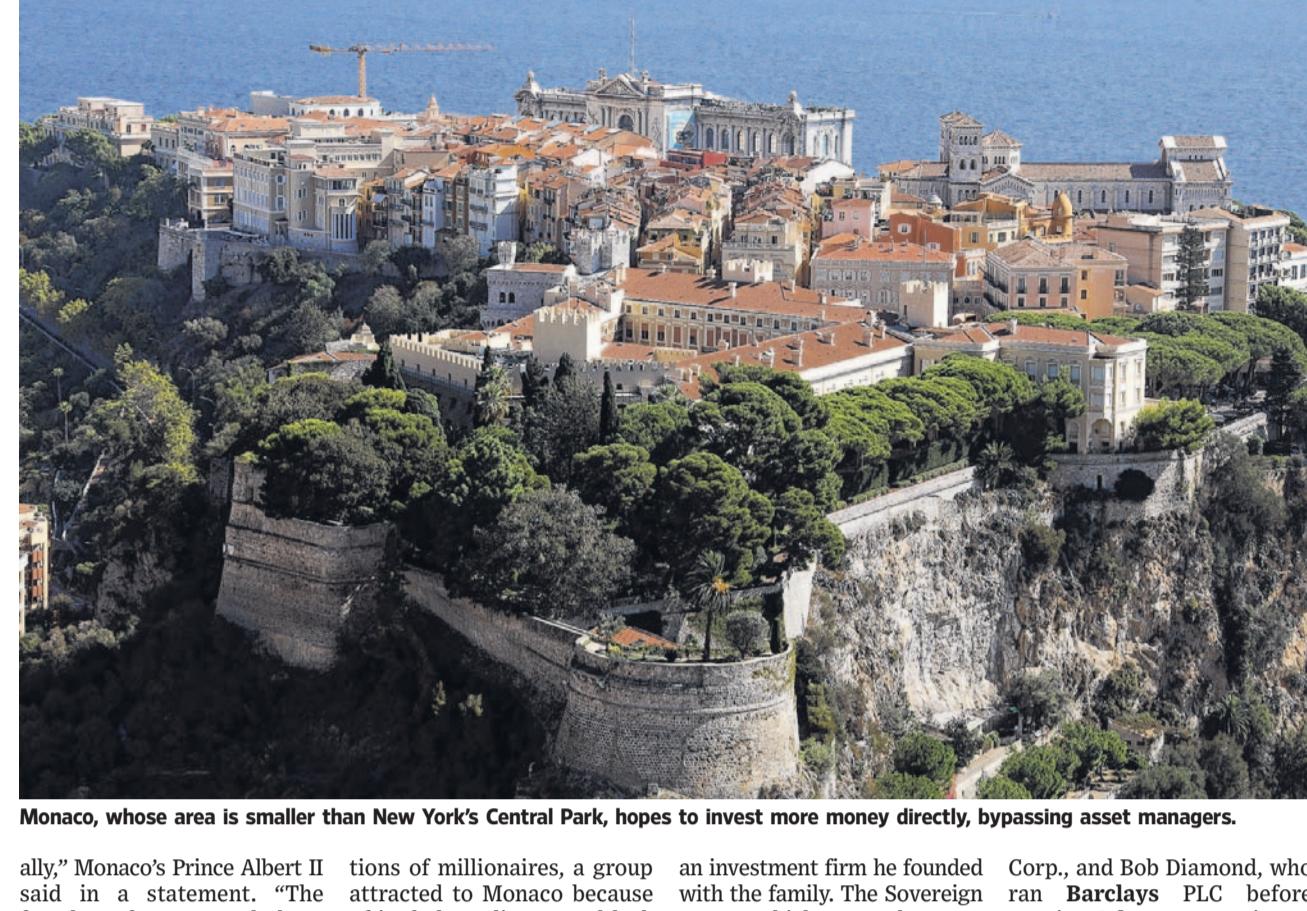
A Mediterranean haven for the ultrarich is creating its first ever government-backed investment fund.

The **Monaco Investment Corp.**, named after the tiny city-state nestled along the French Riviera, will draw funding from Monaco's monarchy, its affluent residents and other well-heeled families in Asia and the Middle East.

The move is part of a larger strategy by Monaco to invest more of its money directly, bypass traditional money managers and attract more financial firms inside its borders. The new fund will seek private-equity-style investments in companies and keep those stakes for longer than five years.

A merchant banking firm with ties to Middle East royalty, **Scepter Partners**, will manage Monaco Investment. It intends to pool Monaco Investment's money with the wealth of other partners and seek out \$20 billion in investments. Scepter manages about \$14 billion of assets owned by its investors, which include Brunei's royalty and wealthy families in the Persian Gulf states.

"The Monaco Investment Corporation will change the way sovereign wealth and private investors engage with large cap investments glob-



Monaco, whose area is smaller than New York's Central Park, hopes to invest more money directly, bypassing asset managers.

ally," Monaco's Prince Albert II said in a statement. "The founders of Scepter and I have both reaffirmed our commitment to back this institution and we will proactively use our capital and relationships for its success."

Monaco, a nation smaller in size than New York's Central Park, lacks a stockpile of natural resources often used to bankroll wealth funds of other nations. But it does have one of Europe's highest concentra-

tions of millionaires, a group attracted to Monaco because of its balmy climate and lack of income taxes.

"Monaco has yet to institutionalize its most compelling resources, which are its residents and its friends," said Rayo Withanage, Scepter's executive chairman.

Scepter began in August 2015 when Mr. Withanage, a longtime adviser to members of the Brunei royal family, spun it out from BMB Group,

an investment firm he founded with the family. The Sovereign Trust, which controls BMB, remains Scepter's largest shareholder.

Last year, the firm pledged \$3 billion to seed a startup investment bank founded by former **Credit Suisse Group AG** CEO Brady Dougan, who joined Scepter's steering committee this month.

Other committee members include William Doyle, the former CEO of Canada's **Potash**

Corp., and Bob Diamond, who ran **Barclays PLC** before starting **Atlas Mara**, an investor in African banks, and **Atlas Merchant Capital LLC**.

Mr. Diamond, who once supervised Mr. Dougan when the pair worked for Credit Suisse in Asia, remained in contact throughout their parallel climbs at two of Europe's largest banks and since their exits from those firms, people familiar with the matter said.

# Barclays Chairman Backs Embattled CEO

BY MAX COLCHESTER



LUCIE MACGRIGOR/BLOOMBERG NEWS

Pedestrians pass a Barclays branch in London during March. top executives. He said Mr. Staley had "gone through a red light" and "when you go through a red light you don't lose your license."

Mr. Staley had made a mistake and wasn't planning to do anything malicious to the whistleblower, he said. "All he wanted to do was phone them up and ask them to stop send-

ing the letters," he said. The Barclays board has reprimanded Mr. Staley and said it would dock a chunk of his bonus after the regulators' probe finishes.

Mr. Staley took an additional hit last month after The Wall Street Journal reported he became embroiled in a battle with KKR & Co., a major

client of the bank, after backing his brother-in-law who is locked in a dispute with the private-equity firm. KKR has recently cut Barclays off from some of its business as a result of the executive's interventions, according to people familiar with the matter. On Wednesday, Mr. McFarlane defended this action, too, saying Mr. Staley "didn't actually do anything. He did consult but we advised him not to do anything."

Some 97% of the shareholders who voted backed Mr. Staley's reappointment on Wednesday, but 16% of shareholders either abstained or voted against the CEO following a recommendation to abstain by a proxy adviser.

One major investor said it is in "wait and see" mode ahead of the whistleblowing probes' conclusions. The Barclays board, meanwhile, has endorsed Mr. Staley over both matters and hopes the concerns will subside by the time

the regulators' investigations are finished, a process that could take up to a year, according to one person familiar with the board's thinking.

Barclays is on its fourth leader in five years. So far, investors have broadly welcomed Mr. Staley's strategy of backing the Barclays investment-banking franchise while shedding numerous businesses around the globe.

But returns remain tepid. Next month Barclays is expected to announce the closure of its noncore division, which houses assets the bank wants to ditch. Even as this milestone approaches investors are turning to other worries, namely that the bank's capital base is too thin.

Barclays is locked in a legal battle with the U.S. Justice Department over its role in the sale of toxic mortgage-backed securities. It also has to drum up extra capital to pump into its U.S. unit to ensure it can pass stress tests.

## FINANCE WATCH

### PROPERTY LENDING

#### Risks Are Rising In U.S., S&P Says

S&P Global Ratings said bank lending to the U.S. commercial real-estate sector has surpassed its 2008 peak, and with risks related to such loans rising, banks could face trouble.

Average commercial real-estate loans on banks' balance sheets reached \$1.63 trillion as of the end of 2016, surpassing the previous peak of \$1.52 trillion in 2008, S&P said in a note on Tuesday.

Low interest rates, an improving U.S. economy and the rising popularity of urban lifestyles have spurred real-estate markets across the country since 2012, leading to fast-rising prices and elevated valuations.

Now that interest rates are rising, those high asset values add risk for banks, given their heavy exposure to the sector, S&P said.

—Esther Fung

### CHINA

#### Nonperforming Debt Keeps On Increasing

Nonperforming loans at Chinese banks continued to increase in the first quarter, the China Banking Regulatory Commission said.

Total soured loans stood at 1.58 trillion yuan (\$228.6 billion) at the end of March, up from 1.51 trillion yuan three months earlier, the regulator said.

—Ian Walker

Chinese commercial banks' bad-loan ratio was unchanged at 1.74% at the end of March, the CBRC said.

—Grace Zhu

### AVIVA

#### Insurer Sells Some Operations in Spain

Aviva PLC said it is selling its stake in its Spanish life-insurance and pension joint ventures Unicorn Vida and Caja España Vida, as well as in retail life-insurance business Aviva Vida y Pensiones, for €475 million (\$515.9 million).

Aviva will still have some exposure to the insurance sector in Spain after this divestment, it said.

—Olga Cotaga

### ING GROEP

#### Net Earnings Slip

ING Groep NV reported a fall in first-quarter net profit, mainly because an asset sale boosted the result a year earlier.

Stripping out one-time items, underlying pretax profit at the bank, the Netherlands' largest in terms of assets, rose 39%, boosted by loan growth, good cost control and relatively low risk-related costs, it said.

Net profit was €1.14 billion (\$1.24 billion), compared with €1.26 billion for the comparable period in 2016. Underlying pretax profit was €1.65 billion, compared with €1.19 billion.

—Ian Walker

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FUND NAME GF AT LB DATE CR NAV YTD 2-YR %RETURN-  
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## MARKETS DIGEST

### Nikkei 225 Index

**19900.09** ▲ 57.09, or 0.29%

High, low, open and close for each trading day of the past three months.

Year-to-date  
52-wk high/low  
All-time high

19900.09 14952.02  
38915.87 12/29/89

▲ 4.11%  
19900.09 14952.02  
38915.87 12/29/89

Bars measure the point change from session's open

Session open ▶ Close  
Session high □ Open  
Session low ▢ Close  
Session open ▶ Close  
Session high □ Open  
Session low ▢ Close

Feb. Mar. Apr. May

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### International Stock Indexes

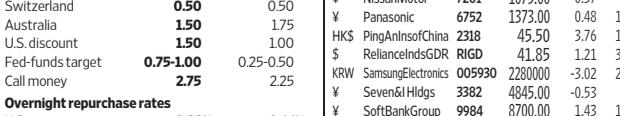
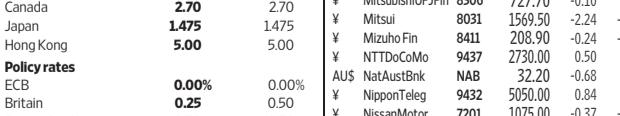
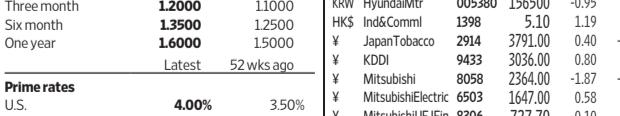
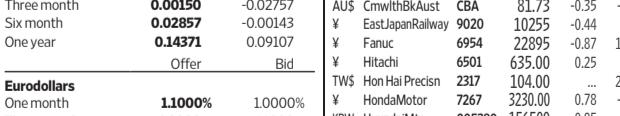
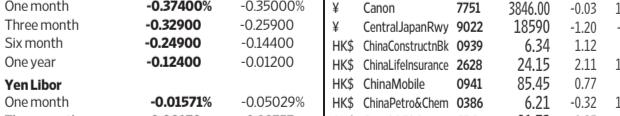
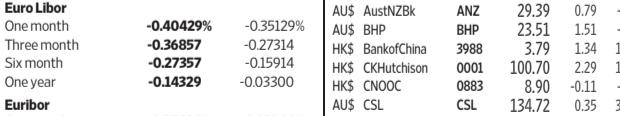
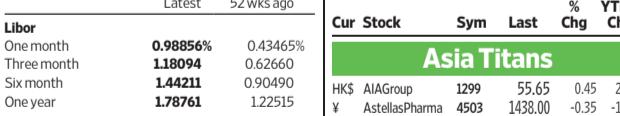
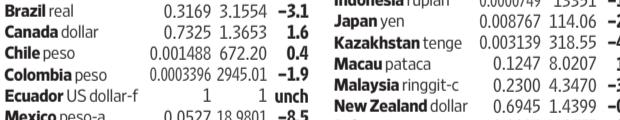
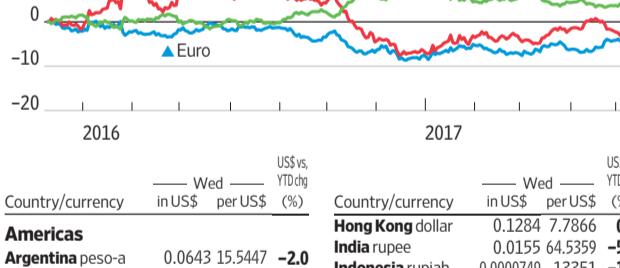
Data as of 12 p.m. New York time

| Region/Country      | Index                         | Close    | NetChg  | % chg    | 52-Week Range | Low        | Close | High | YTD % chg |
|---------------------|-------------------------------|----------|---------|----------|---------------|------------|-------|------|-----------|
| <b>World</b>        | <b>The Global Dow</b>         | 2746.72  | 0.35    | ▲ 0.01   | 2193.75       | ● 2755.95  | 8.6   |      |           |
|                     | <b>MSCI EAFE</b>              | 1862.19  | 1.52    | ▲ 0.08   | 1471.88       | ● 1956.39  | 8.5   |      |           |
|                     | <b>MSCI EM USD</b>            | 995.42   | 4.82    | ▲ 0.49   | 691.21        | ● 1044.05  | 25.3  |      |           |
| <b>Americas</b>     | <b>DJ Americas</b>            | 576.85   | 0.88    | ▲ 0.15   | 480.90        | ● 577.99   | 6.7   |      |           |
| Brazil              | Sao Paulo Bovespa             | 67226.53 | 948.86  | ▲ 1.43   | 48066.67      | ● 69487.58 | 11.6  |      |           |
| Canada              | S&P/TSX Comp                  | 15623.91 | 54.71   | ▲ 0.35   | 13609.58      | ● 15943.09 | 2.2   |      |           |
| Mexico              | IPC All-Share                 | 49993.01 | 53.54   | ▲ 0.11   | 43902.25      | ● 50154.33 | 9.5   |      |           |
| Chile               | Santiago IPSA                 | 3699.61  | 18.40   | ▲ 0.50   | 2998.64       | ● 3786.05  | 14.8  |      |           |
| <b>U.S.</b>         | <b>DJIA</b>                   | 20959.70 | -16.08  | ▲ -0.08  | 17063.08      | ● 21169.11 | 6.1   |      |           |
|                     | Nasdaq Composite              | 6117.64  | -2.95   | ▲ -0.05  | 4574.25       | ● 6133.00  | 13.6  |      |           |
|                     | <b>S&amp;P 500</b>            | 2398.15  | 1.23    | ▲ 0.05   | 1991.68       | ● 2403.87  | 7.1   |      |           |
|                     | CBOE Volatility               | 9.91     | -0.05   | ▲ -0.50  | 9.56          | ● 26.72    | -29.4 |      |           |
| <b>EMEA</b>         | <b>Stoxx Europe 600</b>       | 396.45   | 0.64    | ▲ 0.16   | 308.75        | ● 396.45   | 9.7   |      |           |
|                     | <b>Stoxx Europe 50</b>        | 3263.76  | 6.08    | ▲ 0.19   | 2626.52       | ● 3263.76  | 8.4   |      |           |
| France              | CAC 40                        | 5400.46  | 2.45    | ▲ 0.05   | 3955.98       | ● 5442.10  | 11.1  |      |           |
| Germany             | DAX                           | 12757.46 | 8.34    | ▲ 0.07   | 9214.10       | ● 12783.23 | 11.1  |      |           |
| Israel              | Tel Aviv                      | 1420.11  | -8.51   | ▲ -0.60  | 1372.23       | ● 1490.23  | -3.4  |      |           |
| Italy               | FTSE MIB                      | 21552.81 | 65.86   | ▲ 0.31   | 15017.42      | ● 21664.14 | 12.1  |      |           |
| Netherlands         | AEX                           | 535.66   | -0.60   | ▲ -0.11  | 409.23        | ● 537.84   | 10.9  |      |           |
| Russia              | RTS Index                     | 1111.64  | 25.96   | ▲ 2.39   | 873.58        | ● 1196.99  | -3.5  |      |           |
| Spain               | IBEX 35                       | 11034.80 | -14.40  | ▲ -0.13  | 7579.80       | ● 11184.40 | 18.0  |      |           |
| Switzerland         | Swiss Market                  | 9089.80  | -24.03  | ▲ -0.26  | 7475.54       | ● 9121.10  | 10.6  |      |           |
| South Africa        | Johannesburg All Share        | 54254.35 | 81.59   | ▲ 0.15   | 48935.90      | ● 54704.22 | 7.1   |      |           |
| Turkey              | BIST 100                      | 96194.20 | 870.82  | ▲ 0.91   | 70426.16      | ● 96194.20 | 23.1  |      |           |
| U.K.                | FTSE 100                      | 7385.24  | 43.03   | ▲ 0.59   | 5788.74       | ● 7447.00  | 3.4   |      |           |
| <b>Asia-Pacific</b> | <b>DJ Asia-Pacific TSM</b>    | 1580.88  | 3.92    | ▲ 0.25   | 1308.52       | ● 1586.64  | 11.1  |      |           |
| Australia           | <b>S&amp;P/ASX 200</b>        | 5875.40  | 35.50   | ▲ 0.61   | 5103.30       | ● 5956.50  | 3.7   |      |           |
| China               | <b>Shanghai Composite</b>     | 3052.79  | -27.74  | ▲ -0.90  | 2806.91       | ● 3288.97  | -1.6  |      |           |
| Hong Kong           | <b>Hang Seng</b>              | 25015.42 | 126.39  | ▲ 0.51   | 19694.33      | ● 25015.42 | 13.7  |      |           |
| India               | <b>S&amp;P BSE Sensex</b>     | 30248.17 | 314.92  | ▲ 1.05   | 25230.36      | ● 30248.17 | 13.6  |      |           |
| Indonesia           | <b>Jakarta Composite</b>      | 5653.01  | -44.05  | ▲ -0.77  | 4704.22       | ● 5726.53  | 6.7   |      |           |
| Japan               | <b>Nikkei Stock Avg</b>       | 19900.09 | 57.09   | ▲ 0.29   | 14952.02      | ● 19900.09 | 4.1   |      |           |
| Malaysia            | <b>Kuala Lumpur Composite</b> | 1766.56  | ...     | ■ Closed | 1614.90       | ● 1778.47  | 7.6   |      |           |
| New Zealand         | <b>S&amp;P/NZX 50</b>         | 7424.20  | 12.08   | ▲ 0.16   | 6664.21       | ● 7571.11  | 7.9   |      |           |
| Pakistan            | <b>KSE 100</b>                | 51103.53 | 30.39   | ▲ 0.06   | 36048.76      | ● 51103.53 | 6.9   |      |           |
| Philippines         | <b>PSEI</b>                   | 7794.17  | -129.33 | ▲ -1.63  | 6563.67       | ● 8102.30  | 13.9  |      |           |
| Singapore           | <b>Straits Times</b>          | 3249.97  | ...     | ■ Closed | 2729.85       | ● 3249.97  | 12.8  |      |           |
| South Korea         | <b>Kospi</b>                  | 2270.12  | -22.64  | ▲ -0.99  | 1925.24       | ● 2292.76  | 12.0  |      |           |
| Taiwan              | <b>Weighted</b>               | 9968.32  | 52.84   | ▲ 0.53   | 8053.69       | ● 9972.49  | 7.7   |      |           |
| Thailand            | <b>SET</b>                    | 1560.31  | ...     | ■ Closed | 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



Sources: Tullett Prebon, WSJ Market Data Group

### Key Rates

Latest 52 wks ago

| Cur                | Stock            | Sym     | Last   | % Chg | YTD% Chg | Cur           | Stock         | Sym    | Last   | % Chg | YTD% Chg   | Cur                       | Stock         | Sym    | Last   | % Chg | YTD% Chg |
|--------------------|------------------|---------|--------|-------|----------|---------------|---------------|--------|--------|-------|------------|---------------------------|---------------|--------|--------|-------|----------|
| <b>Asia Titans</b> |                  |         |        |       |          |               |               |        |        |       |            |                           |               |        |        |       |          |
| <b>Stoxx 50</b>    |                  |         |        |       |          |               |               |        |        |       |            |                           |               |        |        |       |          |
| <b>Americas</b>    | Hong Kong dollar | 0.1284  | 7.7866 | 0.4   | 0.13     | <b>Europe</b> | Bahrain dinar | 2.6525 | 0.3770 | -0.05 | -0.05      | <b>Middle East/Africa</b> | Bahrain dinar | 2.6525 | 0.3770 | -0.05 | -0.05    |
| Argentina peso-a   | 0.0643           | 15.5447 | -2.0   | -0.03 | -0.03    | Croatia kuna  | 0.5559        | 1.7989 | -3.2   | -0.03 | Malta euro | 0.1086                    | 0.9202        | -3.2   | -0.03  | -0.03 |          |
| Brazil real        | 0.3169           | 3.1554  | -3.1   | -0.03 | -0.03    |               |               |        |        |       |            |                           |               |        |        |       |          |

## FINANCE & MARKETS

# J.P. Morgan Steps Up Detroit Investment

Bank plans to spend \$50 million more to help revitalize city after long decline

BY ADRIENNE ROBERTS

Encouraged by its return on a \$100 million bet it made on the Motor City three years ago, **J.P. Morgan Chase & Co.** is planning to pour \$50 million in additional investment into Detroit's revitalization efforts.

Chief Executive James Dimon, in an interview, said the largest U.S. bank will use the new funds to invest in small businesses and help fund training and neighborhood development. In 2014, J.P. Morgan allocated \$100 million in loans and grants to help the city recover after years of economic decline and a municipal bankruptcy.

The investment represents a unique project for Mr. Dimon, who has said Detroit is attractive because of a "can do American attitude" and specific plans designed by the



PATRICK GORSKI/MURPHOTO/GETTY IMAGES

**CEO James Dimon says J.P. Morgan will invest in small business and neighborhood development.**

city's mayor, Mike Duggan. The bank is encouraged by how quickly loans are being paid back, and Detroit's ability to lessen its dependence on subsidies.

"When we heard the mayor talk, he spoke about jobs, police, sanitation—common

sense stuff that we could get behind," Mr. Dimon said. "We made sure the forces were lined up. We wouldn't invest if they weren't."

When the investment was first announced in 2014, Dan Gilbert, founder and chairman of Quicken Loans, was one of

the few private investors to invest a significant amount of money in Detroit.

Mr. Gilbert's investments are focused largely on downtown Detroit's business core, redeveloping vacant buildings into offices. Since then, many companies have moved their

headquarters, or opened offices in downtown Detroit, and real-estate investors have poured millions into redeveloping historic buildings into apartments.

J.P. Morgan's investment is largely focused on strengthening the city's neighborhoods, which have seen little private investment compared with downtown Detroit. The 132 square miles of land surrounding Detroit's downtown core are seen as key to Detroit's recovery, but the neighborhoods have been gradually emptying out.

Mayor Duggan said J.P. Morgan officials took the time to understand the Detroit market.

"They've been integral in everything we're doing," he said. "J.P. Morgan has invested in housing projects in good areas that couldn't get financing and were active in writing the strategies for workforce development. They haven't just sent money from New York."

In many cases, conversations with the mayor about specific problems in the city led to investments. For example,

Mayor Duggan told Mr. Dimon when he took office in 2014 that city officials didn't know where the abandoned homes were across the city's 139 square miles. That led J.P. Morgan to invest in Motor City Mapping, a project that created a database of Detroit properties with photos and information about each parcel of land.

Peter Scher, J.P. Morgan's head of corporate responsibility who put the Detroit investment together, said he has been encouraged by how quickly the loans have been repaid—\$7 million of the \$50 million in loans have been repaid—and that the market is becoming more sustainable.

"When we started three years ago, most of the projects we were investing in were subsidized capital," he said. "By late 2015, that changed to market capital."

J.P. Morgan is using the Detroit investment, the bank's most comprehensive investment in a city to date, as a model for how to invest in other cities and create inclusive growth.

## JLL Under Fire for Pay of Ex-CEO

BY PETER GRANT

One of the largest shareholders of JLL has attacked the commercial real-estate services giant for the \$11 million compensation package it awarded outgoing Chief Executive Colin Dyer, citing the company's weak returns for shareholders in recent years.

London-based **Generation Investment Management LLP**, which owns a 7.5% stake in JLL, made its concerns known in filings with the Securities and Exchange Commission and a letter to proxy advisory firm **Institutional Shareholder Services Inc.**

Generation said it is planning to vote against the re-election of JLL Chairman

Sheila Penrose and the firm's compensation plan at JLL's coming shareholder meeting.

"We believe this is a clear example of pay for failure," said Alexander Marshall, a partner with the asset-management firm in the letter to ISS.

A spokeswoman for JLL and Mr. Dyer, who unexpectedly announced his resignation as CEO last year, declined to comment.

Mr. Dyer's 2016 compensation package, which includes salary, pension and "incentive plan compensation," came to \$11.3 million in 2016, according to the firm's recently filed proxy statement. He retired as CEO at the end of September and was succeeded by Christopher Ulbrich, who had been president of the firm.

JLL's shares were down 23% from the beginning of 2016 to the close of trading Monday on the New York Stock Exchange. By comparison, shares of **CBRE Group Inc.**, another global real-estate services firm, were up 5.1% during the same period.

Both firms' revenue from brokerage commissions has been hurt by the decline in commercial real-estate sales in Europe and the U.S. But CBRE has been faster to replace commission revenue with recurring revenue from such businesses as property management, according to Brandon Dobell, an analyst with **William Blair & Co.**

Also, JLL's investments in such things as technology and employees "hurt margins in the near term more than people expected," Mr. Dobell said in an email.

In its letter to ISS, Generation pointed out that CBRE's CEO was paid less than Mr. Dyer even though CBRE was "better run."

The letter said the "sordid details" of the retirement agreement in JLL's proxy "makes one wonder whether [it] was written by Mr. Dyer himself rather than independent board members supposedly acting in the interests of shareholders."

In its letter to ISS, Generation asks to meet with the ISS analyst who covers JLL. A spokesman for ISS declined to comment.

In the first quarter of this year, JLL reported \$1.6 billion in revenue, up 25% compared with the same period in 2016,



Colin Dyer retired last year and got an \$11.3 million 2016 package.

thanks in part to acquisitions. The firm reported a 57% decline in earnings per share and a 10% decline in earnings before interest, taxes, depreciation and amortization.

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# MARKETS

## Korean Stocks End in Red

Concern about relationship with U.S. weighs on market; Europe shares rise

By ESE ERHERIENE

South Korea's Kospi index gave up early gains, closing down 1% as Moon Jae-in's victory in the country's presidential election prompted caution among investors about ties between South Korea and the U.S.

A 2.4% decline by **Samsung Electronics**, a retracement following a streak of gains, dragged the market lower as well. The stock has a heavy weighting in the index.

Some analysts expect that a more difficult relationship between the U.S. and South Korea will materialize as a result of Mr. Moon's win. That, they say, could further complicate U.S. efforts to isolate Pyongyang and curb its nuclear-weapons program.

Mr. Moon "has advocated a softer approach to North Korea, which could pit him against Trump," Australia & New Zealand Banking Group



Samsung Electronics fell 2.4% following a streak of gains.

S&P 500 edged up less than 0.1%, and the Nasdaq Composite slipped less than 0.1%.

Moves were muted after the unexpected firing of James Comey, the director of the Federal Bureau of Investigation, though some investors expressed concern that Mr. Comey's departure could stoke tensions between the White House and Congress.

Energy shares in the S&P 500 rose 1.2% as oil prices surged in response to news that U.S. stockpiles fell more than expected last week.

Chevron gained 1.4% and Exxon Mobil added 0.7%.

Consumer discretionary shares in the S&P 500 slipped 0.5%. Walt Disney fell 2.4% after late Tuesday reporting a smaller-than-expected increase in quarterly revenue.

With the earnings season now drawing to a close, some investors said the Trump administration needs to deliver on proposed tax cuts for equity markets to climb further.

"We have had a very good reporting season, but...we really need the tax cuts" for equity markets to push higher, said Monica Defend, head of global asset allocation research at Pioneer Investments.

—Christopher Whittall contributed to this article.

## French Vote Over, GE Issues €8 Billion Bond

By TASOS VOSSOS

**General Electric** Co. issued an €8 billion (\$8.7 billion) bond on Wednesday, capitalizing on the release of pent-up demand after the French election.

The deal is one of the largest in the euro corporate-bond market's history. It follows a string of euro corporate-bond issues on Tuesday, including deals from **Kellogg** Co. and Spanish oil company **Repsol SA**.

Over the past five weeks, companies had held back from selling bonds in Europe given political uncertainty spurred by the French election. Many firms had also already raised cash earlier this year ahead of a series of European elections in which anti-euro candidates were gaining ground in the polls. France's presidential election ended on Sunday with a win for mainstream candidate Emmanuel Macron.

"Risk appetite is there, and it's a good opportunity for issuers to print bonds," says Thomas Neuhold, portfolio manager at Austria's Gutmann, who bid for one of GE's four bond tranches.

Given the lack of issuance over the past few weeks, investors have cash they can

spend on new deals.

Frazer Ross, a senior debt banker with Deutsche Bank AG, said the latest available figures showed there were €22 billion of orders for the General Electric bonds, with the highest level of demand coming for the longer-dated securities offered, including a €2 billion tranche of 20-year debt. Pricing of the deal was expected Wednesday afternoon.

"The message is political risk in Europe is subsiding and markets are open. Even though the [Federal Reserve] is hiking and there's talk of [European Central Bank] tapering...there is demand for long-dated bonds," said Mr. Ross, who is working on the deal. Mr. Ross said global asset managers as well as pension funds and insurance companies had placed orders for the securities.

Fund managers "have a lot of money available," said the head of syndicate at a large European bank.

But the good conditions may not last, as central banks begin thinking about tapering or ending their huge bond-buying programs. The ECB and the Bank of England have also bought corporate bonds, which analysts said helped to prop up the market.



Gas turbines at a General Electric plant in South Carolina

## Oil Rises as U.S. Supplies Decline

By ALISON SIDER

Crude prices rallied after U.S. data showed that the amount of oil in storage tanks fell for a fifth week in a row, easing concerns about a glut that has lingered despite output cuts by the world's major exporters.

Oil inventories fell 5.2 million barrels last week—the largest weekly decline this year, according to the U.S. Energy Information Administra-

tion. The draw from stockpiles dwarfed the 1.7-million-barrel drop that analysts and traders surveyed by The Wall Street Journal were expecting.

U.S. crude futures were up \$1.61, or 3.5%, to \$47.49 a barrel at midday on the New York Mercantile Exchange. Brent, the global benchmark, rose \$1.50, or 3.1%, to \$50.23.

Oil prices have been sliding in recent weeks amid skepticism about the ability of the Organization of the Petroleum Exporting Countries to work

off the overhang of supply that has weighed on prices for nearly three years.

U.S. producers have ramped up output aggressively this year, blunting some of the impact of the OPEC-led production cuts. U.S. stockpiles have started to shrink but still stand near record levels.

And rising levels of gasoline in storage tanks in recent weeks have raised the specter of weakening demand.

Wednesday's figures shook the negative sentiment that

has taken hold in recent weeks.

"There's not anything in that data that's bearish—it's a good number," said Bill O'Grady, chief market strategist at Confluence Investment Management in St. Louis.

Gasoline stockpiles edged lower by 150,000 barrels, breaking a three-week streak of rises. Gasoline futures rose 4.98 cents, or 3.3%, to \$1.5393 a gallon at early afternoon. Diesel futures rose 3.87 cents, or 2.68%, to \$1.4808 a gallon.

## HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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## AXA Takes Step to Exiting U.S.

**AXA** SA's plan for a multi-billion-dollar listing of its U.S. life arm looks like a step toward the exit by the French insurer even if it starts by selling only a minority stake.

The initial public offering next year could raise more than \$4 billion depending on how much is sold, which AXA said it would reinvest in growth areas such as emerging markets. Proceeds will also likely fund share buybacks.

The company said the listing would give more flexibility to the U.S. arm, which includes AXA Equitable and the group's 64% stake in fund manager **AllianceBernstein**.

But there are other reasons for AXA to consider quitting the U.S. The Labor Department fiduciary rule, which is set to change how people pay for retirement products, will cut AXA's U.S. sales by more than 10%, the group has said. That may change under President Donald Trump, but it remains

### Good Night, America?

Breakdown of AXA group's 2016 revenue



Note: Percentages don't total 100 due to rounding

Sources: the company; Agence France-Presse/Getty Images (photo)

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AXA group Chief Executive

Thomas Buberl

closely to its parent. However, the group said Wednesday that its U.S. listing wasn't a prelude to buying out the 36% stake of AllianzBernstein that it doesn't own.

AXA's stake in the fund manager is worth about \$1.3 billion. Its U.S. life business reported a net profit of €863 million (\$938.5 million) last year, about 15% of the group total. Assume 5% growth this year, slightly slower than 2016's performance but in the middle of AXA's long-term group target, and the U.S. arm is worth about \$9.8 billion if priced at 10 times earnings, in the middle of the range for U.S. life companies.

That is about \$11 billion all in, roughly one-sixth of AXA's market value. The group will be giving up a chunk of earnings, but from a distant business with little connection to the rest of AXA or its strategy. A full exit would ultimately make sense.

—Paul J. Davies

## OVERHEARD

One lesson for airline investors: It is better to own an airline that forcibly kicks passengers off its planes than one that won't let them get on.

Shares of discount carrier **Spirit Airlines** fell 2.3% Tuesday after disgruntled pilots refused to get on planes and fly them.

Passengers who had been waiting for hours on the ground in Fort Lauderdale, Fla., assailed ground staff and broke through barricades. A sheriff's deputy called in to maintain order was knocked to the ground.

**United Continental Holdings** suffered a worse embarrassment last month when it hauled off a passenger from an overbooked flight. Despite a public apology, a payoff to the passenger and the ceremonial grilling of its chief executive by Congress, United's shares through Tuesday were up 11% since last month's episode. Regular fliers should hope Spirit doesn't learn any lessons from United.

## Thin Is In As Allergan Dodges Bullet

A series of acquisitions helped turn **Allergan** into a pharmaceutical giant, but shareholders should be most grateful for what is no longer in its portfolio.

That is the take-away from first-quarter results out Tuesday. Allergan reported revenue of \$3.6 billion and adjusted earnings of \$3.35 a share, narrowly topping expectations. Familiar products led the way, with sales of Botox 12% higher.

The star of the show, though, had exited stage left. Allergan's \$40 billion sale of its generics unit to **Teva Pharmaceutical Industries** was exceptionally well timed. Allergan has used the proceeds to buy back stock, invest in new experimental drug candidates and pay down some debt.

The generics industry is struggling with falling prices as well as a collusion investigation by the Justice Department. Allergan, meanwhile, is up 13% over the past 12 months through Tuesday as most generics stocks have plummeted.

There are hurdles to be cleared. The firm carries nearly \$23 billion in net debt. That would sting if Botox sales lose steam. With the stock at 15 times this year's expected adjusted profit, new products like Kybella, a treatment for chin fat, and Coolsculpting, a fat reduction device, will need to blossom to increase that valuation.

But those worries would be far more severe if the generics unit hadn't been sold. And while Allergan's spending spree on new drug candidates isn't without risk, there is significant upside if things go well. Allergan shareholders have reason to keep their slimmer chins up.

—Charley Grant

## Auto Makers' Profits Come With Chinese Characteristics

When is a record profit not as good as it seems?

When two of China's leading auto companies are involved.

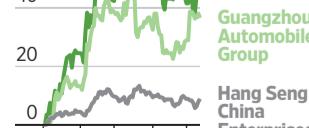
Sales volumes and share prices for **Guangzhou Automobile** and **Geely Automobile** have soared this year, despite wavering demand in the world's largest car market.

The underlying financials, however, are looking a little too rosy.

Guangzhou Automobile, or GAC, which has joint ventures with the likes of **Toyota Motor** and **Honda Motor** in China, in April reported a 99% jump in net profit for the first three months of the year—a record quarter and well above expectations. Meanwhile, sales for last

### Need for Speed

Share-price, index performance



Source: FactSet

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But a look at the car maker's earnings in the final quarter of 2016 reveals a bit more about the whopping performance. With Chinese car sales roaring at the end of last year, in theory earnings should have been in line with, if not better than, previous quarters. But despite the company's high quarterly car sales volumes, net income fell as costs rose 40% in the quarter. Packing costs into the final quarter seems to have worked, with earnings this year showing an added bounce.

Also at play: GAC disclosed it received around 600 million yuan (\$86.8 million) of government subsidies so far this year for its own brand,

part of which bolstered profit and cash flows.

At China's best-performing homegrown auto maker, Geely, which shares a parent company with **Volvo**, sales volumes nearly doubled last month as it launched a host of new SUVs. After the company's annual results reported in late March showed profit rising 126%, the stock has been on fire, up 45% this year.

But strip out the gains from currency exchange rates, government subsidies and net capitalized research and development costs, and the earnings fall by almost half. Geely's margins, while healthy, just held steady.

Investors seem to be rid-

ing the auto makers' grand plans this year. GAC expects 10% growth in the number of cars it sells and hopes to launch and face-lift 16 models.

Geely is looking to sell almost a third more cars this year, or 1 million units. The broader industry is expected to grow 4% to 5% at best and pricing pressure is rising.

GAC and Geely are trading above their peers' average of eight times forward earnings for the next 12 months, at 9.2 times and 11.4 times, respectively. Even so, delivering on investors' expectations will be tough. It is time to take a closer look under the hood.

—Anjani Trivedi