

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

TUESDAY, MAY 15, 2018 ~ VOL. CCLXXI NO. 113

WSJ.com

★★★★ \$4.00

DJIA 24899.41 ▲ 68.24 0.3%

NASDAQ 7411.32 ▲ 0.1%

STOXX 600 392.19 ▼ 0.1%

10-YR. TREAS. ▼ 7/32, yield 2.995%

OIL \$70.96 ▲ \$0.26

GOLD \$1,316.50 ▼ \$2.50

EURO \$1.1929

YEN 109.65

What's News

Business & Finance

CBS moved to break free from the Redstone family's grip and thwart what it fears would be a forced merger with Viacom, escalating a yearslong struggle. **A1**

◆ **Calpers's investment chief** said he would leave by year-end, the latest executive departure at the fund. **B1**

◆ **Goldman is shaking up** the leadership of its trading arm, a business that has struggled in recent years. **B1**

◆ **Some at Tesla voiced** concern long before a March crash that there weren't enough Autopilot safeguards to ensure drivers remained attentive. **B1**

◆ **Tesla will restructure** and flatten its management, CEO Musk told employees. **B4**

◆ **Shale drillers are ramping up production** in the U.S. as oil prices increase, moving beyond West Texas. **B1**

◆ **Nissan should stay independent**, its CEO said, voicing opposition to a potential merger with Renault. **B3**

◆ **Apple supplier Foxconn** reported a worse-than-expected 15% decline in first-quarter net profit. **B4**

◆ **The Dow gained** 68.24 points to 24899.41 amid signs of easing trade tensions between the U.S. and China. **B1**

◆ **Facebook suspended** some 200 apps for suspected misuse of users' data shared on or through Facebook. **B5**

◆ **Venture firm NEA plans** to sell about \$1 billion of its startup investments amid a dearth of IPOs. **B4**

◆ **A Modigliani painting sold** for \$157.2 million at Sotheby's, a record for the artist. **A2**

World-Wide

◆ **The U.S. opened** a new embassy in Jerusalem, as clashes between Palestinian protesters and Israel's military left dozens dead. **A1**

◆ **Russia's military alliance** with Tehran in Syria is showing cracks after Israeli strikes against Iranian forces. **A16**

◆ **The Supreme Court invalidated** federal prohibitions on sports wagers, opening the door to legal sports betting across the nation. **A1, A12**

◆ **The U.S. and China are closing** in on a deal that would end a ban on ZTE in exchange for Beijing removing tariffs on U.S. farm products. **A1**

◆ **Iraqi populist cleric Sadr,** a critic of both the U.S. and Iran, staged a strong showing in elections, scrambling the political landscape. **A16**

◆ **Workplace inspections** are rising as part of an effort to find illegal workers and deter firms from hiring them, ICE data show. **A3**

◆ **Islamic State-inspired** militants appear to be waging a new terror campaign in Indonesia with attacks on churches and police. **A7**

◆ **Malaysia's new premier** prepared to relaunch probes into financial scandals. **A7**

◆ **Catalonia's assembly** elected a new leader, likely clearing the way for Madrid to end direct rule over the restive region. **A16**

◆ **Melania Trump** underwent a medical procedure for a benign kidney condition. **A2**

◆ **New fissures opened** on Hawaii's Big Island as Kilauea continued to spew lava. **A3**

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Source: Thomson Reuters

THE WALL STREET JOURNAL.



In the Gaza Strip, 59 protesters were killed in clashes with Israeli soldiers Monday as President Donald Trump's elder daughter, Ivanka Trump, and Treasury Secretary Steven Mnuchin, both below, participated in the opening of the new U.S. Embassy in Jerusalem.

Chaos as U.S. Embassy Opens

Move to Jerusalem fuels protest at Gaza border, leaving scores of Palestinians dead

By FELICIA SCHWARTZ AND RORY JONES

JERUSALEM—The U.S. cemented its ties to Israel by opening a new embassy in Jerusalem on Monday, as clashes between Palestinian protesters and Israel's military left dozens dead and added to the Trump administration's challenges in the Middle East.

The ceremony, held in a large tent beside the new embassy, was attended by top Israeli and U.S. officials. "This is a great day for Israel, it's a great day for America," Prime Minister Benjamin Netanyahu of Israel told the attendees. "I also believe it's a great day for peace."

Some 50 miles away, Israeli military used warplanes to hit targets belonging to Hamas, the Palestinian faction that rules



Gaza, and fired live ammunition, tear gas and rubber bullets at Palestinian protesters as many of them attempted to breach the fence dividing the Gaza Strip and Israel.

Protesters used explosive devices, firebombs and flaming kites, according to the Israeli

military. Numerous shots were fired, and Gazans burned tires and threw Molotov cocktails at Israeli soldiers.

Gaza officials said 59 protesters were killed—among them a 12- and a 14-year-old—and more than 2,400 were injured. That marked the largest single-day

death toll since the Israeli-Hamas conflict of 2014.

The unrest followed months

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◆ Iraq cleric gains sway after upset vote..... A16

◆ Israeli strikes in Syria test Russia-Iran ties..... A16

Please see CBS page A4

Please see ROBOT page A8

◆ Heard on the Street: CBS gambles in Redstone spat... B12

High Court Voids Ban On Sports Gambling

WASHINGTON — The Supreme Court opened the door to legal sports betting across the country by invalidating federal prohibitions on such wagers, in a ruling Monday that could mark a ground-

By Brent Kendall,
Chris Kirkham
and Andrew Beaton

breaking shift for sports leagues, fans and casinos.

The court, in a 6-3 opinion written by Justice Samuel Alito, struck down the 1992 Professional and Amateur Sports Protection Act, or PaspA, a federal law that said states couldn't "sponsor, operate, advertise, promote, license, or

authorize" sports gambling.

The ruling, which sided with a challenge brought by New Jersey, clears the way for states, if they choose, to allow gambling on athletic events watched by millions of Americans. It also set off an immediate scramble, as state and federal lawmakers, sports executives and gambling operators began envisioning a world in which legal, state-sanctioned wagers become a central part of the American sports landscape.

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◆ Professional leagues gear up for a betting future..... A12

◆ Jason Gay: Here comes the apocalypse..... A12

These days he still inspects, but the grabbing is being done by Fritz, a robot that auto-parts manufacturer Robert Bosch GmbH installed three years ago at this German factory as part of an automation effort.

Fritz is more efficient at handling the dangerous and repetitive task of lifting the 8-inch metal-and-circuitry pieces out of the furnace. This leaves Mr. Rösch less exposed to potential accidents and gives him time to test 20% more

parts than he did before the robots.

The big question surrounding automation

has long been whether robots would compete with workers or help them. Initially, workers feared robots would destroy jobs across the economy. Scholarly research and real-life experience have eased that concern, although some types of workers and industries are ending up on the losing side.

Today, the question is more precise: In which industries does automation help both employer and employee?

The companies that may have cracked the code are those that can assign repetitive, precise tasks to robots, freeing human workers to

Please see ROBOT page A8

ANSBACH, Germany—A few years ago, Roland Rösch's job involved grabbing scalding-hot auto parts from an oven and inspecting them for signs they had failed a safety test.

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U.S. NEWS

Two Fed Nominees to Face Senate Panel

Both back bank's goals of price stability, low unemployment; one faults Dodd-Frank law

By NICK TIMIRAO

Richard Clarida, the Columbia University economist picked to serve as the Federal Reserve's No. 2 official by President Donald Trump, said he would "fully support" the central bank's mission and promote accountability that preserves its independent status.

In prepared testimony released Monday by the Senate Banking Committee ahead of a hearing on his nomination

Tuesday, Mr. Clarida said he would support interest-rate policy that takes a "balanced approach" to achieving the central bank's goals of stabilizing prices and maximizing sustainable employment.

He also said he supported financial regulatory policies that are "effective, efficient and appropriately tailored" to provide a safe and sound financial system. His testimony appeared to broadly endorse the regulatory architecture enacted following the 2008 financial crisis, including the 2010 Dodd-Frank legislation.

Policies should "preserve the far greater resiliency and stability of the financial system that has been achieved as a result of the significant re-

forms that have been put in place since the financial crisis," Mr. Clarida said.

Mr. Clarida is managing director and global strategic adviser at **Pacific Investment Management Co.**

He will testify alongside Michelle Bowman, the Kansas banking commissioner who has been picked for a seat on the Fed's seven-member board reserved for a community banker or community bank regulator.

Ms. Bowman, who has worked at her family's community bank, said her role as a compliance officer after the Dodd-Frank overhaul was enacted gave her firsthand experience in the law's shortcomings. "The regulatory



CHRISTOPHER GOODNEY/BLOOMBERG NEWS
Richard Clarida

environment created in the aftermath of the crisis has disadvantaged community banks," she said in her prepared testimony.

She said she would work

with the Fed's board of governors, if confirmed, to "ensure that rules preserve the resiliency of the financial system but are appropriately tailored to the size, complexity and risk of an institution."

Ms. Bowman also said she supported the Fed's mandate to target price stability and maximum employment.

Mr. Clarida has written frequently in academic journals and for Pimco investors on a range of monetary-policy topics, leaving a thorough body of work for lawmakers to consider during his confirmation hearing Tuesday.

Ms. Bowman, by contrast, has comparatively little in the public record about how she would approach monetary pol-

icy, the Fed's relationship with the executive branch and financial regulation.

Mr. Clarida is well-regarded by economists on both sides of the aisle.

Former Fed Chairman Ben Bernanke and three other former leading policy makers endorsed Mr. Clarida's nomination in a letter to the top Republican and Democrat on the Senate Banking Committee on Monday.

Mr. Clarida would serve as a top lieutenant to Fed Chairman Jerome Powell, who is the first Fed leader in more than 30 years who isn't an economist.

◆ James Mackintosh: Lies, damn lies and inflation..... B1

Powerful Storm Lashes Denver



ROUGH PASSAGE: A motorist attempted to navigate an intersection in Denver on Monday after hail and heavy rain descended on the area.

BETS

Continued from Page One

"It's going to add an entirely different dimension to fan engagement. What remains to be seen is whether it's a good dimension," said Nellie Drew, a sports-law professor at the University of Buffalo.

In the 31-page decision, the high court agreed with New Jersey's argument that the federal law was an intrusion into states' rights to regulate activity within their borders.

Paspa "unequivocally dictates what a state legislature may and may not do," Justice Alito wrote, adding that "a more direct affront to state sovereignty is not easy to imagine."

Congress has the authority to regulate sports gambling directly, "but if it elects not to do so, each state is free to act on its own," Justice Alito wrote. Sen. Orrin Hatch (R., Utah) suggested Monday he would push for national legislation.

Joining Justice Alito were Chief Justice John Roberts and Justices Anthony Kennedy, Clarence Thomas, Elena Kagan and Neil Gorsuch.

New Jersey Gov. Phil Murphy, a Democrat, praised the court's ruling, as well as efforts by his predecessor, Republican Chris Christie, to open the state to sports wagers. The Justice Department, which defended the federal prohibitions, declined to comment.

Sports enthusiasts could now see legalized sports gambling in a number of additional states in coming months, including Pennsylvania and West Virginia, which have already passed legislation to allow for wagers. A group of 18 state attorneys general and three governors filed a brief supporting New Jersey's position.

Share prices for regional U.S. casino operators such as Caesars Entertainment Corp., Penn National Gaming Inc. and Boyd Gaming Corp. rose Monday. Caesars was up more than 5% at the close, while Penn was up 4.6% and Boyd rose 3%.

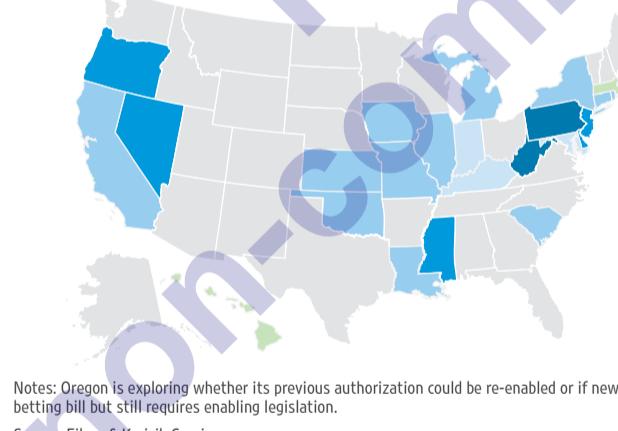
Caesars said it planned to expand its U.S. sports betting business "wherever secure and responsible wagering on sporting events is legalized."

On Monday, Daily fantasy sports operators FanDuel Inc.

Lines Drawn

Several states are in various phases of enacting sports-betting legislation, drawn by the prospect of securing some of the revenue that now flows to Nevada.

States with active sports betting legislation, 2018



and DraftKings Inc. said that they are planning to enter the sports-betting market.

Obstacles remain. States will need to craft licensing and taxing regimes, and legalization efforts could face opposition from antigambling forces. Congress could choose to get involved, though it is unclear whether lawmakers in a gridlocked Capitol have the appetite to tackle the issue.

The court agreed with the argument that the law was an intrusion into states' rights.

Mr. Hatch, an original author of Paspa, said he would offer legislation in the coming weeks to set federal standards as states decide whether to allow sports betting. "We cannot allow this practice to proliferate amid uneven enforcement and a patchwork race to the regulatory bottom," Mr. Hatch said.

Congress passed the 1992 law in response to concerns that a growing number of states wanted to allow sports wagers. Bets on individual sporting events now take place only in Nevada, since a long history allowed the state to be grandfathered into the federal

law. Laws in Oregon and Delaware allow for more limited wagering, but legal bets on single sporting contests have been off-limits to most Americans, leaving only unregulated black markets—and informal pools on marquee events.

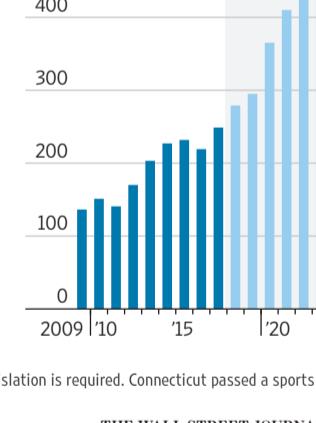
One big unknown is what form wagering might take throughout the country. If states restrict it to in-person bets at casinos, that would make for a much smaller market than allowing wagers to be placed online.

A study last fall from industry consultant Eilers & Krejcik Gaming LLC found that total annual revenue from sports betting at casinos and racetracks in all 50 states would amount to \$7.1 billion, whereas adding online wagers would more than double the annual revenue to about \$16 billion.

Sports leagues and the National Collegiate Athletic Association had sued New Jersey to stop its betting plans, but the four major professional sports leagues—the National Football League, National Basketball Association, Major League Baseball and National Hockey League—have been quietly working to mobilize for the day this ruling would arrive.

The NBA and MLB have positioned themselves to try for a cut of the action from gambling activity in their sports. The NFL intends to push for legislation that would require

Total Nevada sports betting revenue



any new sports gambling operations to use its officially sanctioned league data.

This is a reversal from the longtime antigambling stances the leagues took in part because they had, for a century, been rocked periodically by gambling-related scandals.

Ted Leonsis, owner of the NHL's Washington Capitals and the NBA's Washington Wizards, said in an interview Monday that there are enormous opportunities for fans, players and media companies to benefit from regulated wagering. "Everyone has come to the realization that there's so many good things that happen by bringing this shadow economy into the sunshine," Mr. Leonsis said.

No sports body may be in a tighter spot than the NCAA, which has consistently positioned itself against the expansion of sports betting. Now it is preparing to change a longstanding policy against holding NCAA championship events where sports betting is legal, which could soon mean much of the country.

In a statement, the NCAA's chief legal officer, Donald Remy, said, "While we are still reviewing the decision to understand the overall implications to college sports, we will adjust sports wagering and championship policies to align with the direction from the court."

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A photo with a World News

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U.S. WATCH

WHITE HOUSE

First Lady Undergoes Medical Procedure

First lady Melania Trump underwent a medical procedure to treat a benign kidney condition, the White House said.

Monday's embolization procedure was successful and there were no complications, the White House said. Mrs. Trump is at Walter Reed National Military Medical Center and is likely to remain there the rest of the week, the White House added.

Further details about Mrs. Trump's condition and treatment weren't disclosed. President Donald Trump said Monday afternoon he was headed to the Bethesda, Md., medical center to see Mrs. Trump. "Successful procedure, she is in good spirits," he tweeted. "Thank you to all of the well-wishers!"

An embolization of a kidney isn't uncommon, said Brian Funicelli, chief of vascular and interventional radiology at the University of Chicago Medical Center. He said the idea is to block off blood flow to a kidney growth that can either be benign or cancerous, although the procedure is more often used with benign growths.

—WSJ Staff

Senate

Ex-Lawmaker Reid Has Cancer Surgery

Former Sen. Harry Reid (D., Nev.) underwent surgery to remove a tumor on his pancreas, his family said, and will now start chemotherapy.

His family said Monday that doctors at the Johns Hopkins cancer center in Baltimore spotted the tumor early and that the "prognosis for his recovery is good."

Mr. Reid, 78, was the Democratic leader in the Senate for more than a decade. He was first elected to the House of Representatives in 1982 before winning a Senate seat in 1986. He successfully ran to become Senate Democratic leader in 2004.

Mr. Reid stepped down as the party's leader in 2015 after sustaining an eye injury in an exercise accident and later that year said he would retire from the Senate and not seek re-election in 2016. He was succeeded as Democratic leader by Sen. Chuck Schumer of New York.

—Shayndi Raice

MISSOURI

Prosecutor Drops Case Against Governor

The St. Louis prosecutor who charged Missouri Gov. Eric Greitens with invasion of privacy for allegedly taking nude photos of a woman after tying her up dropped the charges Monday after a judge allowed the defense to call the prosecutor as a witness.

The Republican governor's lawyers accused Democratic St. Louis Circuit Attorney Kimberly Gardner of misconduct, alleging she allowed a lead investigator in the case to perjure himself. The judge granted the defense's request to call Ms. Gardner as a witness, "placing her in an impossible position," she said in a statement.

Ms. Gardner added that she is considering calling a special prosecutor or appointing one of her assistants to proceed with the case.

A lawyer for Mr. Greitens didn't respond to a request for comment. He has admitted to having an affair with the woman but has said it was consensual.

—Shayndi Raice

CORRECTIONS & AMPLIFICATIONS

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U.S. NEWS

New Methods Aim to Speed Stroke Care

BY THOMAS M. BURTON

Thousands of stroke victims are disabled every year because the right treatment comes too slowly. Some emerging technologies may change that.

The technologies use computer algorithms to cross-reference a stroke patient's brain scan with a vast database of scans from other victims, allowing a precise diagnosis in minutes.

It can be done by less-experienced doctors in outlying hospitals or by paramedics with portable scanning devices in an ambulance. The scans and results can be quickly sent to a specialist at a regional stroke treatment center who can confirm the diagnosis.

The result: Victims of strokes—an interruption of the brain's blood supply that deprives brain tissue of oxygen—can be rushed to a stroke center with the most-skilled doctors who can remove blood clots. That contrasts with a too-common scenario: languishing for hours at a less-equipped hospital waiting for a diagnosis that often comes too late to help.

"There is no more time-sensitive treatment in all of medicine than treating the stroke victim," said Thomas G. Devlin, chairman of neurology at the University of Tennessee's Erlanger Medical Center in Chattanooga, a top stroke-treatment center. "The new technology has the potential for shaving off critical minutes, sometimes even hours, in the diagnosis, triage and treatment of stroke."

Many hospitals don't have the expertise or the facilities, leaving them with two choices: Lose precious time transferring a patient to a better-equipped stroke center, or treat the patient with a clot-dissolving drug. This drug works well for some moderately ill stroke pa-

Companies developing different forms of this new technology include Viz.ai Inc. of San Francisco and Neural Analytics Inc. of Los Angeles. Both have been testing their new imaging at Erlanger and elsewhere. Another important new technology, called RAPID from IschemiaView Inc. of Redwood City, Cal., produces automated images showing how much brain tissue is salvageable after a severe stroke.

At issue with the technologies are the most severe blockages in major arteries caused by clots.

Under current protocols, patients with severe strokes are typically rushed to the nearest hospital, regardless of the facility's ability to treat the most-severely ill patients. Once there, such patients undergo tests and scans for a diagnosis that often takes hours.

With the clock ticking, many patients find their best chance for survival and recovery is an innovative procedure called a thrombectomy, which allows doctors to remove a clot to restore blood flow, according to doctors, medical records and journal articles.

The thrombectomy has proven highly effective and is transforming stroke treatment. But many stroke patients lack timely access to the complex procedure.

Many hospitals don't have the expertise or the facilities, leaving them with two choices: Lose precious time transferring a patient to a better-equipped stroke center, or treat the patient with a clot-dissolving drug. This drug works well for some moderately ill stroke pa-



The University of Tennessee's Erlanger Medical Center is testing new technologies that could help diagnose stroke patients more quickly.

Doctors Put Faith in Artificial Intelligence

Chris Mansi, a British neurosurgeon, helped develop the idea for Viz.ai Inc.'s technology after participating in a 2014 operation on a brain-injured woman who died because it took four hours to get her to the right hospital.

Dr. Mansi later enrolled in Stanford Business School where he developed technology to speed such patients to the right specialist for better outcomes.

He also took a course on

venture capital for entrepreneurs, taught by former Google chief Eric Schmidt. At the course's end, Dr. Mansi made a presentation that impressed Mr. Schmidt. His venture-capital fund and others invested \$7.5 million in what became Viz.ai, where Dr. Mansi is CEO.

"I like the medical imaging area, as I think AI will lead to much better outcomes," Mr. Schmidt said.

The technology from Viz.ai (the ai is for artificial intelligence) recently gained Food and Drug Administration approval. The company is talking to hospitals about installing its diag-

nostic software, which would let neurologists see brain scans almost simultaneously.

A Viz.ai study of 300 patients, which prompted the FDA approval, showed that the company's software was able to notify a stroke neurologist on average 7.3 minutes after the brain imaging took place. That compared with the hours that it can take otherwise.

The other company developing similar stroke technology, Neural Analytics, uses ultrasound devices that would attach to the patient's head in the ambulance to produce images that measure blood flow in the brain,

comparing it with a database of thousands of such images to quickly pinpoint the problem. Paramedics could quickly send the image to a stroke hospital.

Robert Hamilton, the company's chief scientific officer, was a Ph.D. student in bioengineering at UCLA when he and colleagues thought of this technology for other types of brain injuries. They realized that it could be used to rapidly detect strokes caused by blood clots. Neural Analytics' most recent study showed its technology detects 97% of large-artery strokes.

It is seeking FDA approval.

tients. But the therapy often fails for thousands with large clots blocking major arteries.

A study in the journal Circulation last year of 984 such patients showed that treatment delays for them led to worse outcomes if they were transferred between hospitals in-

stead of going straight to a hospital that could pull clots out with a thrombectomy.

Erlanger treated 1,721 patients last year with clot-based strokes, 180 of whom got thrombectomies. The hospital employs a far-flung network of helicopters and ambulances

that can rush stroke patients from up to 150 miles away. But like most top stroke centers, Erlanger depends on fast referrals from other hospitals for optimal treatment. Minutes make all the difference.

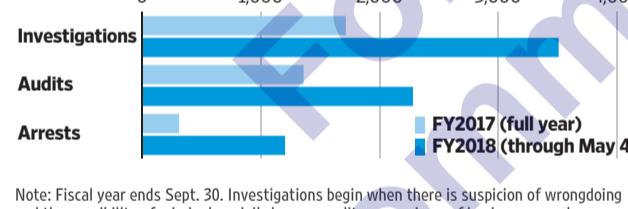
In one case during January, a 64-year-old stroke patient ar-

rived at another Chattanooga hospital at 1:07 p.m. After two brain scans, she was transferred to Erlanger at 8:05 p.m., too late for a thrombectomy, Dr. Devlin said. She now resides in a nursing home, unable to speak or use her right leg and arm, her husband said.

Workplace Inspections Rise in Pursuit of Illegal Hirings

BY LAURA MECKLER

Crackdown
WASHINGTON—U.S. Immigration and Customs Enforcement has ramped up workplace scrutiny to verify that workers are in the U.S. legally.



Note: Fiscal year ends Sept. 30. Investigations begin when there is suspicion of wrongdoing and the possibility of criminal or civil charges; audits are reviews of business records.

Source: Immigration and Customs Enforcement

During the first seven months of the fiscal year, which began Oct. 1, the agency opened far more workplace investigations, initiated more

audits and made more arrests, compared with the entire previous fiscal year, according to ICE data.

The agency said its Home-

land Security Investigations division, known as HSI, opened 3,510 workplace investigations between Oct. 1 and May 4, up from 1,716 during all of fiscal year 2017.

Officials expect that number to reach about 5,500 by the end of the current fiscal year, more than triple the previous year, said Derek Benner, the acting executive associate director for HSI.

ICE also said it initiated 2,282 employer audits between Oct. 1 and May 4, up from 1,360 in all of fiscal 2017. Audits involve asking employers to produce the I-9 forms that employees fill out, testifying that they are legal to work in the U.S.

The Democratic administration of former President Barack Obama also expanded the use of audits to look for employer violations, with the number of audits peaking in 2013, at 3,127. Mr. Benner said that ICE would ultimately like to open as many as 15,000 audits a year, depending on funding and other factors.

"Let's create a culture of compliance through the administrative audit process," he said. "In order to do that you have to have a higher number of audits conducted in a centralized way."

Mr. Benner said he hopes to create a centralized office to oversee employer audits,

rather than the existing scatter-shot approach via regional offices.

The agency also said it has made 1,204 arrests during the first part of fiscal 2018, up from 311 during all of fiscal 2017.

ICE typically faces less criticism when it targets employers, though some have said the raids are another way of going after illegal workers. The state of California has barred employers from allowing federal immigration agents into private workspaces without a judicial warrant and requires employers to notify employees before they turn over records to federal agents.

More Volcanic Fissures Open in Hawaii

BY NOUR MALAS

New fissures opened in the eastern corner of Hawaii's Big Island over the weekend and Monday morning as the eruption of the Kilauea volcano more than 10 days ago continued to spew lava and threaten neighborhoods.

A 19th fissure opened Monday in Lanipuna Gardens, the area neighboring Leilani Estates, which was hardest hit by quakes and lava flows, the largest in decades from the volcano. Residents in both neighborhoods were ordered

to evacuate in early May when fissures first began to appear, emitting lava and toxic gases.

With the ground continuing to crack in an expanding area of the broader Puna district, and at least one giant fissure still shooting lava, officials said unpredictable volcanic activity in the area could go on for weeks.

Scientists also have warned of another danger: the possibility of a series of explosions as lava withdraws from a lake at the summit of Kilauea. The explosions could

send boulder-size debris in all directions near the volcano's crater and cover lower-lying neighborhoods in blankets of ash, a report from the U.S. Geological Survey released last week said.

In an extreme-risk zone right around the crater, projectile-like rocks would travel "on cannonball-like paths outwards from the vent in all directions," the report said.

While the summit itself is far from residential areas, the explosions would rain ash on communities miles downwind and could come abruptly, the

report said. That has prompted officials to warn all residents in the lower Puna area, about 2,000 people, to be ready to evacuate.

"There may be little to no advance notice to evacuate, so take this time to prepare," Hawaii's Civil Defense Agency said in a weekend notice.

Also over the weekend, officials closed two sections of highways in the area and ordered all vacation rentals to stop leasing so the emergency response can focus on residents. It wasn't clear whether any tourists were still in the area.

Brian Freeman, a resident of Leilani Estates who lost his home last week, said one of the newest fissures was so large and active that he could see the glow from spouting lava from about 10 miles away, where he was staying at the home of an acquaintance.

"It's a pretty big one," said Mr. Freeman, 33 years old, who also lost much of the wireless-internet business he ran out of this home. "It seemed like everything was calming down."

Mr. Freeman, who is already working to rebuild his internet business by restoring a tower, said he is prepared to get on the move again but not before it is necessary. "Until it does blow, I'm going to stay the eternal optimist and keep doing what I'm doing," he said.



The latest activity from the Kilauea volcano on Hawaii's Big Island threatened new dangers for residents.

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U.S. NEWS

Kim's Human-Rights Abuses Challenge Talks

**CAPITAL JOURNAL**

By Gerald F. Seib

Nobody said national security policy was simple or easy. For proof, look at the current state of U.S. views on North Korea and Iran.

At the moment, President Donald Trump has nice things to say about North Korea, which has built a nuclear weapon, has threatened to use it against the U.S., and has a long record of breaking international agreements.

Meanwhile, Mr. Trump has brought the full fury of American diplomatic and economic pressure down upon Iran, which has no nuclear weapon, has never threatened to use one against the U.S., and has, by all accounts, been abiding by the international agreement it reached to curb its nuclear program.

Mr. Trump is seeking a nuclear deal with North Korea. He has just abandoned one with Iran.

Why the difference? It seems illogical.

Obviously, Mr. Trump sees the Iran nuclear deal as fatally flawed and presumes he can get a better one with North Korea.

But beyond that, he is trying to encourage what he sees as a potentially significant change in attitude from North Korea, something he



JIM BOURG/REUTERS

Three Americans released by North Korea joined President Donald Trump and Secretary of State Mike Pompeo in Maryland last week.

apparently doesn't see emerging from Iran.

For now, both Washington and Pyongyang are trying to set the stage for a productive summit meeting between Mr. Trump and North Korean leader Kim Jong Un next month, which in itself is a hopeful sign.

Yet there are also dangers. One is that the Iranians—and others—may conclude that you get nicer treatment after you succeed in developing a nuclear weapon than you do along the way.

Another is that the Trump team could lose sight of the kind of regime it is dealing with in Pyongyang. Like Iran, it has caused ample problems beyond its borders: abducting

Japanese citizens, attacking a South Korean ship, shipping its weapons technology abroad.

Also like Iran, North Korea has a nasty habit of abducting Americans. It released three of them last week, two of whom had been seized since Mr. Trump became president. Mr. Trump thanked North Korea's Mr. Kim, saying he "was really excellent to these three incredible people." But the president also paused to remember a fourth American, college student Otto Warmbier, who spent 18 months in a North Korean prison and returned to the U.S. on the verge of death.

North Korea's treatment of its own citizens is far worse than Iran's. The State Department's 2017 report on human rights in North Korea contains this remarkable summary:

"The people of North Korea faced egregious human rights violations by the government in nearly all reporting categories including: extrajudicial killings; disappearances; arbitrary arrests and detentions; torture; political prison camps in which conditions were often harsh, life threatening, and included forced and compulsory labor; unfair trials; rigid controls over many aspects of citizen's lives, including arbitrary interference with privacy, family, home, and corre-

spondence, and denial of the freedoms of speech, press, assembly, association, religion, and movement; denial of the ability to choose their government; coerced abortion; trafficking in persons; severe restrictions on worker rights, including denial of the right to organize independent unions and domestic forced labor through mass mobilizations and as a part of the re-education system."

The report also cites cases in which the government "reportedly executed individuals for sleeping during patriotic events," and said mothers held in detention "were in some cases reportedly forced to watch the infanticide of their newborn infants."

The North Korean government maintains six different types of detention facilities, including camps for political prisoners. Christians reportedly receive harsher punishment if they reveal their faith.

Reports of torture persist, including cases of electric shock and confinement in "punishment cells" too small to allow standing upright or sitting down.

This is relevant to nuclear talks because dangers posed by governments arise not just from their weapons but also from the character of the regime that holds the weapons. At least twice before, in 1994 and 2005, North Korea has promised to freeze or abandon its nuclear-weapons program.

"They have a perfect track record over 25 years of violating every undertaking they have taken," says Michael Green, a former Asia expert at both the National Security Council and the Pentagon.

The Obama administration thought engagement with Iran was a reasonable course to follow in trying to change its behavior. The Trump administration has concluded the same about North Korea.

In each case, that's a reasonable and rational course—though in each case history suggests skepticism is required, as is solid verification of compliance with any deals.

Secretary of State Mike Pompeo says the administration embarks on the journey into diplomacy with North Korea with "eyes wide open." That's good. Also good would be a few words from the president on how North Korea treats its own people.

Women Target Pennsylvania's All-Male House Seats

BY REID J. EPSTEIN
AND JANET HOOK

Pennsylvania, with the largest all-male congressional delegation, could nominate as many as six Democratic women in districts likely to be competitive in November.

All 18 of Pennsylvania's members of Congress and both its senators are men. So are all five statewide elected government officials.

The state, one of four to hold primary contests on Tuesday, will serve as a test of whether the wave of Democratic women running can dilute one of the country's most durable male bastions.

"It's a breaking of the old style of politics where it was just perceived that it was a man's world," said state Rep.

Madeleine Dean, the front-runner in a Democratic primary for an open congressional seat in Philadelphia's Montgomery County suburbs.

All told, Pennsylvania Democrats have 23 women running for House seats. Republicans have just one—Pearl Kim, a former state prosecutor.

Emily's List, the influential political group that backs Democratic women candidates who support abortion rights, has endorsed five women in Pennsylvania House races.

Most face stiff competition from male candidates, both in the primaries and later in November showdowns with the Republicans.

Pennsylvania has elected only seven women to Congress in its history, and three followed deceased husbands into

office, according to the Pennsylvania Center for Women & Politics at Chatham University.

"It's shocking to me," said Chrissy Houlahan, an Air Force veteran running unopposed for the Democratic nomination in a district based in Chester County, in the suburbs southwest of Philadelphia. "I think it's shocking to most Pennsylvanians as well."

Terry Madonna, a Franklin & Marshall College professor who is an expert on Pennsylvania politics, said its male-dominated history is rooted in the state's political patronage and high-paying state legislative posts.

"We have a problem with men dominating the political structure of our state, and that's been a tough tradition to break," he said.

Pennsylvania's races are be-



CHRIS KNIGHT/ASSOCIATED PRESS

Democratic State Rep. Madeleine Dean is running for Congress.

ing contested under new maps instituted by the state's Supreme Court. Due to retirements, resignations and congressmen running against each other for the same seat, seven of the state's 18 districts have

no incumbents.

Democrats, who need to flip 23 Republican seats to win control of the House, could net as many as six from Pennsylvania alone. The Cook Political Report rates five GOP-held

Pennsylvania House districts as toss-ups, leaning or likely to be won by Democrats. Two additional GOP-held seats are considered likely to be held by Republicans but competitive for Democrats.

Ms. Dean's three opponents include Joe Hoeffel, who served three terms in Congress before leaving office to mount a failed Senate campaign in 2004. Mr. Hoeffel also ran for governor in 2010, but placed fourth in that year's Democratic primary.

The winner will face Republican Dan David in a newly drawn district Hillary Clinton would have carried by 20 percentage points in 2016.

"Constituents here are excited about finally having some women in the delegation," Ms. Dean said.

most 80%. The dividend wouldn't reduce any shareholder's economic interest, including that of National Amusements, which holds about a 10% equity stake through voting and nonvoting shares. CBS's board is set to meet Thursday, ahead of the company's Friday annual meeting. A hearing on the order is expected Wednesday.

The special dividend provision was inserted in the two companies' charters in 2005, when then-Chairman Sumner Redstone decided to split CBS from Viacom. Mr. Redstone was concerned about any appearance that voting shareholders at the companies were favored over nonvoting shareholders, because of the potential drag that could create on the stock prices, according to people familiar with the matter.

He wasn't concerned about the threat the provision posed to his voting control because he knew that, at any time, he could overhaul either board before it voted for such a dividend, the people said.

Mr. Redstone is still CEO of National Amusements but no longer sits on the boards of CBS and Viacom. The 94-year-old is in ill health and no longer able to speak. His lawyer didn't respond to requests for comment.

CBS was aware of the charter provision for some time but only in recent weeks decided to use it to attempt to thwart Ms. Redstone's plans to re-merge the company with Viacom, a person familiar with the company's thinking said.

National Amusements said it "had absolutely no intention of replacing the CBS board or forcing a deal that was not supported by both companies."

The restraining order would buy time for CBS's board to consider a proposed dividend that would issue new Class A voting shares to all stockholders, reducing National Amusements' voting power to 17% from al-

most 80%. The company "strongly disagrees with CBS's interpretation of this provision."

Even with the provision, CBS could face a high legal hurdle as courts have typically been reluctant to allow a board to "torpedo controlling ownership" except in "really compelling circumstances," said Lawrence Hamermesh, a professor of corporate and business law at Widener University Delaware Law School.

If CBS fails in its legal pursuit and reduction of National Amusements' control, Ms. Redstone will still have the power to overhaul the company's

Gary L. Countryman, Charles K. Gifford, Linda M. Griego and Martha L. Minow.

If the stock dividend is approved, these directors said in court documents, they are prepared to step down from the board and not stand for reelection, allowing public shareholders of CBS to elect the board of their choice. The dividend wouldn't be effective until the court has ruled.

CBS shares rose 2.2% Monday, while Viacom shares fell 4.9%.

The CBS suit accuses Ms. Redstone of interfering with governance at CBS and putting a lawyer who represents the Redstones on its board.

The court filing also says Ms. Redstone in the past year told the CEO of a potential acquirer of CBS to not make an offer to the board, which the board should have been able to evaluate and use as leverage in other negotiations. Verizon Communications Inc. was the interested party, according to a person familiar with the matter.

In response to the suit, National Amusements accused CBS of retaliating against Ms. Redstone for her complaints of "bullying and intimidation" by a CBS board member dating back to 2016. Ms. Redstone has discussed her concerns with CBS over many months, and there was a provisional agreement that the director would either not be part of the merged company or, in the event of no deal, be removed from CBS's board, according to a person familiar with the matter. CBS declined to comment on the accusation.

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U.S. NEWS

Cities Recycle Their Amazon Proposals

Many on the shortlist point to presentations they already made to draw other companies

BY KEIKO MORRIS
AND LAURA STEVENS

Some U.S. cities are learning something this year from Amazon: how to sell themselves.

Many of the 20 cities short-listed as sites for the retail giant's second headquarters are using the multimedia presentations they created for **Amazon.com** Inc.'s application to pitch to other companies.

"We already have seen businesses that have expressed interest in Philadelphia and have told us they were driven specifically by what they saw in our pitch to Amazon," says Sylvie Gallier Howard, Philadelphia's first deputy commerce director.

Amazon's request for proposals solicited a host of information, from the size of the city's tech talent pool to its airport and connections to Seattle. While tailored in part to Amazon's needs, the proposals highlighted aspects including quality of life, housing availability and cost, transportation options and other qualities

that could prove attractive to a range of employers.

Last fall, the founder and chief executive at Elm Partners were drafting a headquarters list of their own, as they planned to move the small algorithmic investment firm from London to the U.S. The founder's children would soon all be in the U.S. with his youngest hoping to attend college in Philadelphia, said Chief Executive James White. Philadelphia was high on their list, but they didn't know the city well and were considering more familiar terrain in big cities such as New York, Los Angeles and Boston.

Then, a friend sent a link to the video Philadelphia put together as part of its Amazon pitch.

"The video just resonated with us really well," Mr. White said. The piece highlighted Philadelphia's entrepreneurial community and its burgeoning food scene. It helped push the city to the top of their list, and the company began its move to Philadelphia in January.

Toronto Global, the regional organization that coordinated and released the area's Amazon bid online, has counted more than 15,000 downloads of its bid as of last month. The group refers companies to the online bid, said spokeswoman Julia



In Philadelphia, a chalkboard was set up for residents to write what they love about the city.

eye-popping \$7 billion package of state and city incentives.

Almost 50 companies and other groups in Newark volunteered staff and expertise to help with the city's proposal. Calls from companies looking for commercial space as well as requests for information about real-estate development have increased significantly since Newark made the shortlist in January, city officials said.

Inquiries from companies, real-estate developers and industry organizations looking for a conference and trade-show destination also spiked, said Aisha Glover, chief executive officer of Newark Community Economic Development Corporation.

"We've had to prove ourselves for quite some time," Ms. Glover said. "The reason why this is our turning point is because being shortlisted has cosigned the city and everything we have been saying."

In Philadelphia, city development officials said they are working on a new version of the website that will widen its target from Amazon to a broader array of businesses and organizations—a process they call "deAmazonification."

—Shibani Mahtani contributed to this article.

Sakas. When Toronto Global has reached out to some prospective companies, it has learned firms already have seen the online book and pulled information from it.

The Ontario Investment Office took copies of the proposal to the Mobile World Congress in Barcelona, a mobile industry conference and exhibition. To-

ronto Global's team takes data from the book and customizes it for other prospective companies, Ms. Sakas said.

There is a risk, of course, that cities and states overspend in offering incentives to woo companies. While companies promise jobs and investments, those don't always materialize as expected.

Places including Philadelphia, Toronto, Indianapolis and Newark, N.J., have received an uptick of inquiries from companies, some citing the digital brochures created for the Amazon bid, officials in the cities said.

Newark has received attention both for unexpectedly making the shortlist and for its

broad-based attack on Chinese economic practices.

One big change has been the prospect of a deal between the U.S. and North Korea to eliminate North Korea's nuclear weapons. China's aid is crucial for that deal to be successful.

Complicating matters, the U.S. side is bitterly divided between Mr. Mnuchin and others in the administration. U.S. Trade Representative Robert Lighthizer and White House trade adviser Peter Navarro want a tougher U.S. line against China and deep changes in Chinese practices, including the elimination of subsidies that help Chinese companies compete internationally. Forcing those changes could require the U.S. to

go through with threats of tariffs on as much as \$150 billion of Chinese imports, moves that would disrupt the relationship and could sink markets.

The unfolding deal is already kicking up criticism from trade allies of the administration. "We are giving up on punishing ZTE for the Chinese restoring the trade status quo," said American Enterprise Institute China scholar Derek Scissors, a China critic.

Mr. Scissors, who has consulted with the Trump administration on China policy said, the prospective deal "shows we have nothing like the resolve necessary to take on the Chinese."

—John D. McKinnon contributed to this article.

CHINA

Continued from Page One

Steven Mnuchin, who has been leading discussions recently with Chinese officials in Washington, has been the key player in the ZTE deal discussions, said people involved in U.S. talks with China.

Commerce Secretary Wilbur Ross said Monday that he is considering alternative punishments for ZTE, potentially opening the door to a reprieve for the telecom company. Mr. Ross said the Commerce Department would consider the question of easing ZTE penalties "very, very promptly."

Commerce Secretary Wilbur Ross is considering alternative punishments for ZTE.

White House deputy press secretary Raj Shah said: "The president has asked Secretary Ross to look into it consistent with applicable laws and regulations." He added, "It's been brought up at a number of levels as part of bilateral talks on a number of issues."

Futures for soybeans and some other agricultural commodities bounced after The Wall Street Journal first reported Monday that U.S. and Chinese officials were working on a deal. July-dated soybean futures rose 1.5% to \$10.1775 a bushel at the Chicago Board of Trade on Monday.

Under the deal being discussed, the U.S. would relax last

month's order banning American companies from selling components to ZTE, which has long been viewed as a Chinese national champion for its effort to take a global lead in establishing 5G mobile internet networks. That Commerce Department ruling, based on allegations that ZTE didn't comply with a settlement over illicit sales to Iran, would cripple not only the company itself but also other state-controlled Chinese firms including China's three large telecom carriers, Beijing officials have said. Commerce said last month that it had agreed to give ZTE a chance to present more evidence in the case.

In return for the potential relief on ZTE, the people say, China would agree to hold back tariffs on a variety of U.S. agricultural products it announced in early April as retaliation for U.S. tariffs on Chinese steel and aluminum exports.

China would also ease some nontariff restrictions on American farm products as part of the potential pact, according to the people. For instance, since late last year, China has tightened quality testing for U.S. soybeans, resulting in the crop getting held at Chinese ports.

The Trump administration worries that a backlash among U.S. farmers to tariffs could endanger Republican efforts to keep control of the House and Senate in midterm elections.

A deal would be a kind of confidence-building exercise as China's chief economic envoy, Liu He, is expected to arrive in Washington on Tuesday for talks through the end of the week. The two sides hope to put together a preliminary deal resolving their trade fights, which have roiled markets.

After Mr. Trump's tweet on

have to dump their ZTE models and switch to other cell-phone brands.

The sales ban has been crippling to ZTE, which has halted assembly lines and shut down major business operations, unable to get crucial parts for its mobile phones.

Further clouding matters, ZTE and its suppliers have received little communication or guidance from the Commerce Department about how to properly adhere to the order since it was handed down in mid-April, according to a person familiar with the matter.

A Commerce Department spokesman didn't respond to a request for comment.

Under its compliance with the Commerce Department order, Google has ceased providing technical support to ZTE, and has stopped providing ZTE with updates and security patches to its Android software, according to a person familiar with the matter.

Limited access to Android security fixes means "the safety of the users' personal data could be vulnerable, and they can't experience the latest features introduced to Android," said Mo Jia, an analyst at Canalys, a research firm.

Some of those customers have taken to social media to vent frustration over the inability and lament that they may

ZTE Blacklist Hits U.S. Phone Users

Millions of American users of smartphones made by ZTE Corp. are already feeling the fallout from the U.S. Commerce Department's blacklisting of the Chinese phone maker: They're unable to update Google's Android operating system.

Last month's wide-ranging order by the U.S. Commerce Department prevents American companies from selling components and software to ZTE, the fourth-largest vendor of mobile phones in the U.S.

That has led Google to halt updates to ZTE phones, leaving users cut off from security patches, technical support and other functions provided by the Android operating system used on ZTE's smartphones.

The lapse could leave some consumers with inoperable devices, according to a person familiar with the matter.

The Shenzhen-based company has sold nearly 25 million smartphones in the U.S. since the start of last year, according to Canalys, a research firm.

Some of those customers have taken to social media to vent frustration over the inability and lament that they may

be unable to update their ZTE models and switch to other cell-phone brands.

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—Dan Strumpf and Natasha Khan

Sunday, U.S. investment firm Rangeley Capital noticed a change in Chinese regulators' attitude about the proposed merger between Qualcomm and NXP Semiconductors. Chinese regulators previously had held up approval of the deal in response to growing trade tensions, including the U.S. action against ZTE.

"All of a sudden it was a tweet the president put out on ZTE," said Rangeley partner Chris DeMuth Jr. "And then [the Chinese regulator] started up the review again." Rangeley is an investor in NXP.

Disputes between the world's two largest economies include U.S. tariffs on Chinese steel and aluminum exports; U.S. allega-

tions that China forces American companies in China to transfer technology to Chinese partners; and U.S. accusations that ZTE conducted illicit sales to North Korea and Iran.

More broadly, the U.S. wants China to reduce the \$375 billion U.S. trade deficit in goods with China and increase imports of U.S. products.

The negotiations are complicated by mistrust on both sides. The U.S. wants to make sure that any concessions the Chinese make can be verified and aren't followed by new barriers that disadvantage U.S. companies. The Chinese want to be certain that a settlement with the U.S. won't be followed in a year or two by another

broad-based attack on Chinese economic practices.

One big change has been the prospect of a deal between the U.S. and North Korea to eliminate North Korea's nuclear weapons. China's aid is crucial for that deal to be successful.

Complicating matters, the U.S. side is bitterly divided between Mr. Mnuchin and others in the administration. U.S. Trade Representative Robert Lighthizer and White House trade adviser Peter Navarro want a tougher U.S. line against China and deep changes in Chinese practices, including the elimination of subsidies that help Chinese companies compete internationally. Forcing those changes could require the U.S. to

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—John D. McKinnon contributed to this article.

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INDONESIA SIMPLIFIES INCENTIVES FOR FOREIGN INVESTMENT

Badan Koordinasi Penanaman Modal (BKPM, the Investment Coordinating Board of the Republic of Indonesia) is celebrating its 45th anniversary. Chairman Thomas Lembong is optimistic that 2018 will be another successful year for the investment board.

Mr. Lembong has good reason to be optimistic, as the BKPM is going ahead with two important benefits for overseas investors this month.

MAXIMIZING TAX HOLIDAYS

The government has introduced revisions to its tax holiday incentives to simplify the process and allow new investors to fully utilize the fiscal facility. Investors will know upfront the exact amount of tax holiday they can enjoy when they submit their investment plans.

"The level of tax holiday has also been clarified – previously ranging between 10 and 100 percent, all qualifying investments now receive a 100 percent tax cut during the approved length of tax holiday, and a 50% percent cut in the following two years".

The length of tax holiday has been increased. New investors now receive tax holidays from 5 to 20 years.

Mr. Lembong said that the introduction of the new incentives will create a "wow effect" for foreign enterprises.

Table 2. Investment Thresholds for Tax Holiday Scheme

Amount of Investment	Tax Holiday
IDR 500 billion – less than IDR 1 trillion	5 years
IDR 1 trillion – less than IDR 5 trillion	7 years
IDR 1 trillion – less than IDR 15 trillion	10 years
IDR 15 trillion – less than IDR 30 trillion	15 years
IDR 30 trillion or more	20 years

Table 1. Changes to Tax Holiday Regulations for New Investors

Conditions	Old Tax Holiday System	New Tax Holiday System
Percentage of reduction	10-100%	100% (single rate)
Period	5-15 years, extended to 20 years at discretion of Ministry of Finance	5-20 years, dependent on investment value
Transition	Not regulated	50% for 2 years
Industries	8 Pioneer Industries	17 Pioneer Industries

In addition to the tax holiday extensions, the BKPM has clarified and broadened the number of 'pioneer' industries which qualify for the tax incentives, up from 8 to 17.

INTRODUCING THE ONLINE SINGLE SUBMISSION

In line with the country's desire to make life easier for foreign investors, BKPM is introducing an Online Single Submission (OSS) to integrate licensing between central and regional governments. Instead of having to submit multiple plans and forms for each location, companies now only need work with one system.

Through the Online Single Submission, all licensing data and business requirements will be integrated into one process – saving substantial time and effort.

REALIZING INDONESIA'S 2045 VISION

In 2045, Indonesia will mark its 100th year of independence, by which time it expects to have moved from an emerging economy to developed economy status. According to the World Bank, Indonesia is already amongst the world's top 10 reformers. Last year, the nation ranked 72nd in the global ease of doing business index, jumping 19 positions from its previous ranking.

In 2017, investment reached IDR 692.8 trillion, growing 13.1 percent over 2016. Indonesia aims to achieve IDR 765 trillion investment in 2018, another 10-14 percent increase.

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FROM PAGE ONE

ISRAEL

Continued from Page One
of tension over President Donald Trump's decision to move the U.S. Embassy to Jerusalem from Tel Aviv, where it has resided since soon after Israel's 1948 founding. It coincided with a host of anniversaries that Hamas has used to rally support for its cause. The U.S. Embassy opening in Jerusalem—in a city that Palestinians also claim for a future capital—offered a focal point for their anger.

An Israel military spokesman, Brig. Gen. Ronen Manelis, called the protests in Gaza "unprecedented in size and violence." He said at least 40,000 protesters gathered at 12 different points along the border and at each point, attempts were made to breach the border, all to no avail.

Gen. Manelis said there were at least three attempts by groups of gunmen, one of which attempted to plant a bomb at the fence, to breach the border. He said other violent tactics used by protesters included throwing firebombs and rocks, rolling burning tires into the fence and sending flaming kites into Israeli territory.

In the run-up to the U.S. Embassy opening, Hamas has helped organize weekly protests and threatened to break through the fence separating the strip from Israel. Fearing a mass infiltration of Israeli territory, Israel has responded with live fire, killing about 100 people since March 30.

Palestinian and Arab leaders had warned the U.S. against moving the embassy and said it would hurt peace efforts. "It has raised the volume of anti-American rhetoric," said Prince Turki al-Faisal, a senior member of the Saudi royal family, in remarks to CNBC. "It's not a step that will bring peace to Palestine or to the Middle East."

The Palestinian deaths have ratcheted up the region's already-high tensions, in part triggered by the Trump administration's decision last week to pull the U.S. out of a multilateral nuclear accord with Iran.

Ali Larijani, the speaker of Iran's parliament, on Monday



Palestinians ran for cover from tear gas amid protests near Israel's border over the opening of the new U.S. Embassy in Jerusalem.

MOHAMMED ABD/AGENCE FRANCE PRESSE/GETTY IMAGES



Allies Criticize U.S. For Embassy Shift, Call for Restraint

WASHINGTON—Washington's allies in Europe and the Middle East criticized the U.S. for opening a new embassy in Jerusalem on Monday and called on Israel to restrain its forces after dozens of Palestinian protesters were killed in clashes.

The episode marked the latest point of discord to emerge between the U.S. and many of its major partners after Washington withdrew from the nuclear deal with Iran last week.

The Trump administration defended and celebrated its decision to move the embassy

and declined to criticize Israel's use of force, instead blaming the Palestinian group Hamas for the bloodshed.

Israeli officials said they were defending their borders from Hamas, which they say is using the protests as a pretext for an attack. Israel said some of the protesters were trying to breach the border fence and throwing explosives.

The political and militant group helped organize the protests, which began several weeks ago to call for the right to return to what is now Israel.

The strongest criticism came from the U.K. and France. Both condemned the violence and expressed their opposition to the embassy opening.

—*Jessica Donati*

force in neighboring Lebanon.

Among many Israelis, the U.S. Embassy move was seen as a welcome triumph amid the regional trouble. For years, Israeli leaders have lobbied the international community to move embassies to the contested city. Israel's parliament, the Knesset, and much of its government are in Jerusalem. Guatemala and Paraguay said they would also open embassies in Jerusalem.

The international community

doesn't recognize Jerusalem as Israel's capital, but U.S. officials have said doing so reflects the reality on the ground. Mr. Trump, whose team is working on an Israeli-Palestinian peace plan, had said the move would take the divisive issue of Jerusalem "off the table."

Congress in 1995 passed a law stating that the U.S. Embassy should be based in Jerusalem. But a clause in the legislation allowed the president to

delay the move every six months by signing a waiver.

The embassy relocation drew a mixed response from members of Congress, although many lawmakers from both political parties lauded the move.

Senate Minority Leader Chuck Schumer (D., N.Y.) called it "long overdue." Sen. Bob Menendez (D., N.J.) said that while he supported the move, the Trump administration also should press for a solution allowing Israelis and Palestinians to live peacefully in two states.

"The unequivocal recognition of Jerusalem as Israel's capital comes after presidents in both parties stalled our embassy's rightful relocation to Jerusalem from Tel Aviv," said Sen. Marco Rubio (R., Fla.). "So I truly appreciate the Trump administration for... finally moving our embassy."

The use of deadly force against protesters drew criticism from lawmakers, with Sen. Dianne Feinstein (D., Calif.) calling it "heartbreaking."

The Hamas-orchestrated protests in Gaza ensured that Jerusalem's sovereignty will remain central to the issues that need to be addressed in any Middle East peace plan, said Aaron David Miller, a former U.S. peace negotiator.

"Jerusalem is not off the table," he said. "For any prospects or hopes for a peace process, he added, "it is the table now."

The protests presented a jarring backdrop for a day Washington hoped would laud tight Israeli-U.S. ties.

A U.S. delegation—including Mr. Trump's son-in-law, Jared Kushner, his daughter Ivanka Trump and Treasury Secretary Steven Mnuchin—attended the embassy opening ceremony Monday afternoon at the new site.

"As we have seen from the protests of the past month and even today, those provoking violence are part of the problem and not part of the solution," Mr. Kushner said.

—*Abu Bakr Bashir in Gaza, Dov Lieber in Jerusalem, Nancy A. Youssef in Washington, Asa Fitch in Dubai and Margherita Stancati in Beirut contributed to this article.*



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WORLD NEWS

New Wave of Bombings Rocks Indonesia

Jakarta sees Islamic State's hand in family attacks on churches and police premises

BY ANITA RACHMAN
AND BEN OTTO

SURABAYA, Indonesia—Militants inspired by Islamic State appear to be waging a new campaign of terror in Indonesia, as a family of suicide bombers wounded 10 people in an attack on a police headquarters in the country's second-largest city a day after another family killed seven in an attack on churches.

The attacks, which included the use of children as suicide bombers, were spurred by recent arrests of leaders of pro-Islamic State cells and calls from the Syria-based terrorist group to wage attacks worldwide, Indonesia's police chief said Monday.

"A possible motive in the attacks was instructions from ISIS central," the chief, Tito Karnavian, told reporters. He noted that the terror group, having lost ground to U.S.-led forces in the Middle East, had ordered its followers to attack wherever they could, citing a fatal stabbing by a Muslim ex-

tremist in Paris over the weekend.

Indonesia, the world's most-populous Muslim-majority nation, has long faced a terrorism threat but has had considerable success in quelling Islamist violence since the early 2000s. Sunday's coordinated attacks, however, were the deadliest in almost a decade, fueling concerns that extremists may be regrouping.

"The fact that they used children, in three separate bombings, shows an unbelievable degree of callousness, but also ideological indoctrination," said Zachary Abuza, a professor at the National War College in Washington who studies Southeast Asian security.

"The degree of coordination and sophistication we have seen in these attacks is not something we've seen in years," he said. Islamic State "may be down, but they are not out."

The attacks follow an Indonesian crackdown on senior radical leaders. The country's de facto leader of Islamic State supporters, Aman Abdurrahman, is on trial for inciting followers to commit acts of terror, while his heir presumptive, Zainal Anshori, was sentenced in February to



Police stood guard following attacks one expert said showed a degree of ideological indoctrination.

seven years in prison for smuggling guns.

In recent days, police also arrested other suspected militants who were allegedly planning to attack a detention center for terrorist inmates in Jakarta, the capital. Inmates there killed five police officers in a revolt last week.

"They were angry and

wanted to retaliate," Mr. Karnavian said of the perpetrators of recent attacks. "There's international and local dynamics" at play, he added.

Mr. Karnavian was speaking after three families in this city on the main island of Java detonated bombs that left most of them dead.

On Sunday, a family of six,

including children aged 9 to 18, killed at least seven people in suicide bombings at three churches in the city. It was the first use of children in a terrorist attack in Indonesia.

Islamic State claimed responsibility for that attack, and police said the children's father had been the leader of a pro-Islamic State cell in Surabaya. Mr. Karnavian corrected an earlier statement that the family had traveled to the Middle East in support of Islamic State, saying instead that the father had been inspired by Indonesian radicals returning from the region.

On Monday, another family of suicide bombers drove two motorcycles to Surabaya's police headquarters and detonated bombs that injured 10 people. A father, mother and two boys died in the attack, while an 8-year-old daughter survived, police said.

Meanwhile, police shot dead one man overnight at an apartment in a town near Surabaya after a bomb in his possession exploded and killed his wife and daughter. A police spokesman said officers shot the man when they encountered him holding a switch connected to a bomb. Mr. Karnavian said explosives found on the premises were similar to pipe bombs used in the church attacks.

Sidney Jones, director of the Jakarta-based Institute for Policy Analysis of Conflict, said the attacks in recent days were the most coordinated in Indonesia since Christmas Eve 2000, when militants struck churches and pastors in numerous cities.

Malaysia Premier Widens Shake-Up

BY YANTOULTRA NGUI
AND TOM WRIGHT

PUTRAJAYA, Malaysia—Prime Minister Mahathir Mohamad increased pressure on the attorney general to step down, while Malaysia's anti-graft chief resigned, as the new government prepared to relaunch investigations into financial scandals surrounding former leader Najib Razak.

On his first full day in office, Mr. Mahathir indicated he would pursue Mr. Najib and anyone else implicated in an

embezzlement scam that allegedly sucked billions of dollars from state investment fund 1Malaysia Development Bhd.

The head of the Malaysian Anti-Corruption Commission, Dzulkifli Ahmad, resigned Monday. But there is no sign of a resignation by Attorney General Mohamed Apandi Ali, who cleared Mr. Najib in an earlier probe into malfeasance at 1MDB. Mr. Najib and 1MDB have denied wrongdoing.

Mr. Mahathir said Mr. Apandi would soon go on leave and Solicitor General

Nor Faizah Atek, who is empowered to fill many of the attorney general's roles, would take over. Mr. Apandi declined to comment. Mr. Dzulkifli couldn't be reached. Mr. Mahathir said he would appoint a new antigraft chief Tuesday.

Treasurer-General Irwan Serigar Abdullah, who is IMDB chairman, was relieved of his duties on Monday and moved to the Public Service Department, the government said.

◆ Malaysia markets gain after election..... B11



Prime Minister Mahathir said he would investigate corruption allegations against former officials.

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IN DEPTH

ROBOT

Continued from Page One
undertake creative, problem-solving duties that machines aren't very good at. That's particularly relevant for manufacturing, the food sector and service sectors such as billing, where timetable spreadsheets can be automated, freeing up workers to do higher-value tasks.

With demand for Bosch-built steering controls high, the company has used automation to increase its output, leading it to hire more people to perform the type of checks Mr. Rösch conducts.

"We looked for 20,000 new hires last year," a mix of new positions and replacement staff, said Stefan Assmann, one of the company's chief engineers, to join Bosch's total 400,000 employees. Bosch factories worldwide now make use of 140 robotic arms, up from zero in 2011. "We can't see robots having a negative impact on our workforce," Mr. Assmann said.

Computers can zoom through activities humans find difficult, such as playing chess, doing calculus or repeating a set of movements precisely over time. Other, seemingly mundane tasks—brushing your teeth or running through the woods—can overwhelm even complex machines.

Those tasks call on multiple senses, including touch and depth perception, feeding information to a problem-solving brain, which can then finely adjust movements, said Satyandra Gupta, professor of mechanical engineering at the University of Southern California.

For companies, choosing the appropriate tasks to automate is important. Auto maker BMW AG automated some of the physical labor at the Spartanburg plant in South Carolina while retaining tasks involving judgment and quality control for workers.

Robots fit black, soundproofing rubber tubes to the inner rim of car doors, a task once done entirely by hand, on the more than 5,000 or so car doors that pass through the production line each day. Human workers do final checks on the tube's placement. The division of labor speeds up the process.

Since BMW introduced this and other automated processes over the past decade, it has more than doubled its annual car production at Spartanburg to more than 400,000. The workforce has risen from 4,200 workers to 10,000, and they handle vastly more complex autos—cars that once had 3,000 parts now have 15,000.

Being spared strenuous activities gives workers the time and energy to tackle more demanding and creative tasks, BMW said in a statement.

James Bessen, an economist who teaches at Boston University School of Law, said automation like that at the Spartanburg plant has enabled a huge increase in the quality and variety of products, which help spur consumer demand. BMW's share of luxury-car sales in the U.S. has risen sharply, with over 300,000 cars sold last year compared with just over 120,000 in 1997, company figures show.

Tesla Inc. has struggled with production of the Model 3 car at its Fremont, Calif., plant after its use of robots got out of balance. Undetected errors in parts built by robots caused bottlenecks in production, meaning it could build only 2,020 cars a week compared with the 5,000 it originally promised, according



Employees at auto-parts maker Robert Bosch use a tablet to control a production line; a Fiskars worker tests robot-assembled scissors.

FROM TOP: ALEX KRAUS/BLOOMBERG NEWS; HENRI LOGUY FOR THE WALL STREET JOURNAL

to the company.

Analysts at investment research firm Bernstein said Tesla automated welding, paint and body work processes, as other manufacturers have done, but also automated final assembly work, in which parts, seats and the engine are installed in the car's painted shell. Errors in this work caused production bottlenecks. "Automation in final assembly doesn't work," said analyst Max Warburton.

In which industries does automation help both employer and employee?

"Yes, excessive automation at Tesla was a mistake... Humans are underrated," wrote Tesla CEO Elon Musk in a tweet last month.

Robots have resulted in pay cuts for low-skilled machine operators, who play a diminishing role in production due to automation. And they have eliminated entire occupations, especially in simple manufacturing processes where there aren't value-added jobs for displaced workers to move to.

Mining, for example, hinges on raw high-volume production—dig more rock, make more money—which is better done by machines that won't tire or get injured.

Rio Tinto PLC plans to lay off drivers as it introduces self-driving trucks to move iron ore at its mines in Western Australia. The trucks, which follow sensors and maps of the mining site installed in onboard computers, can operate longer than human drivers and are more reliable. Beneath the ground, robotic drilling rigs have taken over the dangerous work of inserting explosives into holes dug in mining shafts.

The automation would improve safety and unlock significant productivity gains, helping generate annual savings of around \$500 million beginning in 2021, said Chris Salisbury, the Rio Tinto board member in charge of the firm's iron-ore mining operations. The company said it would look to retrain or find new roles for the workers affected.

Jobs in the garment industry are also disappearing as firms automate repetitive, high-volume tasks such as sewing and knitting, where machines can work faster and more accurately than humans.

Technological breakthroughs have enabled robots to take on delicate tasks, such as manipulating pliable fabrics, stitching pockets and attaching belt loops to pants. In the early days of automation, it was thought that humans would be needed for such finishing work.

The International Labor Organization warned that nearly 90% of garment and footwear workers in Cambodia and Vietnam are at risk from "sewbots."

At an aggregate level, however, the jobs created by automation outnumber those that are being destroyed, according to analysis by the Massachusetts Institute of Technology's David Autor and Utrecht University's Anna Salomons.

People losing jobs, however, may not be the same ones filling newly created ones, since different skills are often required.

The Asian Development Bank said in April that automation had created an extra 34 million jobs in its region after price falls and quality improvements spurred demand for Asian factory-made goods.

Automation in the U.K. over the past 15 years has destroyed 800,000 lower-skilled services jobs—such as call centers—but has created 3.5 million higher-skilled ones, according to a 2017 workforce study by consultancy firm Deloitte.

Industrial employment in Germany is expected to rise



1.8% by 2021 because robots and automation are making the country's factories more competitive, according to the Germany-based Centre for European Economic Research in April.

Automation can help feed demand for a product—because quality improves or it becomes less expensive or more available—which can create jobs as a result.

Finnish firm Fiskars AB, manufacturer of iconic and once pricey orange-handled scissors, used automation to reach more customers. Workers at its Helsinki plant formerly forged steel blades by hand in 2,700-degree furnaces, repetitive and dangerous work.

When robots took over the tasks in 2011, technicians moved to quality control, testing the

scissors to make sure the blades made the right "snip" sound as they sliced together, and if they smoothly cut strips of fabric. If necessary, workers could adjust the blades bit by bit, in a process calling on multiple senses that machines couldn't replicate.

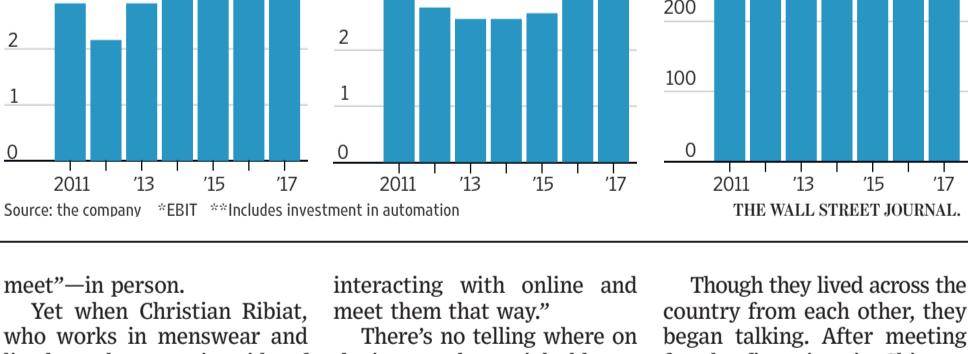
Once the process was partly automated, the company was able to increase production and lower prices, stimulating new demand without sacrificing quality, according to Chief Supply Chain Officer Risto Gaggl.

Employment at Fiskars has soared along with higher production, with the company now employing 8,560 people in its factories and offices compared with 4,515 in 2007.

In Europe, "we couldn't find anyone who has been fired because of robots," said Professor

Adding to the Team

German auto-parts maker Robert Bosch GmbH's profits are up as it has invested in more automation, and it has hired more workers.



Wolfgang Dauth, leader of a yearslong study into the impact on workers of robotization on the continent by the Bonn-based Institute of Labor Economics. Part of the reason is strong labor unions require retraining when robots take over tasks. Another part is that Europe's more-complex industries need human thinkers to work in complement with machines.

Electrolux AB, the world's second-largest appliance maker by units sold after Whirlpool Corp., has spent millions of euros on automating the production of washing machines and other devices.

The company said robots freed up technicians to spend time on a creative task that is impossible to automate: designing and implementing changes to the factory floor and robot layout to customize procedures and make production more efficient. The constant, incremental improvements make a broader range of production in the same factory space possible, which in turn supports more workers.

The company said it tweaked hiring and training so that its workforce could successfully operate with robots, including a month of robotics training when hired and bimonthly half-day sessions. The company also built robot-testing areas at its factories where technicians can experiment with different robot hardware and software.

Employment at Electrolux has risen to more than 55,000 in 2017 from about 53,000 in 2011, reversing a yearslong trend of shrinking staff numbers after China's December 2001 entry to the World Trade Organization flooded the market with cheaper washing machines.

The slow pace of robot rollouts can shield workers, providing time for retraining. Companies rarely automate all of a worker's tasks in one swoop, and it takes time to work out how best to use robots. The high cost of adding new automation also slows the process.

Bosch developed training courses for workers, teaching once single-skilled welders, joiners and mechanics basic software coding skills to enable them to use robots as tools much like hammers or screwdrivers. "We employ designers, engineers and scientists," said Mr. Assmann, one of the firm's chief engineers. "But you still need people who are good with their hands."

U.K.-based food delivery company Ocado Group has progressively automated work processes and has added workers as demand for its once-exclusive internet-grocery shopping service has surged, in part driven by the efficiency savings that have lowered prices.

The company's chief innovation is a complex web of grocery-transferring conveyor belts that allow it to process consumers' online orders. Another set of robots under development will be assistants for its human maintenance staff, allowing them to be more productive in managing the conveyor belts and other machinery. The company shuts down operations for three hours each day for maintenance, and missing that window could mean being unable to process deliveries.

Instead of walking around the factory to collect whatever tools are needed, the robots will anticipate what the workers need, and bring them to hand, acting as automated assistants.

"Our business model would just fail if these machines didn't work," said Graham Deacon, head of automation at Ocado. "We need humans to make sure they don't break down."

LOVE

Continued from Page One
scientist, Rachel Truscon, living more than a thousand miles away. They now live together in Michigan.

"We laugh about how crazy it is that we met," he says, especially given that his own experiment with online-dating sites lasted just an hour, because "it felt so unnatural." The couple now jokes about starting a Spotify-based dating site.

Disenchanted or just plain turned off by online dating, people are finding love and romance in other corners of the internet. Platforms designed for networking, gaming, blogging, answering questions and even making lists are doing unintended double duty as matchmakers.

Now Facebook is officially getting into the act. Chief Executive Mark Zuckerberg an-

nounced recently that an optional service will allow singles to set up separate dating profiles, connecting through local events and private chats.

Neither Soji Ojugbele nor Muobo Ojugbele, who are now married, had ever dated online. They preferred meeting people at work, parties or church. Their modern love story began one day when a photo popped up on Soji's feed on Facebook-owned Instagram, of a high-school friend with a woman he didn't know.

He started liking her photos, prompting her to ask Soji's high-school friend if he was single. Next came texts and a first date.

The way they met, they now say, doesn't seem as weird as it does to other people.

A seamstress, lingerie designer and burlesque performer who uses the stage name Lily Faye had tried online dating sites but hadn't had good experiences on them. She preferred, she says, "how people used to

meet"—in person.

Yet when Christian Ribiat, who works in menswear and lived on the opposite side of the country, began liking and commenting on her photos on Instagram, they discovered a shared love of fashion, vintage clothing and music. They moved the conversation to Facebook, began dating, then she moved to Los Angeles, where he lives.

"What's very funny is that he and I are very old-fashioned when it comes to dating and relationships," she says. "I do feel better about saying I met him through Instagram than saying I met him through Ok-Cupid."

Social-media sites are getting better at connecting strangers through mutual interests and friends, says Brooklyn Sherman, who founded a blog and Instagram account called "The Way We Met."

"It's like modern-day blind dating," she says. "Now you can just see who your friends are

interacting with online and meet them that way."

There's no telling where on the internet love might bloom. Food editor Lily Rose describes li.st, a now-defunct app for writing and sharing lists, as "like, the least sexual app ever." One day, however, she noticed a funny, self-deprecating list a man named Stephen had made of his high-school ID photos through the years.

Jacoby Jennings and Rachel Truscon met through Spotify.

Though they lived across the country from each other, they began talking. After meeting for the first time in Chicago, they both wrote lists about it. When they later broke up, they wrote lists about that, too. Then the app went dark.

"Now we use Twitter to passively aggressively communicate with each other," she says, "and it's not going as well."

Internet love stories often require some explaining to family and friends.

Emily Brocato and Ian Fletcher met on the blogging site Tumblr when someone Ms. Brocato followed on the site, whom Mr. Fletcher knew from high school, posted about Mr. Fletcher's new Tumblr account. Commenting on each others' posts led to conversations on Facebook, phone calls and texting, then long-distance dating. Now they are married.

The two say they are hesitating to explain to older people how they met, for fear of confusing them.

Lilia Carrion and her husband, Khalil Delmonte, first started talking on Twitter, where they connected over Ms. Carrion's tech blog. Their 2013 wedding was Twitter-themed, using its bird logo on decorations and the platform's signature blue color as part of their wedding palette. They used hashtag for the wedding, #bodahabibis, so their friends from Twitter could live-tweet along. And as wedding favors, they gave out little crocheted birds.

Jacoby Jennings and Rachel Truscon met through Spotify.

GREATER NEW YORK

N.J. Vows to Act Fast on Betting

State plans to tax and regulate legalized sports wagering after Supreme Court ruling

BY KATE KING

New Jersey lawmakers vowed Monday to move quickly to pass legislation to regulate and tax legalized sports betting after the Supreme Court ruled in the state's favor by striking down a federal law prohibiting such gambling in many states.

State Sen. Vin Gopal, a Democrat from Monmouth County, said lawmakers could pass a law as soon as next month. "The reality is, people are already betting on games everywhere," he said. "Now we're just going to do this in a responsible, legal way."

Monmouth County is home to two horse racetracks, and Mr. Gopal said sports-betting would provide critical revenue for the struggling industry. "So many jobs that are at stake," he said.

The Supreme Court's decision, released Monday, was a coup for New Jersey, which has been trying to legalize sports betting at racetracks and casinos since 2011 but encountered opposition from major professional and college sports leagues. With federal law no longer standing in the way, lawmakers must now craft legislation that provides oversight of sports betting, while imposing a tax that collects enough revenue without pushing gamblers back into the black market.

Lawmakers in New York and Connecticut also said they would act fast. Republican New York state Sen. John Bon-



New Jersey has been trying to legalize sports betting since 2011 but faced opposition from major professional and college sports leagues.

acic, chairman of the Senate's Racing, Gaming and Wagering Committee, introduced legislation in March that would legalize sports betting at four upstate New York casinos.

"I am confident that...we can have a bill ready for the governor's signature by the end of the session," Mr. Bonacic said.

New York Gov. Andrew Cuomo said he doubted whether the Legislature would be able to pass a bill this year.

In Connecticut, Gov. Dannel Malloy, a Democrat, said Mon-

day his administration was reviewing the Supreme Court decision. Lawmakers introduced a measure this year that would authorize sports betting, but the bill never came up for a vote.

"As of today, I am prepared to call the General Assembly into special session to consider legalizing sports betting in Connecticut," Mr. Malloy said.

There is wide support for legalized sports gambling among New Jersey lawmakers, with both Democrats and Republicans celebrating the Supreme

Court's decision. Gov. Phil Murphy, a Democrat, praised his predecessor, former Republican Gov. Chris Christie, for continuing to pursue the case, which has cost the state more than \$8.5 million since 2012, according to state records.

State officials still need to work out the details regarding sports betting, including how much to tax wagers. Earlier this month, lawmakers introduced legislation providing for an 8% gross-revenue tax on in-person wagering and a 12.5%

levy on online bets.

One of the bill's primary sponsors, Democratic Assemblyman John Burzichelli, said the legislation was a "placeholder" introduced to make sure lawmakers could move quickly following the Supreme Court's ruling. The final taxing structure "will be driven by what we're trying to do with that revenue and how much revenue we think we need to raise," he said.

—Joseph De Avila contributed to this article.

A Crime Problem on the Upper West Side

Police say shoplifting at Duane Reade has forced them to divert officers from other issues

BY ZOLAN KANNO-YOUNGS

A surge in shoplifting at one of New York City's most recognizable drugstore chains is driving crime in the staid streets of Manhattan's Upper West Side—and rattling the police.

New York Police Department Capt. Timothy Malin said he has had to take officers off emergency calls and deploy them directly to the neighborhood's six Duane Reade locations more than 880 times since the start of the year.

Thefts from Duane Reade account for 41% of larcenies under \$1,000 this year (197 incidents out of 477) and 32% of shoplifting grand larcenies in the 20th precinct, which covers most of the Upper West Side. Larcenies at the stores alone are up 43% this year compared with the same time last year, Capt. Malin said. The precinct has recorded no murders this year.

Overall, the shoplifting at Duane Reade has driven an 11.3% uptick in major crime in the precinct, according to Capt. Malin. As a partial explanation, he pointed out that Duane Reades on the Upper West Side are monitored by unarmed, plain-clothes guards, offering softer targets than the chain's locations in the Bronx and Harlem, which often post armed security.

"If you have an armed security guard in the Bronx, it's obvious," Capt. Malin said in an



Razors are among the hottest targets for Duane Reade shoplifters.

Stores Turn to Tech To Prevent Theft

Retail companies are trying various strategies to deter thefts, such as keeping products in the locked boxes. Duane Reade uses "screamer systems," in which a device attached to a product will make a loud noise if it is brought to an exit without being deactivated, said Jeff Bruneteau, regional vice president of Duane Reade.

"It's a problem everyone in the industry is still trying to figure out how to stop," he said.

Mr. Bruneteau said companies balance security with the experience of customers who want to easily grab and pay for

their products. Procter & Gamble Co. has worked with retailers to make products more accessible in stores for customers. Dollar Shave Club, which delivers razors by mail, also had an initial marketing campaign that capitalized on shoppers' frustrations over having to wait for their cartridges to be unlocked by store staff.

Deploying emerging technology also could help retailers, said Lisa LaBruno, vice president of retail operations at the Retail Industry Leaders Association, a trade association. Some companies are considering implementing facial recognition into security cameras, which would detect previously identified shoplifters when they enter a store and alert the manager.

hood—one of the city's wealthiest—has become.

"It really is a completely different neighborhood," said Craig Pomranz, a 60-year-old children's book author who

880

Times police officers have been deployed to six Duane Reades on the Upper West Side this year

43%

Increase in larcenies at the stores this year compared with a year ago

per West Side" to take advantage of the lax security and the additional crimes they may commit in the neighborhood.

A spokesman for Walgreens said the company uses a combination of unarmed, armed, uniformed and plain-clothes security in stores throughout New York. He added the company recently began providing weekly security updates to the NYPD and is adding uniformed security to Duane Reades in the city.

Some of the hottest targets at the Duane Reades are razors, baby formula and cold medicine. The items are small, said Capt. Malin, but can cost more than \$20 each.

"They're looking for something that's light, easy to steal and is a durable good," said Robert Moraca, vice president of loss prevention at the National Retail Federation. "This is 100% profit for these characters."

Ninety people have been arrested in Upper West Side Duane Reades this year, Capt. Malin said. Those include at least five suspects who had prior arrests for violent crimes, including rape, gang assault and weapons charges, according to a PowerPoint presentation Cap. Malin provided to the West Side Rag, a newspaper serving the area.

He said Duane Reade, which is owned by Walgreens Boots Alliance Inc., needed to be concerned about "what kind of bad guys are coming into the Up-

Ex-Nanny Gets Life In Prison; No Parole

BY CORINNE RAMEY

The former New York City nanny convicted of murder for fatally stabbing two children in her care was sentenced Monday to life in prison without parole.

A Manhattan jury last month convicted Yoselyn Ortega, 56 years old, of two counts of first-degree murder and two counts of second-degree murder for killing 6-year-old Lucia "Lulu" Krim and her 2-year-old brother Leo.

On Monday, Ms. Ortega's lawyer argued for parole, while prosecutors and the children's parents asked for the harshest possible sentence.

"The defendant is an evil and utterly dangerous narcissist," father Kevin Krim told Justice Gregory Carro. "It is right that she should live and rot and die in a concrete and metal cage."

Ms. Ortega apologized to God and the Krim family. "I'm very sorry for everything that happened," she said through a Spanish interpreter, her voice cracking at times. "But I hope that no one goes through what I have gone through."

When the judge announced the sentence, she stared down at the defense table.

On Oct. 25, 2012, the children's mother, Marina Krim, returned home to find their bloodied bodies in their Upper West Side apartment with Ms. Ortega beside them, making an apparent suicide attempt by slashing her throat.

Monday's sentencing was part memorial to Lulu and Leo, part debate on mental illness and part advocacy for new state laws to prevent such tragedies. Ms. Ortega had pleaded not guilty by reason of insanity.

"I still represent to you that she did not know what she was doing any more than an infant, a brute or a wild beast," her attorney, Valerie Van Leer-Greenberg, told Justice Carro. She asked that Ms. Ortega be given the possibility of parole.

Assistant District Attorney Stuart Silberg said Ms. Ortega had never shown remorse for her crimes. "The only thing close to justice is that she never be free," he added.

Justice Carro said Ms. Ortega had planned to attempt suicide and wasn't in a dissociative state while killing the children.

Both parents addressed the court. Mr. Krim called Lulu his "little Buddha," and the most empathetic soul he had ever known. Leo, he said, was a "sweet, lovable little boy."

The Krims have since pushed for state laws that would make it a crime to provide false references for child-care workers. They said one of Ms. Ortega's relatives provided a false reference. Her family couldn't be reached for comment.



Yoselyn Ortega is 'very sorry.'

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LIFE & ARTS



ILLUSTRATION BY ZOHAR LAZAR; RESERVEAGE

BY ANNE MARIE CHAKER

THE STUFF IN beauty creams is appearing in foods, as companies launch pricey snacks and drinks containing collagen—and many consumers are eating it up despite little hard evidence that it works.

Valerie Grogan, a 53-year-old teacher's aide in Torrance, Calif., three years ago began making a collagen-rich bone broth in her crockpot every week, hoping it would help soothe aches and smooth her skin. Recently, she discovered a vanilla-coconut collagen powder, which she mixes into coffee and smoothies. Then came collagen snack bars that she buys online and stashes in her purse—more convenient than the broth, she says. "I haven't had a knee issue in years and I run and do CrossFit," she says. "I really believe it's collagen."

Foods infused with collagen and touting beauty and health benefits have been popular in Japan and Europe for years. Now they are making a splash in the U.S., in products from coffee creamer to protein bars. The rise of collagen as a food ingredient also comes as the line between food and medicine is blurring, nutrition experts say, and consumers seek "functional foods" that promise more than just nutrition.

Last year, 281 new food and supplement products featuring collagen were introduced in the U.S., according to Innova Market Insights. Sales of food, vitamins and supplements containing collagen as a key ingredient grew by about a third to \$60.9 million in the year ended March 25, says retail data firm Spins LLC. The rise was especially notable in grocery aisles, where sales of energy bars and other snacks featuring collagen increased fivefold, to \$2.7 million. Celebrities have been touting the

HEALTH & WELLNESS

A Wrinkle-Cream Staple Moves to Foods

Collagen—long an ingredient in beauty lotions and treatments—is catching on in snacks and drinks, despite mixed views from the scientists

benefits of collagen; actress Jennifer Aniston said on the website Well + Good that collagen-fueled breakfast shakes have helped contribute to her "glow."

A longstanding beauty ingredient in wrinkle creams, shampoos and lip injections, collagen makes up about a third of the human body's proteins, and dwindles with age. As an ingredient, it is sourced from the bones, skin or cartilage of animals including pigs, cows, chicken and fish. These tissues are typically treated with enzymes, dried and processed into smaller molecules—or peptides—to help absorption by the body.

"I try not to think about it," says Nancy Coulter-Parker, a 50-year-old freelance sports and wellness writer in Boulder, Colo., who mixes a scoop of collagen powder into her morning glass of water. On its own, the unflavored powder has a "musty, dry taste," she says, which she masks by mixing in an orange-flavored vitamin-C supplement. The results, she says, are worth it. "I feel more hydrated and I think my hair seems fuller," she says.

Reserveage Nutrition's Collagen BeauTea (\$30 for 48 tea bags) promises on package labels to "infuse skin, body and spirit with renewal and radiance." Primal Kitchen says



Reserveage Nutrition Collagen BeauTea promises 'renewal and radiance.'

its Dark Chocolate Almond Bar with collagen "supports connective tissue." Dirty Lemon Beverages says its beauty elixir collagen drink will "increase elasticity, reduce wrinkles and trigger new collagen production."

Experts say much of the research on collagen supplementation is small-scale and often funded by the ingredient makers. "The research is not there," says Mark Moyad, a director of complementary and alter-

native medicine at the University of Michigan Medical Center.

Dr. Moyad estimates he has reviewed more than 50 studies on collagen supplementation and its impact on factors from physical movement to cosmetic appearance. Most are animal studies; human studies typically have sample sizes of fewer than 25 people. To recommend collagen supplements to patients, he says, he would want to see at least half a dozen well-controlled, independent human studies, with sample sizes in the hundreds, running for at least six months.

There are no known safety issues related to taking collagen, which the body breaks down similarly to other ingested proteins, says Adam Friedman, dermatology professor at George Washington University, who is studying collagen's effects on wounds.

Still, heavy metals including lead can be retained in animals' bone and connective tissues, Dr. Moyad says. He says consumers can ask if the manufacturer does testing that would check for such hazards.

The Food and Drug Administration doesn't regulate supplements as drugs and doesn't approve food or dietary supplement labels be-

fore they are put on the market, according to FDA spokeswoman Theresa Eisenman.

Buzzwords such as "enhances," "maintains," or "promotes" on labels should be taken with a grain of salt, says Bonnie Liebman, nutrition director for the Center for Science in the Public Interest, a nonprofit consumer-advocacy group.

Food companies and ingredient makers say that while the research is in its nascent stages, many consumers swear by the products. "The most important thing we have are customers regularly telling us there are clear results," says Zak Normandin, co-founder of Dirty Lemon Beverages LLC.

Mark Sisson, chief executive of Primal Nutrition LLC, launched Primal Kitchen branded collagen powdered drink mixes and snack bars two years ago as part of his food business. While about 65% of his customers for collagen products are women largely interested in improving skin, hair and nails, he says men also take collagen for reasons including knee and joint health. As for the research, "dietary science is never black and white," Mr. Sisson says.

Dermatologists say there isn't any conclusive evidence that ingested collagen affects the hair, skin and nails. "Dermal collagen is like a complex woven sweater. You can't just throw a ball of yarn at it and expect it to get incorporated," says Mary Sheu, a dermatology professor at Johns Hopkins University.

Ashley Barrient, a dietitian with the Northwestern Medicine health system in Chicago, says as many as five patients a month ask her whether they should take collagen. "A lot of the studies look at collagen alone, but we don't know what happens when it's used in combination with other ingredients," she says.

MUSIC

SPOTIFY SPARKS A MUSIC-INDUSTRY DEBATE ON CENSORSHIP



SCOTT LEGATO/GETTY IMAGES
Spotify removed R. Kelly, right, from its playlists.

BY ANNE STEELE

R. KELLY'S OUSTER from Spotify playlists last week touched off a broader debate about where the music industry should draw the line between penalizing bad behavior and engaging in censorship.

Spotify Technology SA last week said it removed R. Kelly's music from playlists created by its staff and from software-driven recommendations as allegations about the singer's treatment of women over several years have gained momentum in recent months.

The streaming service's new "Hate Content and Hateful Conduct" policy stretches its discretion beyond racy lyrics to include behavior by the people who create music. CDs and other physical formats have for years carried "explicit content" warning labels on songs with explicit words—which some retailers have in turn refused to carry. Spotify's move, announced Thursday, marks a new approach that metes out a different

sort of punishment for a performer's alleged bad behavior.

Being on Spotify's popular curated playlists can provide a significant boost to artists, who collect more in royalties the more their music is streamed. Streaming royalties are now responsible for the bulk of revenue from recorded music as sales of physical and digital albums have collapsed.

Other music-streaming platforms have been reworking policies in the #MeToo era, and are cautiously treading into a debate about free speech.

The policy changes have given rise to questions about which artists should be subject to such sanctions. What about Chris Brown, who pleaded guilty to felony assault of then-girlfriend Rihanna in 2009? Or Michael Jackson, who settled one accusation of child sexual abuse in the early '90s and was acquitted on other allegations in 2005?

Many in the music industry have applauded Spotify taking a stand. But some are wary of the danger of punishing people

Please see MUSIC page A10

LIFE & ARTS

BY CAMERON MCWHIRTER

THE CRAZE OVER online talk shows has reached a point where even Studs Terkel is getting one. He's been dead for 10 years.

Mr. Terkel and another departed voice from Chicago talk-radio, Milt Rosenberg, are finding new audiences thanks to modern technology and devoted fans.

Mr. Terkel, who died at age 96, won a Pulitzer Prize for his oral history of the U.S. during World War II. Mr. Rosenberg, who died in January, was a University of Chicago professor who received a National Humanities Medal from President George W. Bush. Both ruled Windy City airwaves for decades with shows where they explored ideas and current events with politicians, authors, artists and economists.

New websites offer their old programs—Mr. Terkel's skewed left, Mr. Rosenberg's skewed right. Most of these shows have not been heard by the public since they were first broadcast.

Allison Schein Holmes, archivist at the Studs Terkel Radio Archive, says listening to the shows—about 45 years' worth—has made her long for an earlier age of respectful intellectual engagement.

"Studs always wanted it to be a conversation," she says.

Matt Rosenberg, who manages the new digital archive of his father's shows, says the programs show that people can talk to one another with civility, even if they don't agree.

"In this day and age, where you can hardly say something without someone jumping down your throat, that approach is perhaps more valuable than ever," he says.

Kraig Kitchin, chairman of the Chicago-based National Radio Hall of Fame, says the two men produced cerebral shows that often sound like a modern podcast. "To me, it's something to champion," he says.

The Terkel archive, launched this month, plans to collaborate with schools and libraries to get the word out about the programs after a pair of parties in Chicago and Washington, D.C. Matt Rosenberg, operating with a much smaller budget, has started the website and is promoting the shows on a Facebook page.

The Terkel archive is a collaboration of the WFMT Radio Network, part of the station where Mr. Terkel had a one-hour morning show from 1952 until 1997. The Chicago History Museum, the Library of Congress are also involved. It will launch with about 1,700 shows offered free. More of the approximately 5,600 shows



FROM TOP: BETTMANN ARCHIVE/GETTY IMAGES; MATT ROSENBERG

RADIO

Two Radio Legends Reborn Online



Radio shows hosted by Studs Terkel, top, and Milt Rosenberg, seen above with Margaret Thatcher, are getting digitized.

that researchers have found are scheduled to follow. Mr. Terkel drew a parade of famous people to his program, including civil rights leader Dr. Martin Luther King Jr., boxer Muhammad Ali and poet Allen Ginsberg.

Tony Macaluso, director of the Terkel project, guessed that about 20% to a third of Mr. Terkel's shows were lost because they were taped over or thrown away over the years. Researchers are combing Mr. Terkel's house and elsewhere to find more tapes.

Mr. Terkel, perpetually disheveled and often chewing a cigar, "was fascinated by everything" and "had no trouble mixing in with people," whether it was a famous actor like Marlon Brando or Chicago gang members, says Lois Baum, a longtime associate program director at WFMT and a close friend of Mr. Terkel's.

"The person recognizes that you respect them, because you're listening. Because you're listening, they feel good about talking to you," Mr. Terkel wrote in his memoir, written with Sydney Lewis, "Touch and Go."

Ms. Baum, who helped the Terkel archive launch, says that during the last year of his life, as his health de-

clined, Mr. Terkel often would ask her the same question: "What's going to happen to my programs?"

Milt Rosenberg's son, working with his father's friends, is on a mission to bring his father's shows to new listeners, too.

The website offers several programs free, and charges \$5 a month or \$45 a year for unlimited access to about 386 shows. Matt Rosenberg says he has another 1,600 shows digitized and ready to be uploaded. Several thousand others on reel-to-reel and cassette are sitting in his father's Chicago apartment waiting to be digitized.

Milt Rosenberg was a longtime social psychology professor at the University of Chicago. He was chosen in 1973 to be the full-time host of "Extension 720"—a two-hour nighttime program on WGN radio, one of Chicago's most influential stations.

From 1973 to 2012, Milt Rosenberg interviewed politicians, authors, playwrights, journalists, musicians and anyone else who made him curious, his son says. He interviewed novelist Saul Bellow, actor Bill Murray, British Prime Minister Margaret Thatcher, President Jimmy Carter and, in 1995, a young Chicago lawyer named Ba-

rack Obama.

Initially politically liberal, Mr. Rosenberg grew more conservative over time. But "he never let his own views take over on the show," his son says.

WGN forced Mr. Rosenberg off his show in 2012, but Mr. Rosenberg didn't give up on talk. He launched a podcast with new shows, and later had a program on another station briefly.

According to Matt Rosenberg, one of his father's favorite guests was Joseph Epstein, the essayist and longtime editor of the American Scholar magazine. Mr. Epstein, who came on at least five times, says that whenever he visited to promote a book, Mr. Rosenberg "always had read it and was thoughtful," a rarity among commercial radio interviewers. Milt Rosenberg's listeners were "very agreeable" to intellectual discussion, not just partisan banter, he says.

Mr. Epstein, who has written for The Wall Street Journal's opinion pages, says these intellectual, longform radio programs required "sitz-fleisch." It's a German term that's slang for staying power, a willingness to work hard at something, in this case exploring the world of ideas.

MUSIC

Continued from page A9
who haven't been convicted of any crime.

In addition to Mr. Kelly, Spotify removed rapper XXXTentacion from its playlists, including the influential Rap Caviar. XXXTentacion has a reputation for public feuds, assault and controversial social-media posts and has been charged with battery.

Both artists' catalogs remain available on the service and users can add their music to playlists they make and share themselves.

"While we don't believe in censoring content because of an artist's or creator's behavior, we want our editorial decisions—what we choose to program—to reflect our values," Spotify said.

The policy, which creates a sizable gray area as far as when it applies, comes amid a social-media campaign, #MuteRKelly, aiming to end the 51-year-old R&B star's career after years of allegations of sexually abusing underage women and in some cases holding women hostage in a "sex cult." He was indicted in 2002 for child pornography but was acquitted of those charges in 2008.

"R. Kelly never has been accused of hate, and the lyrics he writes express love and desire," Mr. Kelly's management said in a statement. "He is innocent of the false and hurtful accusations in the ongoing smear campaign against him, waged by enemies seeking a payoff."

Streaming services acknowledge they play an active role and aren't just hosts.

Mr. Kelly's management said Spotify is "bowing to social-media fads and picking sides in a fame-seeking dispute over matters that have nothing to do with serving customers" while promoting "numerous other artists who are convicted felons, others who have been arrested on charges of domestic violence and artists who sing lyrics that are violent and anti-women in nature."

Apple Music, a Spotify competitor, hasn't been featuring or promoting Mr. Kelly's music for several months, according to a person familiar with the matter.

Pandora Media Inc. said its policy is "to not actively promote artists with certain demonstrable behavioral, ethical or criminal issues" and decisions are made on a case-by-case basis "to ensure we address components true to Pandora's principles while not overreaching and avoiding censorship."

Pandora won't serve up R. Kelly's music on its "browse" function, in ads or in new curated playlists. His catalog is available for users to queue up on their own and still comes up on the algorithm-driven personalized radio stations Pandora is best known for.

In August, Spotify joined a growing roster of tech companies denouncing white supremacists and neo-Nazis after violence in Charlottesville, Va., following a white-nationalist rally there.

It removed music by artists who supported those causes, at the time saying record companies and aggregators are "at first hand responsible for the content they deliver."

Streaming services' decision to turn down the volume on Mr. Kelly is an acknowledgment that they play an active role in presenting music to customers, rather than passively hosting whatever material comes their way.

"It's important to remember that cultural standards and sensitivities vary widely," according to Spotify's announcement of its new policy. "There will always be content that is acceptable in some circumstances, but is offensive in others, and we will always look at the entire context."

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LIFE & ARTS

EXHIBITION REVIEW

Awkward Trek Through Time

BY EDWARD ROTHSTEIN

Philadelphia
THE HANDSOME, thoughtful redesign of the Middle East Galleries of the University of Pennsylvania Museum of Archaeology and Anthropology (aka the Penn Museum) promises us a major reinterpretation of its subject. Ten curators have selected more than 1,200 artifacts gathered over 130 years of archaeological digs from what is one of the nation's finest collections, and presented them in 6,000 square feet of bright gallery space using the latest in museological displays and technology. This is also the first stage of a three-part \$102 million project to redesign the major exhibition spaces in the museum.

The promise is that these new Middle Eastern galleries will offer a fresh, coherent narrative. They are given the title "Journey to the City" and the development of great urban centers is their theme. Artifacts date back to the sixth millennium B.C., when agricultural advances allowed nomadic hunter-gatherers to stay in one place. Alongside major rivers and trade routes, new forms of social and economic life developed, made possible by surplus food and specialized labor. Urban citizenry came to be differentiated by tasks and talents, buying and selling wares and labor. Ritual and law became consolidating instruments of temples and government. The city was born.

Unfortunately, though, the promise is not really fulfilled. You can follow aspects of this narrative without a problem, but given the sophistication of so much else here, the account is surprisingly awkward, almost as if it were being imposed to demonstrate "relevance." Comparisons with the urban present are also painfully literal.

One display, for example, shows a 2,000-year-old terra-cotta drainpipe closely resembling a contemporary one made of polyvinyl chloride. Another display, not providing much more insight, juxtaposes an image of the nearly 4,000-year-old law stele of Hammurabi with the U.S. Constitution and alludes to "the old adage" whose origins are in that ancient code: "an eye for an eye, a tooth for a tooth." But of course that "old adage" is actually in three early books of the Bible, a comparison that might have yielded many more insights than the one made.

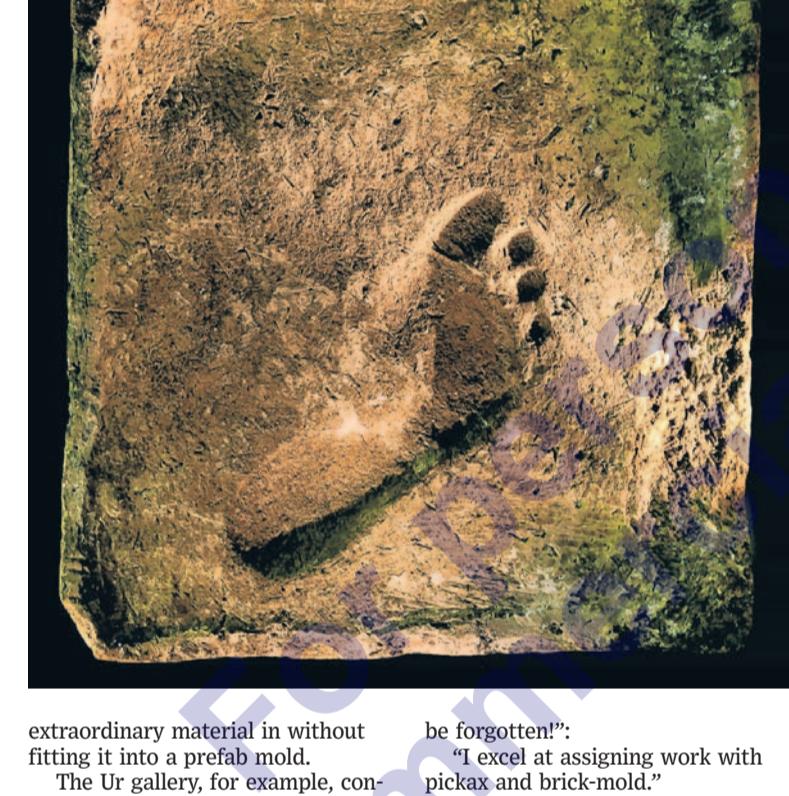
The "journey to the city" idea also reaches a climax only halfway through, in a magnificent gallery devoted to the ancient Sumerian city, Ur—brought to light in excavations in the 1920s and 1930s jointly sponsored by the British Museum and the Penn Museum. The ancient history, even here, doesn't readily flow, and after this gallery, any sense of a "journey" seems forgotten.

Better then, to simply take this



PENN MUSEUM (2)

The Middle East Galleries at the Penn Museum, which feature more than 1,200 artifacts, above; a rectangular brick from Ur bearing a human footprint, left.



extraordinary material in without fitting it into a prefab mold.

The Ur gallery, for example, contains a cuneiform declaration of King Shulgi, who ruled the Sumerian city at the end of the third millennium B.C. and built the great ziggurat we see imagined in nearby displays. "I am Shulgi, King of Ur!" he declares. "My words must never

be forgotten!"

"I excel at assigning work with pickax and brick-mold."

"I am an experienced scribe who neglects nothing."

"I can tell the good from the wicked."

Such kingly pride might recall the hubristic declaration of Shelley's Ozymandias ("Look on my

works, ye Mighty, and despair!"), except the Ur material here shows not monumental ruin, but well-preserved artisanship. The most exquisite (and well-known) evidence comes from the tomb of Queen Puabi, dating from c. 2350 B.C. (and discovered in the late 1920s): Her reign is a mystery, but her taste is evident in a cloak of gold, lapis lazuli, agate, carnelian and silver, and a diadem that has changed character with reinterpretation.

So much information now exists about Ur that its society can be seen from below as well as from above; even individual dwelling places and occupations have been identified. The most dramatic find—"The Great Death Pit"—may also reveal something about the expected allegiances of servants. In a pit near royal graves, the body of a richly adorned woman was found accompanied by the remains of 67 women and six men—all killed by blows to the head, and arranged "as if at a funeral banquet." We see the skulls of two of the dead with the accoutrements they wore on the day they were felled, but earth and time have crushed them into flattened masses, a mix of bone and fractured ornament.

Objects of daily life also deliberately take on fresh importance here. At the exhibition's entrance, for example, is a flat rectangular brick

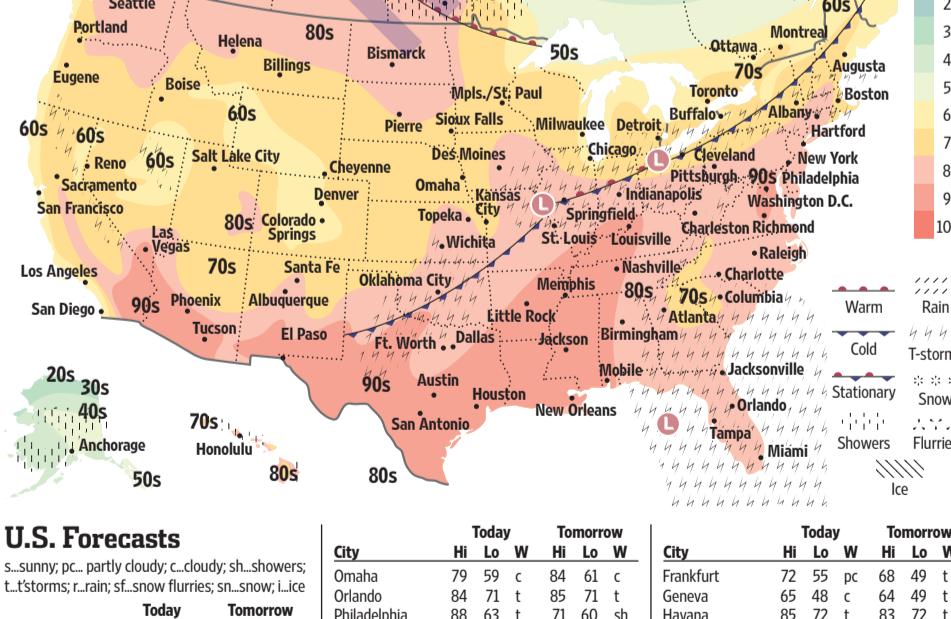
from Ur bearing a human footprint. Was it an accident—like the dog prints on another brick shown here—or the equivalent of a signature that would have been sealed in the steps of a ziggurat? For the museum its presence seems a declaration of intent: It isn't only the mighty who are immortalized through fragments and shards.

The one force not sufficiently illuminated is the University of Pennsylvania itself. Each set of displays grows out of a dig the university participated in; in fact, the museum was established in 1887 to house the findings of the first such expedition, which was also the first American dig in the region. No artifact here was purchased or borrowed; each was discovered by university researchers and is owned according to arrangements with other institutions and governments in the regions now known as Iran and Iraq. The provenance of these objects is beyond reproach. But in today's climate of illicit traffic antiquities, why not simply explain the acquisition procedures followed?

The weaknesses of these galleries inspire a hope that more will be done over time. Their strengths inspire the same hope, so rich and suggestive is the material we are already privileged to see.

—Mr. Rothstein is the Journal's Critic at Large.

Weather



U.S. 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
Anchorage	52	41	c	49	42	r
Atlanta	80	67	t	80	66	t
Austin	91	66	pc	94	66	s
Baltimore	93	68	t	76	63	t
Boise	77	54	c	77	52	pc
Boston	76	53	t	55	51	c
Burlington	70	45	r	74	56	c
Charlotte	83	67	t	82	66	t
Chicago	69	52	t	77	56	pc
Cleveland	74	54	t	73	54	c
Columbus	75	51	c	73	54	c
Dallas	88	70	pc	92	72	pc
Denver	68	48	pc	78	53	t
Detroit	75	51	c	78	56	pc
Honolulu	84	71	sh	84	72	pc
Houston	93	69	pc	95	69	s
Indianapolis	82	64	t	81	63	t
Kansas City	79	64	pc	83	63	t
Las Vegas	90	67	s	91	65	s
Little Rock	93	65	s	88	65	t
Los Angeles	69	54	pc	69	55	pc
Miami	84	74	t	85	74	t
Milwaukee	63	48	pc	73	52	pc
Minneapolis	79	58	s	85	64	s
Nashville	92	67	pc	87	66	t
New Orleans	94	72	t	94	74	t
New York City	85	62	t	65	57	sh
Oklahoma City	84	62	t	86	63	pc
Orlando	65	39	c	60	40	s
Philadelphia	88	63	t	71	60	sh
Pittsburgh	83	62	t	79	62	t
Portland, Maine	72	46	sh	55	45	c
Portland, Ore.	79	57	s	69	55	c
Sacramento	73	51	s	70	48	pc
St. Louis	87	67	t	84	67	t
Salt Lake City	73	54	pc	81	56	pc
San Francisco	65	55	pc	66	54	pc
Santa Fe	81	48	s	83	49	s
Seattle	80	54	s	70	53	c
Sioux Falls	78	54	s	82	60	pc
St. Louis	92	69	t	78	68	t
Washington, D.C.	92	69	t	78	68	t

International

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	73	53	pc	63	46	sh
Athens	84	71	t	84	64	pc
Baghdad	89	67	s	91	69	s
Bangkok	92	80	pc	92	80	t
Beijing	88	66	c	87	67	c
Berlin	69	53	t	67	52	t
Brussels	74	53	pc	68	46	pc
Buenos Aires	64	42	pc	58	42	s
Dubai	102	83	s	98	83	s
Dublin	63	41	c	56	41	s
Edinburgh	65	39	c	60	40	s
Frankfurt	72	55	pc	68	49	t
Geneva	65	48	c	64	49	t
Havana	85	72	t	83	72	t
Hong Kong	89	79	pc	88	79	pc
Istanbul	77	66	s	78	65	pc
Jakarta	93	79	t	90	77	t
Jerusalem	75	56	s	82	62	pc
Johannesburg	61	41	pc	61	44	c
London	74	51	s	63	44	pc
Madrid	74	49	s	76	54	pc
Manila	95	81	t	96	80	t
Melbourne	57	48	pc	57	47	c
Mexico City	80	56	pc	81	55	pc
Milan	66	52	t	74	52	t
Mumbai	76	55	sh	75	57	c
Paris	74	53	pc	73	47	t
Rio de Janeiro	86	72	s	88	73	s
Riyadh	97	75	s	96	73	s
Rome	63	54	t	68	56	pc
San Juan	84	74	pc	83	75	sh
Seoul	81	66	c	70	64	t
Shanghai	93	79	pc	98	78	s
Singapore	90	80	c	90	79	c
Sydney	68	55	c	64	52	pc
Taipei City	93	78	pc	94	78	t
Tokyo	79	65	s	77	68	s
Toronto	71	48	s	68	51	s
Vancouver	71	50	s	66	49	s
Warsaw	72	53	t	69	54	t
Zurich	62	47	t	61	49	t</

SPORTS

GAMBLING

Leagues Gear Up for a Betting Future

Even before the High Court's ruling, the NBA, NFL and MLB laid the groundwork for a change that could upend the industry

BY ANDREW BEATON

THE MAJOR American sports leagues had an unmistakable response to Monday's historic Supreme Court ruling that paves the way for legalized sports across the U.S.: We're ready—and we want in.

Just a decade ago, that would have been unimaginable. Then, the NBA had just been rocked by a referee involved in sports gambling. Memories of famous scandals, from Pete Rose to the 1919 Black Sox, still loomed over MLB. The NFL, America's gambling behemoth, opposed the practice perhaps more vigorously than any other major sports body.

But in the months and years leading up to Monday's 6-3 decision, which invalidated a federal law that banned sports betting in most of the U.S., these leagues have been preparing for a different type of future. Both behind the scenes and publicly, their attitudes have shifted in anticipation of a new reality that had come to feel like an inevitability.

"The leagues want a piece of the action, somehow, some way," said Frank Vuono, co-founder of 16W Marketing, a New-Jersey based sports marketing agency.

The leagues have already laid the groundwork for how they would like to proceed in a landscape where fans may be laying bets before—and during—games, whether that's from seats on their couches or in the stands.

These bets will go far beyond the classic wager on who will win a game and by how many points. Legal sports gambling gives more fans access to a huge array of "prop bets" that would be available on every play of every game. They are bets on propositions such as, "How many threes will LeBron James hit in the third quarter?" or "Will the Patriots score a touchdown on this drive?" Such bets are common in the U.K., where soccer fans can make wagers on Premier League matches while at the stadiums.

The stances of the leagues visibly changed even before the Supreme Court made it clear the leagues did not have a choice. David Stern opposed legalized sports betting during most of his 30 years as NBA commissioner, but Adam Silver, who took over in 2014, supports it. The NHL became the first major league to place a franchise in Las Vegas. The Golden Knights, in their first season, are in the playoffs. The NFL's Raiders



will move from Oakland to Las Vegas in the next couple of years.

On Monday, the leagues said they would work to protect the "integrity" of the game in states where sports betting becomes legal. The challenge that invalidated the federal law on sports betting came from New Jersey, but other states have already either passed legislation or voiced support of action to follow that.

"As each state considers whether to allow sports betting, we will continue to seek the proper protections for our sport, in partnership with other professional sports," MLB said in a statement.

Not all leagues, though, have taken the same approach in their behind-the-scenes efforts to gear up for this moment and capitalize. And some of the proposals have already faced resistance from gaming experts and industry executives.

In recent months, the NBA and MLB have already been lobbying states for what has been commonly referred to as an "integrity fee"—1%

of bets typically—to extract a cut of the action. The leagues believe the fee is the necessary trade-off for the increased administration that would be required to protect the sports and guard against anything nefarious, such as game-fixing.

This idea has gained traction and generated discord. A bill introduced in the Kansas House of Representatives earlier this year, for example, proposed a 0.25% fee on wagers to go back to the respective leagues.

Gambling experts and industry executives say a 1% fee can amount to upward of 20% of net revenue for gambling operators and that such an action could keep the practice unregulated and underground.

In a statement Monday, Silver said the league "will remain active in ongoing discussions with state legislatures."

The NFL isn't insisting on a fee and NFL commissioner Roger Goodell has been less outspoken than Silver on the subject. Instead, said a person familiar with the

league's plans, the league will push for legislation that requires sports betting operations to use official, league-sanctioned data. The NFL believes this will protect consumers and guarantee quality control. Licensing this data would likely involve some sort of fee.

Down the road, there may be even bigger payoffs: The potential to license games or highlights so that fans can bet on the NFL and watch it too—all in one place. So, for example, if a bettor wagers that a football team will score on its next drive, it could watch the action on their phone.

"The money is in the video," said the person familiar with the NFL's plans.

The NFL and NBA both called Monday for a federal framework that would set a standard for regulations in each state where sports gambling is ultimately realized. "Congress has long-recognized the potential harms posed by sports betting to the integrity of sporting contests and the public confidence

in these events," NFL spokesman Brian McCarthy said in a statement. "Given that history, we intend to call on Congress again, this time to enact a core regulatory framework for legalized sports betting."

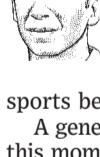
Sen. Orrin Hatch (R., Utah) said in a statement Monday that he plans to introduce legislation in the coming weeks to "protect honesty and principle in the athletic arena."

While these sports bodies see opportunity, the NCAA faces a dilemma. The NCAA has consistently opposed sports betting, even refusing to hold championship events where sports betting is legal. On Monday the NCAA's chief legal officer, Donald Remy, said in a statement: "While we are still reviewing the decision to understand the overall implications to college sports, we will adjust sports wagering and championship policies to align with the direction from the court."

—Rachel Bachman, Jared Diamond and Ben Cohen contributed to this article.

By Jason Gay

HERE COMES THE SPORTS GAMBLING APOCALYPSE

 It's time for us all to don our vintage New York Jets jerseys and set off down the Road to Perdition: the Supreme Court has blazed an apocalyptic path for—horror!—the legalization of sports betting in America.

A generation from now, we will remember this moment, as we stare upon the charred



the soil into the daylight, making it legit, ending the charade of enforcement, and minting a new era of tycoons.

It's really beautiful, isn't it? It makes me want to weep. Or at least bet on the Celtics to take down the Cavs.

Look: you're going to hear a lot of hype over the next few days about how transformative this moment is for American sport,

how we will look back upon it like the invention of the forward pass, the split-finger fastball, or Joakim Noah's \$72 million Knicks contract. You'll hear that the very foundation of the American sports economy will shiver and quake, that today's sports media and in-game experience will be unrecognizable within a generation.

Or...not. They've had sports gambling in Europe for eons. It's neither Xanadu nor The Abyss.

We presume our sports leagues are intrigued by

the possibilities here, in particular the NBA, which instead of wink-wink disapproval has been very public in its support for changing the law. Basketball sees both dollars and engagement—a fan with something on the line is far more likely to be engaged in the action, even if that action is a Brooklyn Nets game in mid-March.

Technology, meanwhile, has made the prospect of placing bets very accessible—imagine sitting in the crowd at a game, as fans around you place bets on the third quarter's leading scorer, or the next touchdown pass.



NBA commissioner Adam Silver sees great potential for the NBA in a legal sports betting economy.

Yeah, so here's the thing: I'm imagining that, and I'm not that excited by it. I'm perfectly OK with the court's ruling here—and the legalization of sports betting, because

who is kidding whom?—but the idea of being surrounded by a bunch of lunatics making in-game bets on their phones, freaking out when they lose? Yuck. It makes me want to run for the rafters. Rafters without Wi-Fi access.

Same for the transformation of sports media. I do believe sports gambling will have a major impact on sports media: there will be tremendous demand for programming promising to give the sports gambler an advantage. There's already plenty of that stuff with fantasy sports, but now the networks will cut to the chase and do it for genuine gambling-gambling, to which I can only say: Zzzzzzzz. Have you ever watched a TV show about fantasy football? I'd rather get hit in the head with a frozen turkey.

(For that matter, have you ever talked to anyone about his or her fantasy football team? I'd rather get hit in the head with two frozen turkeys.)

But gambling shows will be popular, I'm

sure of it. It will endanger anyone in sports media who isn't offering an edge. Say goodbye to your idiotic Journal sports columnist, writing about Euro bike racing and cats. In two months, I'll be giving you lines on Mets games and kickboxing matches.

I know NBA commissioner Adam Silver shares some of these concerns—we talked about it onstage at the Journal's Future of Everything Festival in New York City, which was awesome and you definitely should attend next year. Silver sees great potential for the NBA in a legal sports betting economy—among other things, it's a fabulous hedge against volatility with future TV contracts—but he knows it must be handled with care. (He declined to tell me who wins this year's NBA Finals.)

All I'm saying is: be wary of the hyperbole here, from both sides. The court has made a significant ruling, and the potential money is inarguable. But it's probably not the end of the world, nor the dawn of a brilliant new one. More likely it's something in between. At least that's my bet. That, and the Celtics in 6.

OPINION

Trump, Iran and American Power



GLOBAL VIEW
By Walter Russell Mead

America's withdrawal from the Iran deal and relocation of its Israeli embassy to Jerusalem send an unmistakable signal about the emerging

Trump foreign policy: The administration wants to enlarge American power rather than adjust to decline. For now at least, the Middle East is the centerpiece of this new assertiveness.

For President Obama, Iran's rise was an unavoidable fact. Confronting Iran meant risking a war even bigger and uglier than the one in Iraq. Mr. Obama wasn't only personally opposed to such a war, he believed that neither Congress nor public opinion would sustain it. The era in which the U.S. could dominate the Middle East was over; the wisest course was to negotiate an arrangement that would protect core U.S. interests and cover for an American withdrawal.

The Iran deal, President Obama and his supporters believe, accomplished all that and more. By taking the nuclear issue off the table, at least for the time being, the agreement averted the danger of a U.S.-Iranian military confrontation. Moreover, it weakened hard-liners inside Iran by undermining their core argument that Iran faced

an external threat requiring permanent social mobilization even as it strengthened moderates by tying the country ever more closely to the world economy. If supported by the West, the Obama administration believed, moderates would gradually consign the Islamists to the political fringes.

From this perspective, the deal was a masterstroke of diplomacy. Its supporters now fear that Iranian and American hard-liners, energized by the failure of their more accommodating rivals, will steer the countries toward a policy of confrontation ending in war—and that the result of this war will be to accelerate rather than retard American decline in the Middle East and beyond.

President Trump's approach is different. His instincts tell him that most Americans are anything but eager for a "post-American" world. Mr. Trump's supporters don't want long wars, but neither are they amenable to a stoic acceptance of national decline. As to the wisdom of accommodating Iran, Team Trump believes that empowering Iran is more likely to strengthen the hard-liners than the moderates. As Franklin Roosevelt once put it in a fireside chat, "No man can tame a tiger into a kitten by stroking it."

The Trump administration believes that far from forcing a U.S. retreat, Iranian arrogance and overreach in the

Middle East have created a golden opportunity for the assertion of American power. It hopes the emerging alliance of Arabs and Israelis will give America local partners who are ready to bear many of the risks and costs of an anti-Iran policy in exchange for American backing.

The president sees Tehran's overreach as an opportunity to arrest U.S. decline.

Israeli air power and Arab forces, combined with the intelligence networks and local relationships the new allies bring to the table, can put Iran on the defensive in Syria and elsewhere. This military pressure, along with economic pressure from a new round of sanctions, will weaken Iran's hold on its proxies abroad and create political problems for the mullahs at home. If they respond by restarting their nuclear program, Israeli-American airstrikes could both stop the process and inflict a humiliating blow to the regime's prestige.

At that point, Team Trump believes, Iran will be faced with a different kind of negotiation, one in which the U.S. and its allies are in a position of strength. In addition to accepting limits on its nuclear activities, optimists hope,

Iran would also scale back its regional ambitions. Syria's future would be determined by the Arabs, Iran would accept Iraq as a neutral buffer state between it and the Sunni Arab world, and an uneasy peace would prevail.

This approach might be unpopular with America's European partners, but it resonates with the Middle Eastern allies on whose support the strategy depends. The Trump administration recognizes that, and its strong backing of Arab and Israeli priorities—President Sisi's government in Egypt, Saudi Arabia's military campaign in Yemen, the Jerusalem embassy—reflects the demands of coalition diplomacy. Expect more of this. Rewarding useful allies is a cornerstone of the Trumpian approach to foreign policy. The more active America's Middle East allies, the smaller the risk of heavy American engagement in a Middle East ground war.

The administration has now made its intentions clear. It seeks a neo-American era in world politics rather than a post-American one, and it has chosen the Middle East as the testing ground for its new approach. The biggest questions the new national security team must now ask itself are: How deeply, and for how long, is the president committed to this approach—and will he continue to support it if, as often happens in the Middle East, something goes wrong?

Meet Jimmy Kimmel's Nun



MAIN STREET
By William McGurn

It was once understood that a gentleman never holds up a woman's looks for ridicule. Even now, when the idea of a gentleman has itself become an anachronism, the #MeToo moment might have been thought to re-enforce the old prohibition.

Turns out there's an exception for nuns.

Last Tuesday, the host of ABC's "Jimmy Kimmel Live!" took advantage of this exception during a segment poking fun at the A-listers showing up for this year's Met Gala in everything from mock papal headgear to cross-bedazzled evening gowns. The gala's theme was "Fashion and the Catholic Imagination." Mr. Kimmel said his boyhood had given him a much different impression of the Catholic sense of fashion. For the laugh line, up popped a photo of a middle-aged nun—he called her "Sister Mary Frances O'Brien"—"wearing the latest from JC Penney."

In reality, Sister Mary Frances O'Brien doesn't exist. The nun in the photo is Sr. Patricia Pompa. I know because Sr. Pat is principal of Villa Walsh Academy, the Morristown, N.J., high school my daughters attended.

At a time when Christians

elsewhere are being beheaded or having their churches torn down, a nun joke doesn't register high on the outrage meter. But for those who know the real-life woman behind the joke, it stinks of injustice.

It's true, as Mr. Kimmel's reference to JC Penney was meant to convey, Sr. Pat's habit would win no awards for fashion. Then again, it is precisely in this sense she wears it. In its way it is a declaration of higher loyalties and imperatives.

Sr. Pat's entire life has been about self-sacrifice on behalf of one of these imperatives: the education of girls, which she oversees in a school located a few feet from the convent where she and the sisters live. So when they admit a girl to their school, they see themselves as welcoming her into their home. The Lord says, "I am the good shepherd, I know my sheep and my sheep know me." At Villa Walsh, Sr. Pat knows every one of her 250 lambs by name.

The Religious Teachers Filippini were founded to educate the daughters of the poor, but the school's location means a fair number of Villa students come from families of means ("I see the cars you drive," Sr. Pat sometimes reminds parents during fundraisers). Affluence is no immunity from the trials and tragedies of life: the girl whose parents are in the thick of an ugly divorce, the senior who becomes pregnant, the

student with a drug problem, the 14-year-old who just lost her mom to cancer.

In many cases, Sr. Pat is powerless to alter outcomes. But she can love. And love is as much a part of the Villa formula as the high bar it sets for academic excellence. The sisters can't guarantee their young charges a life free from hurt and unfairness. But they promise them this: No Villa girl will ever hurt alone.

Behind the caricature is someone who has spent her life building strong women.

In the popular culture, nuns are synonymous with discipline. There's something to that, though it's worth remembering the Latin root for "to discipline" is not "to punish" but "to teach." As part of preparing their girls for the world, the Filippini sisters endeavor to show them, by example, that when St. Paul wrote that love bears all things, believes all things, hopes all things, and endures all things, it was more than pretty words.

Sometimes love means being the one to deliver bad news; sometimes it's telling a student to knock off the nonsense and start living up to her God-given potential; sometimes it's just offering a

shoulder to cry on for a girl feeling terribly lost and abandoned. Across our world there are thousands of women who, just like Sr. Pat, bring this love to bear daily in ministries from health care and education to helping victims of sexual trafficking. They are living out their promise to God to put the needs of others before their own.

Like many moms and dads, my wife and I have our anxious moments when we contemplate the future our daughters will inherit. Again like others, we pray for guidance. Then we send our daughters to Sr. Pat. They arrive as unsure and unformed girls—but leave as capable, confident and well-educated women.

And her thanks? To be used as a punchline on late-night TV.

Sr. Pat is not the type to give something like this a second thought. She also knows enough to know Mr. Kimmel intended no malice. Still, she deserves better.

A pity Mr. Kimmel and his audience will settle for a cheap laugh line like "Sr. Mary Frances O'Brien." Because if they could bring themselves to look just beyond the caricatures to the real-life Sr. Pats and the institutions they run, they would be astonished by the strength, selflessness and accomplishment they would find.

Write to mcgurn@wsj.com.

Who Needs Calculus? Not High-Schoolers

By James Markarian

Thousands of American high-school students on Tuesday will take the Advanced Placement calculus exam. Many are probably dreading it, perhaps seeing the test as an attempt to show off skills they will never use. What if they're right?

I started thinking about this recently when my 14-year-old daughter was doing her pre-calculus homework. I couldn't help wondering: Is this the best direction for children her age? Students need skills to thrive in the 21st-century workplace, and I'm not convinced calculus is high on that list. Sure, calculus is essential for some careers, particularly in physics and engineering. But few eighth-graders are set on those fields.

It's clear, on the other hand, that the American economy has entered a new age of data. Workers increasingly must analyze reams of numbers to improve products, increase sales or cut costs. Maybe high schools should spend more

time on subjects like statistics and probability.

The Labor Department estimates that "statistician" will be one of the fastest-growing job categories over the next decade, faster than "software developer" and "information security analyst." The pay isn't bad either: The median statistician made \$84,060 in 2017.

They'd be better off taking AP statistics or computer science.

Yet in 2016 nearly 450,000 high-school students took an AP calculus exam. Fewer than half that took the statistics test, and fewer still took an AP exam in computer science.

Calculus classes have expanded dramatically in high schools since the 1980s. Intense competition for elite colleges is probably pushing students to take calculus because they hope it will increase their chances of admission.

But if high schools "teach to the test," gearing classes to help students pass the AP exam, it could be counterproductive for students who wind up choosing physics or engineering. When college comes around, they may struggle if they are allowed to skip first-semester math classes even if they haven't truly grasped the basics.

I'm not saying high schools should stop teaching calculus, but perhaps colleges should reconsider awarding credit for it. Changing the incentives could encourage students to take subjects relevant to their ambitions. Statistics and probability are much easier to apply to real-world problems, such as traffic analysis or election polling, which helps keep adolescents engaged. Failing at math is sometimes cited as an "academic trip wire" that causes students to drop out of school.

There's evidence that parents already favor a change in curriculum. In a 2015 Gallup poll, 9 of 10 parents said

computer science should be taught in schools, but many districts don't teach it well. The education system is not aligned with the reality of today's workplace.

One positive shift is that outside opportunities for learning have greatly expanded. Millions of people worldwide have signed up for MOOCs, massively open online courses, which facilitate self-directed study. Popular courses include machine learning, data science, and the programming language R, which is widely used in data science and statistics.

So spare a thought on Tuesday for the half-million teenagers drudging through derivatives. I hope the test gets them into the colleges of their dreams, but how much it will help them build careers is uncertain. As for the next generation of high-schoolers: Statistics is calling. You might like it, and it can get you a good-paying job—in all probability.

Mr. Markarian is chief technology officer of SnapLogic.

BOOKSHELF | By Andrew Nagorski

Anatomy Of a Disaster

Chernobyl

By Serhii Plokhy
(Basic, 404 pages, \$32)

Months before the explosion of a reactor at the Chernobyl Nuclear Power Station on April 26, 1986, Viktor Briukhanov, the plant's director, told a reporter: "Whatever you say, we are no ordinary enterprise. God forbid that we suffer any serious mishap—I'm afraid that not only Ukraine but the [Soviet] Union as a whole would not be able to deal with such a disaster." Briukhanov had no idea how prophetic his words would be.

"The immediate cause of the Chernobyl accident was a turbine test that went wrong," Serhii Plokhy writes in his gripping, meticulously researched account of the tragedy. "But its deeper roots lay in the interaction between major flaws in the Soviet political system and major flaws in the nuclear industry." lax safety rules, for example, meant the reactor had been constructed without the kind of concrete shelter standard in the West.

The accident released 500 times as much radiation as the bomb dropped on Hiroshima, contaminating large swathes of territory in Ukraine, Belarus and Russia. Although the initial death toll was relatively low—two dead in the explosion, 28 dead from radiation sickness during the first four months—thousands more have died since of radiation-related causes. "Chernobyl: The History of a Nuclear Catastrophe" shows how the nuclear energy sector and the political system were largely discredited. It is no coincidence that the Soviet Union collapsed a mere five years later.

Mr. Plokhy, who teaches Ukrainian history at Harvard, mercilessly chronicles the absurdities of the Soviet system and the arrogance of its apparatchiks. But the fact that he grew up fewer than 500 kilometers south of Chernobyl probably accounts for his vividly empathetic descriptions of the people on the ground—the plant managers and employees, the fire-fighters, soldiers and others—who risked their lives to contain the damage. One university classmate was sent to Chernobyl as a policeman a few days after the explosion; he still spends at least a month every year in the hospital.

When the reactor exploded, shortly after 1 a.m. on a Saturday, two locals who were fishing in the plant's cooling pond watched the flames shooting up—and kept on fishing. "They saw everything but realized nothing," Mr. Plokhy writes. They were far from alone in their blindness, and officials at all levels worked hard to keep others in the dark. The KGB cut phone lines from Prypiat, the town near the plant, so that word of the accident would not spread. On Sunday seven weddings were held in Prypiat, even as 132 people were admitted to the hospital with signs of radiation poisoning.

Informed of the accident, Mikhail Gorbachev, the new Kremlin leader, was not sufficiently concerned to call an emergency meeting of the Politburo. Anatolii Maiorets, the minister of energy and electrification, flew to Chernobyl on Saturday and promptly dismissed calls for the evacuation of the local population. "The danger is clearly exaggerated," he declared. But the scale of the unfolding disaster forced a quick reversal of that decision.

The accident released 500 times as much radiation as the bombing of Hiroshima. The abandoned town feels like a Ukrainian Pompeii.

Prypiat's citizens were told they would be allowed to return in three days. In 1996, when I visited Chernobyl to report on the 10th anniversary of the accident, Prypiat was still a ghost town, with everything abandoned as it was on evacuation day. That remains true today. As Mr. Plokhy writes, the town has the feel of a modern-day Pompeii.

Chernobyl offered an object lesson in obfuscation and lying. When scientists in Sweden detected rising levels of radiation right after the explosion, Moscow remained silent. TASS, the Soviet news agency, only issued a laconic statement nearly three days later, admitting that there was an accident but making it sound like it was nothing extraordinary. There was still no information about radiation levels, or advice for people in the region. Mr. Gorbachev later tried to defend himself against charges of a deliberate cover-up. "We simply did not know the whole truth yet," he wrote in his memoirs. But, as Mr. Plokhy points out, Mr. Gorbachev and his team knew far more than they were willing to admit—and the Soviet leader performed miserably in this crisis.

By the time of the annual May Day parade in Kiev, radiation levels had risen dramatically in the Ukrainian capital. Yet the Kremlin insisted on no change in plans, ostensibly in order to prevent panic. When Ukrainian Communist Party leader Volodymyr Shcherbytsky objected, Mr. Gorbachev threatened to expel him from the party—a political death sentence. The parade went on, with many lightly dressed children accompanying their parents on that warm sunny day. Mr. Plokhy writes that the unintended consequence of the "radioactive" parade was "the loss of legitimacy of the regime it was supposed to enhance."

Mr. Gorbachev did not speak publicly about the accident until May 14, when he berated the West for exploiting the news for anti-Soviet propaganda. The regime then attempted to deflect criticism by sentencing Briukhanov and other Chernobyl personnel to prison terms. This was mostly scapegoating, as Mr. Plokhy convincingly demonstrates, and it failed to stem growing resentment of Moscow's control. Mr. Gorbachev belatedly launched his policy of *glasnost* (openness), hoping to show the Soviet system could reform by tolerating more honest public discussion. Instead, the pent-up anger in Ukraine over Chernobyl, and a broad range of other issues elsewhere, led to the rise of nationalist movements that tore the Soviet Union apart. "Chernobyl roused our souls," wrote the Ukrainian dissident poet Ivan Drach.

The collapse of the old regime produced new problems. Russia decided it had no further responsibility for the expensive clean-up. The plant was finally closed officially in 2000, and it took nearly three decades to complete a massive new shelter over the damaged reactor, largely funded by Western aid. As for the territory around the plant, Mr. Plokhy writes that it will not be safe for human habitation for at least 20,000 years. In that sense, the Soviet legacy lives on.

Mr. Nagorski served as Newsweek's bureau chief in Moscow and Berlin, among other postings. He is the author, most recently, of "Hitlerland" and "The Nazi Hunters."

OPINION

REVIEW & OUTLOOK

Trump Lets ZTE Off the Hook

Donald Trump vows to challenge China's trade abuses, but then how to explain his extraordinary intervention Sunday to rescue the Chinese telecom firm ZTE? The answer lies in the arbitrary and transactional nature of Mr. Trump's trade policy, which has economic and political costs.

Last month the Trump Administration barred U.S. companies from selling to ZTE for seven years. But on Sunday Mr. Trump tweeted that "President Xi of China, and I, are working together to give massive Chinese phone company, ZTE, a way to get back into business, fast. Too many jobs in China lost. Commerce Department has been instructed to get it done!"

The decision stunned even Mr. Trump's inner circle—not least because it undermines his own policy. The Commerce Department found overwhelming proof that ZTE sold telecom equipment containing U.S. technology to five embargoed countries: Iran, Sudan, North Korea, Syria and Cuba.

In 2016 the Obama Administration banned ZTE from buying U.S. components, which would effectively put the company out of business. Two weeks later it gave ZTE a second chance, and the company agreed to pay a \$1.2 billion fine and punish the employees responsible. ZTE didn't carry out the punishments, lied to the U.S. and got caught again. Giving ZTE a third chance sets a terrible precedent. The company used an elaborate system of shell companies to deceive the U.S., and the deception came to light only after internal documents leaked.

The Journal reported last month that the U.S. Justice Department is investigating Huawei, another Chinese company and the world's largest supplier of telecom equipment, for violating Iran sanctions. In 2012 Reuters reported that a Hong Kong-based Huawei partner offered to sell Iran a Huawei-developed system for monitoring communications.

An arbitrary intervention hurts U.S. sanctions policy.

The Chinese government owns ZTE through other state-owned companies, several of them defense-related. Huawei's ownership is unclear, but it too has ties to the Chinese military. That raises suspicion that Beijing knew about the sanctions-busting and failed to stop it.

ZTE and Huawei are also under scrutiny in the U.S. and elsewhere because of concerns that their equipment could be used to spy on or sabotage networks. In 2012 the House Intelligence Committee stated that they "cannot be trusted to be free of foreign state influence and thus pose a security threat to the United States and to our systems." The U.S. has effectively banned the companies from government contracts.

Huawei and ZTE are competing with U.S. firms to develop the next generation of mobile communications, known as 5G. Under its Made in China 2025 industrial policy, Beijing offers subsidies and other aid to make the country a leader in the telecom industry. It has also pressured the American company Qualcomm to give up its telecom patents. These interventions violate World Trade Organization rules.

Mr. Trump tends to think of global politics as a perpetual negotiation, and perhaps he figures his ZTE reprieve will cause Mr. Xi to help more on North Korea. China has agreed to restart its regulatory review of Qualcomm's bid to acquire NXP Semiconductors, which had been put on hold amid trade friction. And the Journal reports that China may forgo the tariffs on U.S. farm goods it has threatened to impose in response to U.S. steel tariffs.

So the U.S. is giving a reprieve to ZTE in return for China lifting tariffs it imposed in response to misguided U.S. tariffs. In other words, Mr. Trump is undermining U.S. credibility on sanctions in order to dodge tariff retaliation on the U.S. Farm Belt that Mr. Trump invited with his protectionism. Meanwhile, there's no sign so far that Mr. Xi is bending on IP theft or other predatory Chinese behavior.

The Issue Is Liberty, Not Gambling

Reasonable people can disagree whether sports gambling should be legal. But everyone who favors individual liberty should agree with the Supreme Court's 7-2 decision on Monday in *Murphy v. NCAA* that the Constitution prevents Congress from giving orders to state legislatures.

Cultural mores regarding gambling have changed over the past century, and one of the last remaining taboos is against gambling on sports contests due to the opportunity for corrupting the competition. As more states legalized gambling, Congress in 1992 passed the Professional and Amateur Sports Protection Act (Paspas) that made it illegal for states to authorize, promote or operate sports gambling.

Fast forward two decades. In 2014 New Jersey legalized sports gambling to help Atlantic City casinos and raise revenue. The state plausibly argued that Paspas violated the Constitution's well-established anti-commandeering principle by regulating the conduct of state legislatures rather than of private individuals. In *New York v. U.S.* and *Printz v. U.S.*, the Court has held that "the Constitution does not empower Congress to subject state government" to "administer or enforce a federal regulatory program."

The Justice Department and NCAA, which challenged New Jersey's law, claimed that there is a difference between conscripting and re-

The Supreme Court says Congress can't command state legislatures.

straining states. But this is a distinction without a difference, as Justice Samuel Alito explained in the majority's unequivocal opinion restating the anti-commandeering rule. This doctrine ensures the Constitution's ordered liberty and promotes political accountability.

"If a State imposes regulations only because it has been commanded to do so by Congress, responsibility is blurred," Justice Alito wrote for the majority. Congress may ban or restrict individuals from engaging in sports gambling, but "if it elects not to do so, each State is free to act on its own."

The Court's full-throated defense of federalism should be welcome on both the political right and left. The pundit-moralists who claim the Court has legalized sports gambling are ignorant of the law; that policy choice will be made by elected legislators or voters in referenda. It's amazing how many journalists want judges to be their overlords.

The Court also determined that Paspas's prohibition on sports gambling advertising can't be severed from the law. But as Justice Clarence Thomas noted in his pithy concurrence, the Court's severability analysis requires courts to make "a nebulous inquiry into hypothetical congressional intent." Although "no party in this case has asked us to reconsider these precedents, at some point, it behoves us to do so," Justice Thomas wrote. Indeed.

From Washington to Jerusalem

Violence marred the transfer of the U.S. Embassy in Israel to Jerusalem from Tel Aviv on Monday, but the ceremony was

more excuse than cause. The Palestinians from Hamas who protested along the Gaza border with Israel were continuing their eternal war against the existence of the Jewish state more than they care about where America puts its diplomats.

The transfer of the U.S. Embassy had been promised by multiple Presidents and American politicians over decades, including Bill Clinton and George W. Bush. The difference is that Donald Trump fulfilled his campaign promise. No less a Trump critic than New York Democrat Chuck Schumer, the Senate Minority Leader, proved the point Monday.

"In a long overdue move, we have moved our embassy to Jerusalem. Every nation should have the right to choose its capital," Mr. Schumer said in a statement. "I sponsored legislation to do this two decades ago, and I applaud President Trump for doing it."

What he didn't say is that while Mr. Schumer talked up his legislation at fund-raising time, he muted his support during the Obama years. The embassy would never have moved without Mr. Trump's willingness to defy political convention.

The embassy transfer is also a symbolic reaffirmation of U.S. support for Israel. Ties between the two countries frayed during President Obama's two terms, as Mr. Obama made concluding a nuclear deal with Iran his top—really, his only—Middle East priority. One of Mr. Trump's projects has been to restore better re-

Trump fulfilled a campaign promise that others wouldn't.

lations with U.S. allies, and in the Middle East that has meant Israel and the Sunni Arabs in Egypt and on the Arabian peninsula.

This is already paying dividends in confronting Iran's attempt to build an anti-Israel front in Syria with missiles and Hezbollah militia on the northern Israeli border. Israel struck back hard last week at Iranian positions in Syria after Iran launched missiles toward the Golan Heights. The missiles were intercepted, but Prime Minister Benjamin Netanyahu used the provocation to do significant damage to Iranian bases.

The U.S. issued full-throated support for the Israeli strikes. Iran now has to think twice about the risks it is willing to take in Syria and the Middle East, knowing that Mr. Trump has Israel's back. This U.S. support for its friends has also helped to improve ties, albeit quietly and behind the scenes, between the Sunni Arab states and Israel against their common enemy of an imperial Iran.

As for peace in Palestine, that won't happen until the Palestinians decide that Israel isn't going away. This year marks the 70th anniversary of Israel's founding, and its flourishing into a prosperous democracy is one of the miracles of the last century. Its success is due to the spirit and courage of Israelis and the stalwart backing of the United States.

On Tuesday the Palestinians will celebrate this anniversary with the holiday they call Nakba Day, or the Catastrophe. As long as this bitterness animates Palestinian society, its suffering will continue no matter where the U.S. locates its embassy.

LETTERS TO THE EDITOR

Trump Made Right Call on Iran Nuclear Deal

Regarding your editorial "After Obama's Iran Deal" (May 9): Lost in the current Iran deal debate is the manner in which the agreement was entered into. Although clearly a treaty, President Obama and his Democratic accomplices flipped the constitutional requirement for approval by two-thirds of the Senate on its head, instead requiring 60 votes to block the agreement. This was one of a number of actions revealing President Obama's disdain for the separation of powers and constitutional government. Usurping Congress's authority over immigration with DACA was another glaring example. Elections do have consequences, but they are not coronations. Regardless of the merits of each case, these misbegotten actions were a direct assault on the Constitution and must be undone. Who would have guessed that it would take someone as unorthodox as President Trump to lead the government back to regular order?

LAWRENCE BODENSTEIN
Bronx, N.Y.

When is the Trump administration going to appoint a special counsel to investigate John Kerry's interactions with the Iranians? Compared with the continuing witch hunt looking for, but not finding, Trump-Russia collusion, there seems to be much

MAX WISOTSKY
Highland Park, N.J.

President Obama's deal, in hockey terms, was the equivalent of the world saying to Iran that it could play four against five for eight to 10 years, but after that it could return to even strength. When Iran fired missiles at the Israelis recently from Syria, Iran showed that it has no problem jumping out of the penalty box. Good for President Trump for putting Iran back in the box.

BRUCE MORRISON
Valencia, Calif.

Maybe President Trump should suggest to Angela Merkel that he'll listen to her on Iran sanction exemption when she listens to him on military spending.

PAUL EVERINGHAM
Hamilton, Australia

Consider China in the Context of Nafta Talks

Regarding your editorial "The Nafta Ultimatum Strategy" (May 4): U.S. Trade Representative Robert Lighthizer could negotiate an updated North American Free Trade Agreement (Nafta) that retains the investor-state dispute settlement (ISDS) mechanism.

Nafta has been vital to America's rise as an energy exporter. North America's integrated energy markets have created economic incentives for the U.S. to invest in energy production and export more to Canada and Mexico. Mexico's 2013 opening of its energy sector to foreign and domestic investment presented a major opportunity to cement the North American energy partnership. Meanwhile, China has been eyeing the Mexican energy sector as it aims to further expand its footprint throughout Latin America. The Chinese National Oil Corp. already won two Mexican offshore auction blocks in December 2016.

Mr. Lighthizer's push to eliminate ISDS from Nafta would inhibit U.S.

companies in competition with China to take advantage of Mexico's energy opportunities. Ensuring that the rules remain unchanged over time lowers the risk for U.S. investors. This takes on even greater importance given the criticisms of Mexico's energy reforms by the leading Mexican presidential candidate, Andrés Manuel López Obrador. A Nafta without ISDS reduces the motivation for American firms to invest in the Mexican energy sector. The alternative for Mexico would be Chinese, Russian and other non-U.S. investors.

Mexico, in part due to Nafta, has been resistant to China's steady economic advance in Latin America. In renegotiating Nafta, the Trump administration should remember its economic rivalry with China for enhancing energy security and for cementing a close partnership with two neighbors which will help the U.S. compete more effectively.

EARL ANTHONY WAYNE
DAVID R. SHEDD
Washington

Democratic Leaders Have Known Since 2001

Regarding your editorial "Gina Haspel's CIA Crucible" (May 5): You state that the Democratic leadership was fully briefed during the post-9/11 days. Later, they all came forward to disparage the Bush administration's torture tactics. Now they can revisit the political theater that helped them in the subsequent elections. Ms. Haspel and President Trump have the ability to declassify those 17-year-old briefings at the hearings and demonstrate the extreme outrage of our moral superiors. Fighting back against hypocrisy involves more than nonstop emotive tweets to "the base."

JOE BOCCUZZI
Stamford, Conn.

After the events of 9/11 there was an almost unanimous call for us to

do whatever it took to find and bring to justice those responsible. For the record, I and thousands of our airmen who attended the SERE (Survival-Evasion-Resistance-Escape) program were subjected to "enhanced interrogation," which included waterboarding.

COL. CHARLES BAKER, USAF (RET.)
Georgetown, Texas

Regarding "What's at Stake in the Attack on Haspel" by David Rivkin and Lee Casey (op-ed, May 8): The brouhaha over Ms. Haspel's nomination can only add to the extreme caution that any federal official must, for self-protection, be forced to exercise in connection with the interrogation of any future terrorist suspect.

If, as in the case of Ms. Haspel, such officials cannot safely rely on procedures approved and directed by their superiors, then even being involved in any way in such an interrogation is risky. Regardless of the outcome of the Haspel nomination, it is clear that the political left has succeeded in reinforcing the severe limits on the use of justified, non-life-threatening measures to extract intelligence from terrorists. What will be said in the aftermath of a terrorist attack that might have been thwarted had not federal officials been hamstrung by concerns about being vilified at a later date? I can hardly imagine a more tragic scenario.

CHRISTOPHER L. LAWLOR
Mequon, Wis.

Pepper ... And Salt

THE WALL STREET JOURNAL



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STEPHANIE HOOPMAN
West Chester, Pa.

Hafeez

OPINION

America Can't Afford to Cede the Seas

By Seth Cropsey

The escalating territorial disputes in the Pacific between China and America's allies create an ever-more-urgent need for U.S. sea power. But even as China rapidly expands and modernizes its navy, the Trump administration has not proposed enough funds to maintain America's maritime advantage. Beginning with the coming 2019 federal budget, the president and Congress must commit to funding a full, modern fleet—or risk ceding essential U.S. and allied interests.

American sea power has secured the Pacific since the end of World War II, assuring safe and open trade, while defusing conflict throughout the region. Maintaining a powerful navy for these ends is hardly an American innovation: No great state or empire has ever retained its status without pre-eminent sea power. The histories of Athens, Venice, Spain, Holland and England show that losing control of the oceans leads ineluctably to losing great-power status.

Does the U.S. want to continue as a great power? China's navy is set to surpass our fleet by 2030.

The rapid growth and improvement of China's naval forces is the major challenge to American sea dominance today, and likely for the foreseeable future. Retired Capt. James Fanell, former director of intelligence for the U.S. Pacific Fleet, stated in 2015 that China's combat fleet will reach 415 ships in 2030. Beijing is particularly focused on adding submarines, amphibious vessels and small surface combatants. The buildup demonstrates China's clear



The USS Ronald Reagan, USS Nimitz and USS Theodore Roosevelt in 2017.

intention to dominate in coastal regions and amphibious operations—domains in which the U.S. has pre-eminence today.

As Adm. Phil Davidson, nominated to lead the U.S. Pacific Command, told the Senate in April: China "is no longer a rising power but an arrived great power and peer competitor." He added that "China has undergone a rapid military modernization over the last three decades and is approaching parity in a number of critical areas; there is no guarantee that the United States would win a future conflict with China."

The White House has proposed expanding the U.S. Navy to 355 ships, but its plan is too slow and underfunded. The full fleet would not be complete until 2050 at the earliest. Although President Trump proposes to dedicate \$20 billion for new ship construction in 2019, and about the same in constant dollars in each of the next five years, the Congressional Budget Office estimates the project requires an additional \$6.6 billion a year over the next 30 years. Without increased funding, the fleet will be smaller in three decades than

it is today, and China's navy could surpass it by 2030.

Americans would quickly see the consequences of ceding power in the Pacific. Already, China's growing navy may soon aim to control movement around the first island chain in the East China Sea, which stretches from Japan to the Philippines.

If Beijing gains control of the region, it could hamper America's coordination with its allies and cast doubt on the U.S. security umbrella. The White House would find it more difficult to prevent distant crises from escalating into direct threats. American business around the world, meanwhile, would be decimated. China would suddenly become the more appealing partner for trade and security. The global maritime order, which has long maintained that the East and South China Seas are international waters, would be replaced by a regional system based on "Chinese characteristics"—the euphemism by which the Chinese Communist Party refers to its brand of state control.

This is not a fait accompli; American sea power can be restored. But it will require the U.S. to decide that its

status as the world's great power is worth preserving. The Navy's evolutionary approach to modernizing its fleet must be replaced by a revolutionary approach, increasing the current fleet's technological advantage. And by 2035, the fleet should be expanded to no fewer than 375 ships.

The U.S. must also prepare to engage China's navy. That means situating U.S. forces within striking distance of the East and South China Seas, with enough troops on hand to police the region effectively. It also means responding in kind to China's existing provocations. The U.S. should bolster its military and naval support for Taiwan. The Pentagon should lean forward by actively planning to defend the entire first island chain, as well as to blockade the Southeast Asia straits, through which oil from the Middle East now flows to China.

Conflict may come sooner than most Americans imagine. This month alone, Beijing is reported to have placed anti-ship cruise missiles and surface-to-air missiles on three artificial islands in the South China Sea. The U.S. also recently said that American military pilots in Djibouti have been hit with lasers fired from a new Chinese base. The Pentagon has filed a diplomatic démarche requesting that China investigate, but mere diplomacy won't suffice in the game Beijing is playing.

Timidity deters nothing. It encourages the increasing Chinese aggression. But so far America's plans to upgrade the U.S. combat fleet have been diffident. To remain the world's dominant maritime force, U.S. sea power will have to be trained, equipped and exercised. On this rests the future of the U.S. as a great power.

Mr. Cropsey is director of the Hudson Institute's Center for American Seapower. He was a naval officer and a deputy undersecretary of the Navy in the Reagan and George H.W. Bush administrations.

In a Trade War, It's Hard to Get A Head

By Pete Coors

A cold can of beer on a hot summer day is as American as it gets. But now that experience will cost you more, one of many unfortunate effects of the 10% tariff President Trump imposed on aluminum imports in March.

I say this as a fourth-generation brewer. My great-grandfather founded the Coors family business almost 150 years ago in Golden, Colo. In 1958 my uncle Bill Coors, now 101, led a team that created the first aluminum beer can. He couldn't have imagined that his innovation would be caught in the crossfire of a trade war decades later.

Since January, as the president's tariff talk intensified, aluminum prices have risen in the U.S., even for domestic aluminum forged from scrap. The price index for transport and storage of aluminum has doubled. While some U.S. allies received

MillerCoors buys half a billion pounds of aluminum every year, and 28% of the cost is a mysterious fee.

temporary exemptions, the policy is already hurting businesses across the country. As a leader in the \$100 billion-a-year U.S. beer business, I'm deeply concerned about a possible pullback in expansion, acquisition and innovation in the industry.

This can't be what President Trump—a shrewd businessman—had in mind. At Molson Coors Brewing and its U.S. business, MillerCoors, we respect the president and assume the best. We wonder: Why fuss with tariffs? Is he working an angle?

In "The Art of the Deal," Mr. Trump offers an oft-quoted line that may explain his role in the tariff turmoil: "The worst of times often create the best opportunities to make good deals." Perhaps he is creating a crisis to talk America's rivals into fairer trade deals. The tariff, which is ultimately a tax on American businesses and consumers, has exposed inefficiencies and antiquated practices in the aluminum industry. We have an opportunity to modernize the market and offset the new costs.

The U.S. aluminum market works in strange ways. Other metals are traded on the Chicago Board Options Exchange and the Chicago Mercantile Exchange. This lends itself to transparent pricing. Meantime, aluminum pricing is opaque. Commodities firms hoard aluminum, wait for prices to rise and sell it at higher rates. Two million tons of aluminum is currently being stockpiled across the U.S., three times what is produced in a year, according to a recent CNBC report.

Further, aluminum makers must pay a mysterious fee atop all U.S. orders: the Midwest Premium, which is said to cover the cost of transporting, storing and delivering the metal. This premium has more than doubled since January, up 140% to 23 cents per pound—even though the tariffs did nothing to increase the costs the fee purportedly tracks.

That 23 cents per pound is 28% of the cost of aluminum at MillerCoors—and we buy half a billion pounds of it every year. This artificially inflated premium could cost us tens of millions of dollars each year, far more than the cost of the new Trump tariff. Apply that across all uses in the U.S.—cans, cars, aircraft and more—and it comes to \$4 billion a year in extra costs for the U.S. economy.

Oddly enough, the Midwest Premium is a decades-old relic dictated by a single unregulated publisher, Platts, owned by Standard & Poor's. It is based on surveys of traders that Platts declines to describe in detail. When Platts says the premium has spiked, producers wrap that extra cost into every contract. Nice spread, unless you're the one paying for it. Anheuser-Busch InBev CEO Carlos Brito has urged Congress to intervene in a way that "sheds light on the Midwest Premium."

It is time to fix this mess and end the premium once and for all. A private solution would be best—one crafted by producers, buyers, market makers and customers like Molson Coors. Let us forge a new deal on aluminum, to the benefit of a hundred million fans of the most American of beverages. President Trump, are you with us?

Mr. Coors is chairman of the Molson Coors Brewing Co.

The Day la Terre Stood Still

By George Melloan

It isn't often that an entire country closes up shop for a month. But that's what happened in France 50 years ago this month. I covered the story for The Wall Street Journal, but I'm still trying to figure out what happened, and why events unfolded the way they did.

France's shutdown was, of course, involuntary. Things came to a halt because of a nationwide general strike, which began on May 2 with a student uprising in Nanterre. The unrest spread quickly to Paris and was inflamed irreversibly on May 6 when the police invaded the Sorbonne's hallowed university precincts. Factory workers joined the movement later that week, and in a short time some 11 million people, 22% of the population, were on strike. Refineries shut down, denying the country fuel for cars and aircraft. Flights were canceled. Trains stopped running. Ports were closed.

My colleague Roger Riddle, who was covering France, wrote an article about what it was like to stay at one of Paris' grand hotels, Le Meurice, when it was empty of guests and most of its staff. I was assigned to leave my home base in London to help Roger cover this massive *manifestation d'opinion*.

But how to get there, with no flights or ferries? I hopped a plane to Brussels, rented a fuel-frugal Volkswagen, drove down to the French border, bought a five-gallon Jerry can at an outdoor market in Mons, fueled up the Volkswagen and the Jerry can, drove across the border to Maubeuge, hired an English teacher as an interpreter and went to work. We visited a factory and asked the workers behind a locked gate if we could interview them. They asked the permission of their boss before admitting us, which I thought betrayed a certain lack of militancy. I couldn't find much evidence of grievance either. Instead the workers gave off an air of nonchalance, as if this

were something they did every day—which for the French in that era was almost literally true.

My hired interpreter was more helpful in explaining the unrest. He said his fellow teachers were rebelling against the centralized management of the schools by the authorities in Paris. University students, he said, were fed up with an archaic

As France ground to a halt, the protests seemed to be about everything—or just a love of talking revolution.

system in which they were supposed to regard their professors as gods whose superior wisdom was never to be challenged. I noticed that the interpreter had a photograph of Lenin on his dining room wall. Lenin was big in France in those days.

After I met Roger at the Meurice, he and I went to the Odeon Theatre, having heard that this was more or

less the center of whatever it was we were witnessing. Sure enough, the Odeon was the scene of nonstop oratory about the meaning of revolution. There were Trotskyites, Maoists, Marxists and purveyors of many other isms. There were lectures from anticapitalists, anticonsumerists and even anticommunists. The show was nonstop, 24/7. I theorized that the reason the French love to discuss revolution so much is because the one in 1789 didn't turn out so well.

Perhaps the thought buried in the French psyche is "next time we'll get it right."

We went backstage at the Odeon and interviewed a well-dressed, well-bred young man who we had been told was a leader of the student movement. He insisted that there were no leaders, that it was all spontaneous. We asked what they were rebelling against. "Our fathers, I suppose." That made as much sense as anything.

It all ended when France's father figure, President Charles de Gaulle, returned from his temporary refuge at a military base in Germany, dissolved

the National Assembly and called new elections for June. In a stern television lecture, the tall, imposing war hero told his people to get back to work. They did. I didn't need my emergency supply of gasoline to get back to Brussels. The filling stations were open again.

Was France changed by this massive spasm of discontent? I guess it was, but not in the way that some of the provocateurs had hoped. It did not go communist. The Gaullist Union for the Defense of the Republic, led by Georges Pompidou, won a massive electoral victory. Today, President Emmanuel Macron is trying to lead the nation toward a more liberal practice of free-market capitalism.

So maybe the revolutionaries of May 1968 did get it right—by not having a revolution after all.

Mr. Melloan is a former deputy editor of the Journal editorial page and author of "Free People, Free Markets: How the Wall Street Journal Opinion Pages Shaped America," (Encounter, 2017).

Rebuilding Schools, Bridges—and Lives

By Richard Trumka
And Marty Walsh

It only takes a moment talking to Emily Galvin, an apprentice with Ironworkers Local 7 in Boston, to grasp how her first year learning the skilled trades has transformed her life. For one, she has a fresh understanding of the anatomy of a city—of roads, bridges and buildings. She's taking classes in structural steel, tension, rebar and labor history. "I love how we use mats of rebar," Ms. Galvin says, "to make reinforced concrete for floors or knee-walls, like for a parking garage."

As unions, businesses, engineers and policy makers celebrate Infrastructure Week from May 14-21, we're

reflecting on the investments that add value to America. For every dollar a country spends on public infrastructure, it gets back nearly \$3, according to a 2014 study from the International Monetary Fund.

Keep this in mind when you hear that the American Society of Civil Engineers, or ASCE, has called for \$2 trillion to repair, renovate or replace water lines, public schools, bridges and mass transit systems. On top of that, another \$2 trillion could make America the global leader in the infrastructure technologies of the future, such as high-speed rail and smart utilities.

That kind of serious infrastructure spending would create countless jobs in manufacturing. Enacting ironclad Buy America provisions would kick-start production in steel and other battered industries, putting millions of people to work and lifting wages. These broad economic benefits explain why year after year, the AFL-CIO joins with the U.S. Chamber of Commerce to ask Congress to invest in America's national infrastructure.

Public investments can also help communities move toward economic justice, as Boston's experience shows. Since 2014 Boston has approved more than \$20 billion in private construction, and the city is on track to increase its housing stock 20%. Meanwhile, unemployment has fallen from 6.1% in 2013 to only 3.1%, even while income inequality dropped.

The mayor's office is committed to investing this success in the next generation. Last year the city launched a \$1 billion program of school building and renovation, which includes the creation of purpose-built high schools focused on

science and technology, the arts, special education and more. No matter their starting point, young people with the right support can thrive in the 21st century.

Boston is working to increase the hiring of local residents, people of color, and women on these projects and others. Meanwhile, the region's unions have used pre-apprenticeship programs to bring people from underrepresented communities into the building trades. This is broadening the power of collective bargaining by making it available to more women and people of color.

Ms. Galvin is a great example. For 10 years, she was stuck in low-wage jobs. Then she learned about Building Pathways, a pre-apprenticeship program founded in 2011 by the Boston Building and Construction Trades Council. After a few months, she got a job as an ironworker apprentice. She's already saving for a down payment on a house, a goal that seemed unattainable a few years ago.

When you see that the ASCE's infrastructure report card gives the nation overall a D+, don't hang your head. The U.S. can get that grade up. But it won't happen with a plan like President Trump's, which would cut Washington's contribution to infrastructure projects from 80% to 20%, quadrupling the burden on cash-strapped cities and states. The true way forward is to do the opposite: Put the federal government back in the business of building America's future.

Mr. Trumka is president of the AFL-CIO. Mr. Walsh is mayor of Boston and a member of the Laborers' International Union of North America.

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WORLD NEWS

Iraq Cleric Gains Sway After Upset Vote

Strong showing puts Sadr, a critic of both U.S. and Iran, in place for a kingmaker's role

BY ISABEL COLES
AND ALI NABHAN

ERBIL, Iraq—Populist cleric Moqtada al-Sadr's apparent political breakthrough in national elections is forcing the U.S. and Iran to confront the prospect that a frequent critic of both is poised to take the lead in selecting Iraq's next premier.

In a vote seen as a contest between the U.S. and Iran for influence in Iraq, Mr. Sadr's strong showing in early, incomplete results scrambled the political landscape. Prime Minister Haider al-Abadi, who had implicit American support, and Iran-aligned candidates lagged behind Mr. Sadr's unlikely alliance with Iraq's communists.

A firebrand whose Mahdi Army militia once fought U.S. forces and was implicated in sectarian bloodshed, Mr. Sadr has since entered the mainstream with a nationalist message that rejects influence from Iraq's two biggest allies, the U.S. and Iran.

Mr. Sadr has never held office, but is now expected to play a kingmaker role in choosing the next prime minister, avoiding direct involvement in politics.

Mr. Sadr is openly hostile to the U.S., calling for American troops to leave the country. However, he has become more pragmatic in recent



Followers of Moqtada al-Sadr held posters of the Shiite cleric while celebrating election results in Baghdad's Tahrir Square on Monday.

coming days. The Fateh alliance, representing Shiite militias with ties to Iran, appeared to have finished second overall. It was a disappointing showing for Mr. Abadi, whose Victory coalition was predicted to win a plurality but came in third.

The results chart a comeback for Mr. Sadr that began two years ago when his followers breached the blast walls surrounding Iraq's "Green Zone"—the heavily fortified center of Iraq's government—and invaded Parliament demanding an end to corruption.

Those protests gave birth to Mr. Sadr's coalition with the Iraqi Communist Party for Saturday's election.

As one of the few Iraqi politicians with a real popular base, Mr. Sadr benefited from a historically low turnout, reflecting deep disillusionment with the political elite that has governed the country since it became a democracy 15 years ago.

"Sadr had a prophecy that came true: He said people will win over corrupt politicians and that is what happened," said Razaq Hussein, a 24-year-old Baghdad student who took part in the Green Zone protest and voted for Mr. Sadr on Saturday.

Iraq's leaders face a daunting list of challenges, including rebuilding areas devastated by the war and preventing the resurgence of Islamic State. Iraq needs more than \$80 billion to fix the damage done by Islamic State, the World Bank says, but is struggling to attract foreign investment.

—Ghassan Adnan contributed to this article.

years, and some of his interests now may correspond more closely with Washington's than those of Iran.

He has engaged with Sunni allies of the U.S. like Saudi Arabia and shown support for Mr. Abadi, who led the country to victory over Islamic State and has sought to reach across Iraq's sectarian divide.

Mr. Sadr has put himself at odds with Iran by saying Syrian President Bashar al-Assad should go, and is against sending Iraqis to fight in Syria as part of Iran's so-called Resistance Front. He has also criticized Iran-backed Shiite militias in Iraq as undisciplined.

Politicians close to Mr. Sadr have indicated he is most likely to partner with Mr. Abadi, a U.S. ally. It isn't clear what kind of policies a government of his design would pursue, but it would achieve a key U.S. goal of blunting Tehran's influence over political decisions in Baghdad.

"The Iraqi political camp that is closer to Iran's interests has lost the electoral battle and the other camp has won," said Alaa Mustafa, a political analyst and professor at Bagdad University.

With preliminary results counted in all but two of Iraq's 18 provinces, Mr. Sadr's Sairun coalition was near the top in most of them. Results have yet to be announced for the Kurdish province of Duhok and the ethnically mixed Kirkuk.

Final results, including the number of seats allocated to each party, are expected in the

Israeli Strikes in Syria Test Russia-Iran Ties

BY THOMAS GROVE
AND RAJA ABDULRAHIM

MOSCOW—The Kremlin's military alliance with Tehran in Syria is showing cracks after fierce Israeli strikes against Iranian forces, testing the limits of the relationship.

The Israeli attack—its biggest ever in Syria—came hours after Israeli Prime Minister Benjamin Netanyahu attended Russian President Vladimir Putin's annual military parade last week in Moscow. Russia's response to the strikes has been muted, and the two leaders likely agreed on acceptable targets, said Fyodor Lukyanov, the head of a Kremlin advisory body.

The rising hostilities with Israel lay bare tensions in the alliance between Moscow and Tehran that turned the tide of the Syrian conflict in favor of President Bashar al-Assad. The strategy helped Russia again assert itself as a global power and Iran to expand its influence in the Middle East.

Now, as Mr. Assad regains control of much of the country, Russia and Iran have shown how much their interests diverge in Syria. In particular, Russian analysts said, Moscow has grown concerned about Iran's attempt to use

Allies Contend For Conflict's Spoils

Their alliance hasn't prevented Iran and Russia from competing for material resources.

Months after an Iranian company thought it had secured the rights to help Syria develop a phosphate mine near Palmyra, that concession was awarded to Russia, according to the Syria Report, a Beirut-based publication that tracks Syrian economic news.

Syria as a beachhead to threaten Israel and lean on Lebanon, Jordan and the Palestinian Territories.

"Russia would like to see Iran's influence reduced in Syria, especially since they have radically different views on what post-conflict Syria should look like," said Nikolay Kozhanov, a former Russian diplomat in Iran and a professor at the European University at St. Petersburg.

The current tensions don't endanger the broader transactional relationship between Iran and Russia in places including Afghanistan, Central

Asia and the Caspian region, where both countries have strong influence. Russia is keen to work more closely with Iran's oil sector and wants to raise its profile in Iraq, where Iranian influence is also strong, analysts said.

In Syria, their partnership was designed to prevent Mr. Assad falling the way of other leaders did during the Arab Spring. Even before Russia's military intervention, Iranian delegations traveled to Moscow to hash out a strategy marrying Iran's ground presence and Russian air power.

"Iran has been happy to

have a partner like Russia which had their back during the sanctions regime," said Dina Esfandiary, an adjunct fellow at the Center for Strategic and International Studies' Middle East Program.

"But Iran knows it's a pragmatic relationship and not an ally that will stick with them through thick and thin."

The Kremlin said the Russia-Iran relationship can't be measured through the lens of the Israel strikes. "They have an independent dimension," said Kremlin spokesman Dmitry Peskov of relations with Iran.

An official at Iran's United Nations mission didn't respond to a request to comment. Iranian officials have in the past stressed their increasing closeness to Moscow as the countries work together in Syria.

But Russia sees the increasing presence of Iran near Israel's border as a problem and has tried to use its limited sway over Iran to satisfy Israeli demands. Russia's military, in turn, warned Iran that it won't provide air cover for government troops or Iran's proxies that appear in southwestern Syria.

Moscow has even tried to open informal diplomatic channels between the two countries, Mr. Kozhanov said. He added that Moscow recently sent Russian citizens with strong ties to Israel to Tehran, in effect carrying messages from Israel.

A spokesman for Mr. Netanyahu declined to comment.

Mr. Netanyahu has tried to forge a personal relationship with Mr. Putin, visiting Moscow several times and trying to convey the threat Israel sees in Iran's presence in Syria.

—Asa Fitch in Dubai and Felicia Schwartz in Tel Aviv contributed to this article.



Mr. Putin met with Iran's President Rouhani in Tehran last year.

Catalonia Picks a Leader, Likely Ending Direct Rule

BY JEANNETTE NEUMANN

MADRID—Catalonia's regional assembly elected a new leader, likely clearing the way for the Rajoy administration in Madrid to end direct rule over the restive region.

Lawmakers on Monday elected Quim Torra, a hardline separatist, to lead the regional government in Barcelona, with 66 votes in favor and 65 votes opposed. Four lawmakers abstained.

Although separatists have regained control of the assembly, an independent Catalonia is an increasingly distant prospect after Spanish authorities gained the upper hand in their bid to quell the secessionist movement.

Spanish prosecutors and judges have successfully boxed in the insurrection with legal challenges, while the threat of a reimposition of direct rule has made many in the independence movement wary of further direct confrontation with Madrid.

It took the separatists five months to choose Mr. Torra, reflecting the deep divisions that have plagued the independence movement since last autumn, when separatists de-



Quim Torra, center, in Barcelona on Monday, won a 66-65 vote to head Catalonia's regional government.

clared unilateral independence from Spain.

Prime Minister Mariano Rajoy responded by seizing temporary control of the region. Spanish prosecutors sought charges of rebellion and misuse of public funds against many separatist leaders. That drove Carles Puigdemont's government, which was

the leader of last autumn's independence push, to flee Spain.

Spanish courts have jailed many other secessionist leaders while they await a trial expected this year.

Mr. Rajoy called regional elections for Catalonia in December to replace Mr. Puigdemont's government, which was

controlled by different separatist groups. The prime minister declared that Madrid would lift direct rule once the Catalans had elected a law-abiding leader.

Mr. Rajoy is likely to end direct rule in coming days, but has pledged to reinstate control if separatists renew their all-out drive for an indepen-

dent Catalan republic.

Direct rule is "a precedent and a procedure that can be used in the future if necessary," Mr. Rajoy said on Friday. "I hope it's not necessary."

In a speech on Monday, Mr. Torra vowed to remain loyal to the results of an October referendum on whether Catalonia should become independent.

Separatists staged the vote, which was declared illegal by Spanish authorities, boycotted by those opposing secession and riddled with irregularities.

Catalan government officials said a majority of voters supported secession and, a couple of weeks later, declared Catalonia independent, triggering one of Spain's deepest political crises in decades.

"Defending the [Catalan] republic is defending each and every one of us," Mr. Torra said.

However, some Catalans are skeptical of talk of a republic of Catalonia.

"Some say it [already] exists and others don't see it anywhere," said Eduard Garcia Arias, a 38-year-old information-technology consultant in Barcelona. "Legally, it appears to be in the same place as Narra—an imaginary republic."

MI5 chief Andrew Parker said coordination was needed to disrupt Islamic terror plots at home and on the Continent.

Speaking in Berlin, Mr. Parker warned against "the loss of mutual capability or weakening of collective effort" and called out the Russian government for what he said was its blending of media manipulation, military force and "criminal thuggery" in operations outside its borders.

—Jenny Gross

NORTH KOREA

Defector Warns U.S. Before June Summit

North Korea's highest-profile defector in two decades said Kim Jong Un doesn't share the same concept of denuclearization as the U.S., as President Donald Trump and the North Korean leader prepare for a scheduled June 12 meeting.

Thae Yong Ho, Pyongyang's deputy ambassador in London before his defection to South Korea two years ago, told reporters in Seoul on Monday that North Korea was unlikely to agree to Washington's demand for "complete, verifiable and irreversible denuclearization."

Such a concession would "strike at the core of North Korea's power structure," Mr. Thae said.

—Yun-hwan Chae

TECHNOLOGY: APPLE'S STUMBLE TRIPS UP FOXCONN B4

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Tuesday, May 15, 2018 | B1

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Calpers Investment Chief Readies Exit

Eliopoulos heads east after shifting portfolio from hedge funds, reducing expectations

By HEATHER GILLERS AND DAWN LIM

The investment chief of the nation's largest public pension expects to leave his post by the end of the year, the latest in a series of executive exits from the California Public Employees' Retirement System.

Ted Eliopoulos, 54 years

old, made the surprise announcement at a public Calpers meeting Monday. The chief investment officer attributed the decision to "significant health considerations" for his younger daughter, who has been accepted to a school in New York. He and his wife plan to move to be close to that daughter.

"I want to make sure that we give her every bit of support as we can as she makes the transition back east," said Mr. Eliopoulos, who attended Dartmouth College and the University of Virginia.

Over the past four years Mr. Eliopoulos led a retreat from more expensive investments as the giant retirement system reduced return expectations, cut costs and tried to better protect the pension fund from the next economic downturn. His approach offered a contrast to forerunners who embraced a Wall Street-centered investment approach as a way of boosting returns.

Assets have swelled to more than \$355 billion from roughly \$300 billion during his tenure. Returns reported by Calpers have trailed U.S. public pen-

sion medians in each fiscal year between 2015 and 2017 as measured by the Wilshire Trust Universe Comparison Service database. Calpers is up 7.9% through the first three quarters of fiscal 2018.

Mr. Eliopoulos's announcement Monday follows a string of high-profile staff changes for Calpers, which is responsible for benefits to more than 1.9 million active or retired police officers, firefighters and other public employees.

Other top Calpers investment officials that have recently left or announced plans

to depart include longtime fixed-income chief Curtis Ishii, private-equity managing investment director Real Desrochers and chief operating investment officer Wylie Tollette. Mr. Eliopoulos will stay until his successor is named.

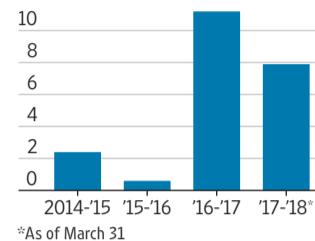
The former deputy treasurer for California joined Calpers in 2007 when he was hired to oversee Calpers's real-estate portfolio amid a U.S. housing collapse. He produced a turnaround by favoring less complex assets with stable

Please see EXIT page B2

Pension Profits

Calpers' returns have varied under the leadership of Ted Eliopoulos.

12%



*As of March 31

Source: The company

THE WALL STREET JOURNAL.

Shale Drillers Spread Their Bets

By REBECCA ELLIOTT

Shale drillers are ramping up production in the U.S. as oil prices increase, moving beyond the West Texas oil field that became the country's drilling center.

From Oklahoma to North Dakota, companies are raising investment in oil fields that fell out of favor several years ago, as \$70-a-barrel crude prices make fracking and horizontal drilling economical in more places again.

While the Permian Basin in Texas and New Mexico remains the fastest-growing shale spot, congested pipelines and shortages of labor and materials there are crimping profits, making other fields attractive alternatives.

EOG Resources Inc., a shale-sector leader, is active in the Permian but also in Colorado, North Dakota and Oklahoma. In Wyoming, it has built up larger lease holdings and expanded production over the past two years.

Chief Executive Bill Thomas recently touted the "diversified assets" of EOG's portfolio when discussing the company's blockbuster first quarter, in which production rose 15% and profit surged over 2,000% from a year earlier.

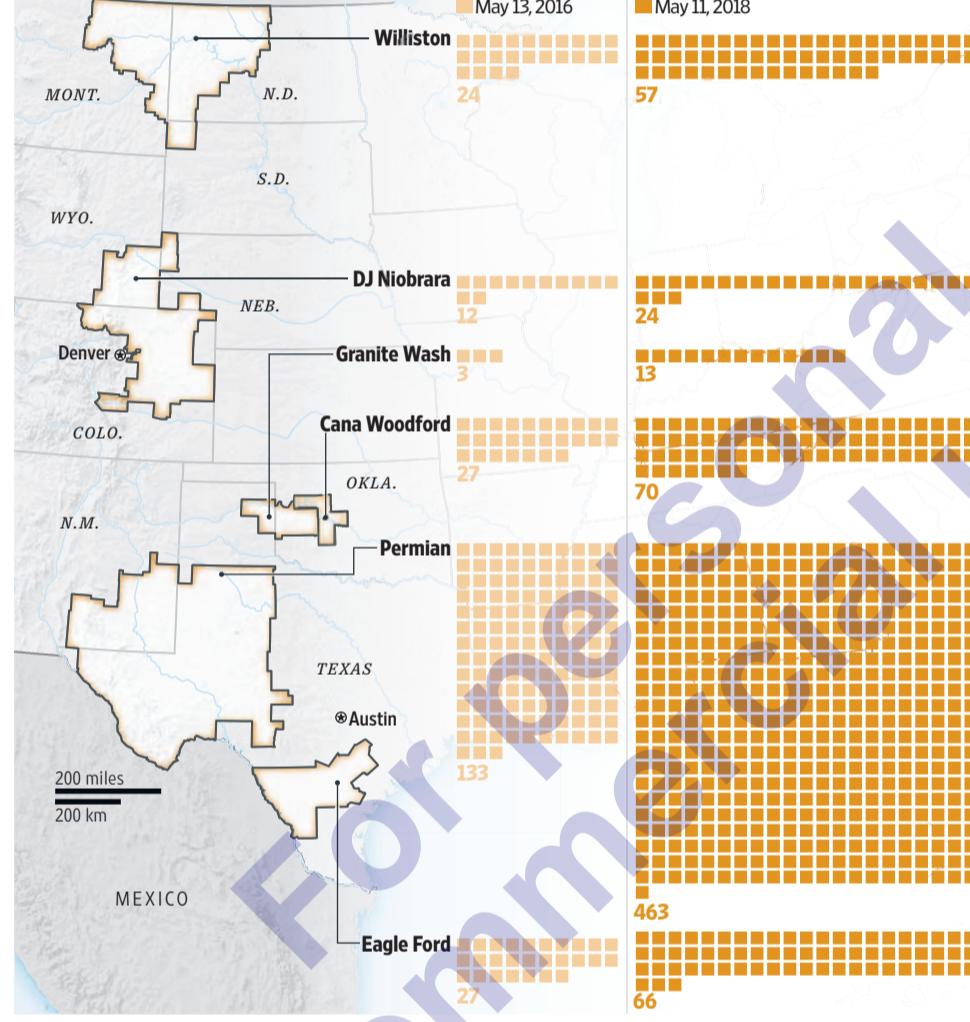
"Last year it was all about, 'How much can you put in the Permian?'" said Daniel Romero, an analyst with energy consulting firm Wood Mackenzie. "But now, a few months later, it's what else are you doing outside of the Permian?"

After oil prices declined sharply in 2014, shale drillers flocked to the Permian because it was the least expensive place in the U.S. to produce oil by fracking, thanks to existing infrastructure and oil-bearing rock stacked like a layer cake, which allowed for better yield per acre.

The oil-rig count there

Renewed Energy

Rising crude-oil prices have stoked shale-drilling activity outside the Permian Basin, the industry's center.



Note: Basins shown are those with 10 or more oil rigs.

Source: Baker Hughes

more than tripled over the past two years, according to oil-field services company Baker Hughes, which tracks rigs as a barometer of drilling activity. Output surged to roughly three million barrels of oil a day—similar to the output of Kuwait—from just shy of two million barrels in early 2016, according to the

U.S. Energy Information Administration.

But rig counts have been rising elsewhere, too, as prices have gradually recovered. The number of oil rigs in several basins outside the Permian has more than doubled over the same period, according to Baker Hughes. The areas include North Dakota's Bakken

region, the Eagle Ford in South Texas and the Cana Woodford in Oklahoma, home to fields known as the Scoop and the Stack.

Drilling exclusively in Oklahoma is Alta Mesa Resources Inc., a company chaired by former Anadarko Petroleum Corp. CEO Jim Hackett, who

Please see SHALE page B2

STREETWISE | By James Mackintosh

Lies, Damn Lies and Inflation



Two central banks are responsible for two regions that over the past five years have had similar inflation, similar job creation and similar inflation targets. One, the U.S. Federal Reserve, has raised interest rates six times. The other, the European Central Bank, is expected to increase next year for the first time since its mistake in 2011.

Anyone familiar with the standard market narrative will push back: Inflation has been far lower in Europe and unemployment far higher, justifying the ECB's extraordinary monetary measures, including negative rates.

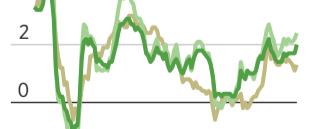
But the standard narrative isn't quite right. Measured on the same basis, prices have actually risen roughly by the same amount in both places. Unemployment is more complicated, but, likewise, has done basically the same thing.

So why are the central banks taking such radically different approaches? One

Different Perspectives

Headline inflation measures are constructed in very different ways, with the U.S. putting much more weight on housing costs.

12-month inflation rate



*Consumer-price index

†Personal-consumption expenditures

‡Harmonized index of consumer prices

Source: Federal Reserve Bank of St. Louis

the basic market narrative.

A more nuanced look, however, is illuminating. Over the past five years the eurozone actually created more jobs than the U.S. Both regions have roughly the same unemployment as at the peak of the dot-com bubble and the lowest since the 2008 financial crisis. But workforce contraction in the U.S. and expansion in Europe make unemployment numbers less useful than in the past as a measure of how tight the labor market is.

The base rate of unemployment is likely to be higher in the eurozone, thanks to less flexible job markets and language barriers, so that isn't necessarily a reason to keep money easy.

It is less well understood that the inflation figures have quite different meanings, thanks to different treatment of housing and, to a lesser extent, health care. The most dramatic difference is housing: In the U.S., shelter makes up one-third of the consumer-price index, because it includes an

Please see STREET page B10

INSIDE



SO-SO IPO'S POSE TEST FOR CHINA'S TECH

OFFERINGS, B5



HEDGE FUNDS BANKROLL THEIR CRITICS

PHILANTHROPY, B10

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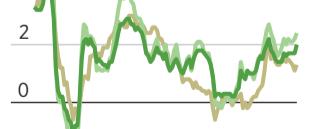
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Source: Federal Reserve Bank of St. Louis

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Please see STREET page B10

Tesla Team Weighed Autopilot Safeguards

By TIM HIGGINS

Long before the fatal crash of a Tesla car in March, some developers of the vehicle's Autopilot system expressed concern there weren't enough safeguards to ensure drivers remained attentive, people familiar with the discussions said.

Tesla Inc.'s engineers repeatedly discussed adding sensors that would ensure drivers look at the road or keep their hands on the wheel both before and after the driver-assistance system was introduced in 2015, these people said.

Tesla executives including Chief Executive Elon Musk rejected the ideas because of costs and concerns that the technology was ineffective or would annoy drivers with overly sensitive sensors that would beep too often, the people said.

"Everyone at Tesla is not only encouraged, but expected, to provide criticism and feedback to ensure that we're creating the best, safest cars on the road," a Tesla spokesman

Please see TESLA page B4

◆ Tesla will undergo a restructuring..... B4



CEO Elon Musk said the proposed technology was ineffective.

AARON P. BERNSTEIN/REUTERS

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EXIT

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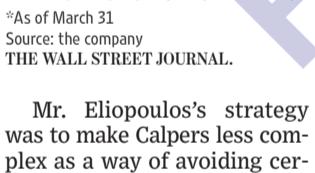
Mr. Eliopoulos became acting investment chief in early 2014 as his predecessor, Joseph Dear, stepped away from his role due to an illness. Mr. Dear died in February of that year. Mr. Eliopoulos became the permanent investment chief in September 2014.

He didn't waste any time shaking things up. He called for a re-evaluation of a hedge fund portfolio championed by Mr. Dear and eventually recommended all hedge-fund holdings be sold.

That move marked a significant shift for the retirement system. For decades Calpers had plowed into alternatives to stocks and bonds other systems once avoided because of their risk: hedge funds, private equity, timber and other commodities. Many other pensions around the country followed as Calpers emerged as a bellwether for investment trends.

Steady Growth

Calpers assets under management



*As of March 31

Source: the company

THE WALL STREET JOURNAL.

Mr. Eliopoulos's strategy was to make Calpers less complex as a way of avoiding certain problems it faced during the last financial crisis when some alternative holdings didn't perform as expected.

That meant undoing the work of several predecessors. The retirement system decided to sever ties with many private equity, real estate and other outside firms handling its money and explore other ways to invest in private equity without traditional pooled funds.

TRADES

Continued from the prior page
ously run the trading business and was seen as a skilled risk manager.

Top executives weighed a shake-up of the trading division's leadership late last year,

a person familiar with the matter said at the time. They sought to balance the need for a steady hand atop the unit—which is a minefield of risk, even years after the financial crisis—with the hope that changes would boost morale and show clients and shareholders that Goldman was taking its slump seriously.

They opted instead for a smaller reorganization lower down the ranks, promoting Justin Gmelich and Jim Esposito to be co-chief operating officers of the fixed-income unit. That replicated a chain of

command already in place in Goldman's stock-trading arm.

Those two men will remain in their roles, as will equities co-

COOs Michael Daffey and Paul Russo, according to Monday's memo.

Mr. Salame, a 52-year-old

Ecuador native, is a powerful

presence inside Goldman, sit-

ting on the committee that se-

lects new partners. Brainy and

blunt, he is known more for

his intellectual horsepower

and guru-style beard than his

rapport with clients, though he

spearheaded a customer

charm offensive last year de-

signed to showcase a friendlier

Goldman.

He joined the firm's New York office in 1996 in emerg-

ing-markets trading and made

partner in 2000. Mr. Salame

has held his current job since

2008. He was considered for

the role of chief financial offi-

cer in 2013 but declined, ac-

cording to people familiar

with the matter.

Ms. Ealet, French-born and

based in London, joined Gold-

man in 1991 as a commodities

trader and later ran that busi-

ness. A partner since 2000,

she is the only woman running

a major division at Goldman

but has kept a low profile,

both inside and outside the

firm. Ms. Ealet was awarded

the French government's high-

est civilian honor in 2015.

The firm's commodities

arm, which is viewed as being

in Ms. Ealet's domain, strug-

gled acutely last year, losing

money on natural gas and

power bets. Goldman's head of

commodities, Greg Agran, left

last year.

Mr. Varadhan remains for

now atop the securities divi-

sion, though Monday's memo

listed five other executives

who will jointly oversee the

day-to-day operations of the

unit.

He rose as a superstar

swaps trader and became one

of the youngest partners in

Goldman history at age 29. He

was among the firm's highest-

paid employees in the 2000s

trading boom, in some years

outearning Mr. Blankfein, his

then-neighbor at 15 Central

Park West.

Mr. Varadhan eventually

oversaw trading of interest

rates, currencies and emerg-

ing-market debt and became a

division head in 2014. A year

later, he was transferred to

London, a move at Goldman

that is meant to round out fu-

ture leaders of the firm.

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"Hilco Streambank," "Hilco Global," "Hilco

Brands," "Hilco Streambank," "Hilco Global,"

BUSINESS NEWS

Suit Says Fiat Staff Knew of Cheating

BY CHESTER DAWSON
AND MIKE SPECTOR**Fiat Chrysler Automobiles**

NV employees believed the auto maker used illegal software in diesel-powered vehicles to cheat on U.S. emissions tests and concealed it from regulators, according to allegations by plaintiffs' lawyers in federal court documents unsealed Monday.

The documents cite communications by Fiat Chrysler officials as part of a deposition request and refer to several employees allegedly having misgivings about the company's use of software affecting emissions. The plaintiffs' lawyers cite internal chat rooms and external emails in which employees allegedly discuss the use of "defeat devices," which are emission-control components that improperly manipulate pollution emanating from tailpipes.

The disclosures, filed as part of shareholder litigation in Manhattan federal court, follow allegations last year from U.S. authorities and consumers that the Italian-U.S. auto maker used such improper software to allow diesel-powered pickup trucks and sport-utility vehicles to appear to meet emissions standards and then pollute far beyond legal limits on the road.

Fiat Chrysler, which has consistently denied improperly manipulating emissions since allegations emerged more than a year ago, said the statements plaintiffs' lawyers referenced were taken out of context. "It is inappropriate to draw conclusions from isolated communications and internal deliberations, without the more detailed context that is part of the reviews FCA is conducting as part of the investigation process," the auto maker said.

CEO Favors an Independent Nissan

BY SEAN MCCLAIN
AND WILLIAM BOSTON

YOKOHAMA, Japan—Nissan Motor Co. Chief Executive Hiroto Saikawa said his company should remain independent, throwing up another obstacle to long-discussed merger talks with alliance partner Renault SA.

Mr. Saikawa is emerging as the most public opponent of a full-blown combination. He said Monday there were no official talks between the two sides currently, but people familiar with the matter said both sides are informally exploring a combination.

Mr. Saikawa, disclosing Nissan full-year results here, said he would rather nothing change, and didn't want to sacrifice the independence of Nissan. Currently, the alliance, which also now includes Mitsubishi Motor Co., operates as

three independent companies, but the group cuts costs through shared development and purchasing.

"Are we forsaking those two things for the future? No, we are not," Mr. Saikawa said.

Some shareholders and analysts say a merger is necessary to ensure the survival of the partnership, which helped drive a rebound at both auto makers nearly two decades ago.

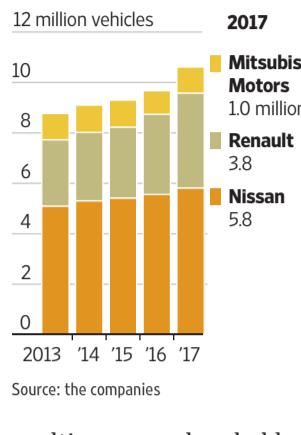
But Carlos Ghosn—Renault's chief executive and the personality that brought the two together in 1999—is stepping down in coming years. He convinced the French government, a major Renault shareholder and board member, in February to extend his contract another five years to give him time to come up with a plan to permanently seal the alliance's future.

Mr. Ghosn is supposed to present that plan to Re-

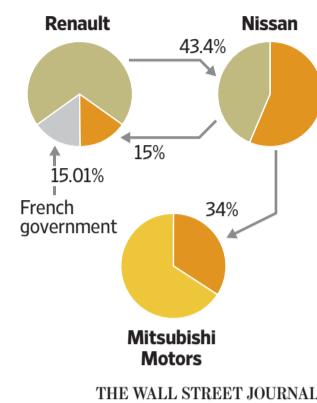
nault's core shareholders ahead of their general meeting next month. Mr. Saikawa and others oppose a merger but say the alliance needs a

Tangled Web

Members of a three-way auto alliance are looking at ways to rebalance its shareholding structure, which currently is dominated by Renault.

Annual vehicle sales

Source: the companies

Shareholding structure

THE WALL STREET JOURNAL.

in the group in terms of production. But Renault owns 43.4% of Nissan, part of a complex cross-shareholding agreement drafted at a time when Nissan faced bankruptcy. The Japanese auto maker owns only a nonvoting 15% stake in the French firm. That imbalance has become a sore point in Japan.

Nissan also owns 34% of Mitsubishi, the third leg of the alliance. It pumped out 10.6 million cars in 2017, just behind Volkswagen AG and ahead of Toyota Motor Corp.

Mr. Ghosn has said publicly that a merger is only one of several possibilities for the future and isn't the best option. People familiar with the continuing informal merger talks, though, say he is more open to the idea than his public comments suggest.

Renault declined to make Mr. Ghosn available to comment.

charismatic leader like Mr. Ghosn, and firmer architecture, to keep it together in the future.

Nissan is the bigger company

BUSINESS WATCH

FUJIFILM HOLDINGS**Company Promises Fight for Xerox Deal**

Fujifilm Holdings Corp. said on Monday that it would continue to fight for a merger with **Xerox** Corp. and present its offer again to Xerox's new management, but it won't sweeten the terms.

Xerox on Sunday said it would back out of a deal reached in January, under which Fujifilm was to have taken a majority stake in the U.S. company. Xerox said it reached a new settlement with two of its biggest shareholders who oppose the January deal. The settlement calls for Xerox to replace its chief executive and overhaul its board.

The shareholders, Carl Icahn and Darwin Deason, have said they would look favorably on a deal to sell Xerox if the buyer paid \$40 a share in cash. Xerox shares closed last week at \$30.17.

—Mayumi Negishi



TARGET

Retailer Seeks To Speed Restocking

Target Corp. is testing a new distribution strategy to speed restocking.

The aim is to pare what Target calls its replenishment cycle from days to hours and reduce inventory, especially at the retailer's small-format stores and locations in denser urban areas.

Under the strategy, the company sends shipments to stores

more frequently and in smaller lots tailored more precisely to demand, Preston Mosier, senior vice president of global supply chain and logistics field operations, said Thursday at an industry conference in New York.

—Jennifer Smith

AUTOS**Car Makers Miss Deadline on Air Bags**

A dozen auto makers failed to meet a deadline to repair millions of air bags that risk exploding in crashes.

Under a government order, auto makers were required to address by the end of 2017 vehicles with **Takata** Corp. air bags at the highest risk of rupturing and spraying metal shards. The National Highway Traffic Safety Administration said Monday the agency had contacted 12 auto makers to ensure "repairs are completed immediately."

The dozen auto makers include **Ford Motor Co.**, **Nissan Motor Co.** and **General Motors Co.**, among others.

Ford and Nissan said they were cooperating with regulators and urged consumers to seek repairs. GM declined to comment.

—Mike Spector

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TECHNOLOGY

WSJ.com/Tech

Foxconn Feels Chill as Apple Slips

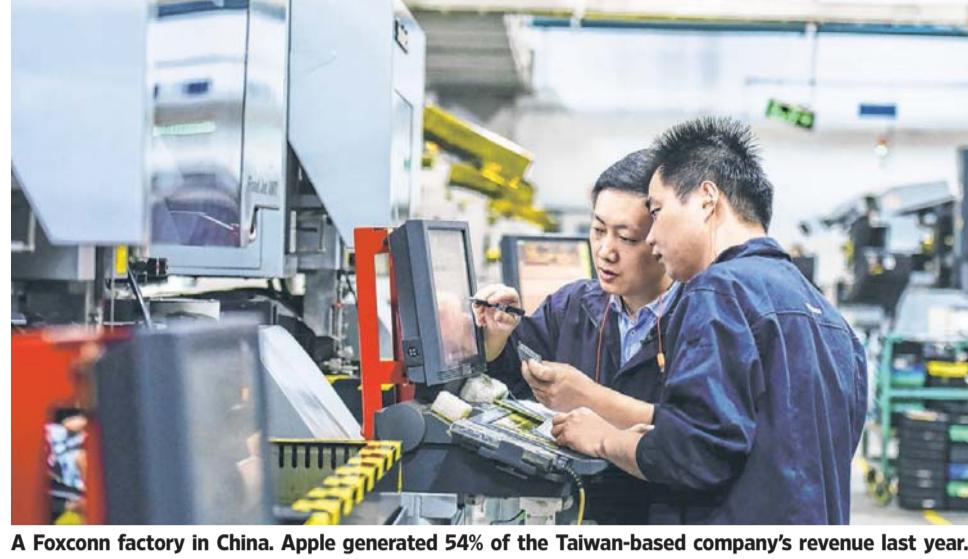
Assembler of iPhone says profit sank 15% amid slower growth in device's shipments

By YOKO KUBOTA

BEIJING—Foxconn Technology Group posted a worse-than-expected 15% drop in first-quarter net profit after Apple Inc., its biggest customer, reported modest growth in iPhone shipments.

Taiwan-based Foxconn said Monday that profit for its January-through-March period was 24.1 billion New Taiwan dollars (US\$810 million), below the NT\$25.4 billion average estimate of analysts polled by S&P Capital IQ. The company's net profit totaled NT\$28.2 billion a year earlier.

Revenue rose 5.5% to NT\$1 trillion from NT\$975 billion.



A Foxconn factory in China. Apple generated 54% of the Taiwan-based company's revenue last year.

pand the company's business beyond contract manufacturing and into consumer brands of its own.

Apple doesn't offer a breakdown of shipments by iPhone models. But recently, the growth rate for the number of iPhones Apple ships has slowed down.

For the quarter that ended in March, Apple posted a modest 3% increase in the number of iPhones shipped.

Yet Apple's revenue from the iPhone rose 14% to \$38 billion during that period, as the \$1,000 iPhone X launched last year helped to drive up average prices.

Foxconn said Friday that it would reduce its capital by 20% and offer dividends.

Shares in Foxconn closed at NT\$78 in Taipei on Monday, up less than 1%.

Foxconn doesn't hold earnings calls or briefings.

NEA Plans \$1 Billion Stake Sale In Startups

By ROLFE WINKLER AND ELIOT BROWN

New Enterprise Associates, one of Silicon Valley's largest venture-capital firms, plans to sell off a big chunk of its startup investments in response to a dearth of initial public offerings, according to people familiar with the discussions.

The firm plans to sell roughly \$1 billion worth of its stakes in about 20 startups to a new firm it is seeking to create, one of the people said, in an effort to return capital to its limited-partner investors. These companies will mostly be those that initially raised money from NEA about eight to 10 years ago.

If completed, the so-called secondary sale would be one of the biggest ever from a venture firm, according to analysts, reflecting the industry's pressure to deliver returns to its investors amid an era of historically fewer IPOs.

The new vehicle would operate independently from the firm, the people said. One of the firm's general partners, Ravi Viswanathan, would leave NEA to run it. Some of the capital would be reserved to make follow-on investments or to buy shares from employees, these people added.

The new vehicle is expected to manage the investments in the underlying companies, a departure from more common secondary deals where venture firms transfer the ownership interest in the startups but continue to manage them.

The people familiar with the deal cautioned that it hasn't been finalized, including the size of the transaction. Since the new firm would be closely related to NEA, one challenge could be managing possible conflicts that could arise as the two entities hash out the price to be paid for the assets, analysts say.

Potential investors in the new fund couldn't be learned. NEA may hold an ownership interest in the new vehicle, but that remains to be worked out, one of the people said.

NEA, founded in 1977, is a giant in Silicon Valley. Last year it raised the largest U.S. venture fund on record at \$3.3 billion, and it currently has more than 300 active investments in companies across tech and health care.

Venture firms typically raise new funds every three years or so, each one investing in startups with the aim to return capital to their investors and wind down after 10 to 12 years.

The venture funds make their gains mostly when startups go public or get acquired. But in recent years, companies are choosing to stay private and independent for longer periods, limiting venture investors' ability to cash in gains for the limited partners in their funds.

—Katie Roof contributed to this article.



A Model X on display last year in China. Generations of auto makers have balanced the pros and cons of adding new safety features.

Continued from page B1
Tesla's electric vehicles. Autopilot uses cameras, sensors and radar to control vehicle speed and steering under certain conditions, but doesn't take over full control of driving. Tesla's position is that cars with the Autopilot system are safer than cars without it.

The March 23 crash of a Tesla Model X sport-utility vehicle occurred south of San Francisco while Autopilot was activated, killing the driver. The crash is under investigation by U.S. transportation-safety agencies. Tesla said the driver received several system warnings to put his hands on the wheel and had at least five seconds to do so before the car slammed into a highway divider.

The company's owners emphasize that Autopilot has limitations, such as an inability to spot standing objects. Drivers must acknowledge on the car's touch screen that it is their responsibility to stay alert and maintain control. Visual and audio warnings remind them to stay engaged.

Some self-driving car experts say partly autonomous driving systems like Autopilot give drivers a false sense of confidence that they can turn their attention elsewhere.

Mr. Musk alluded to the complacency issue in a May 2 call with analysts, while repeating Tesla's view that Autopilot makes its cars safer than conventional automobiles. "When there is a serious accident, it is almost always, in fact, maybe always the case, that it is an experienced user," Mr. Musk said. "And the issue is...more one of complacency, like we get too used to it."

Such concerns have persisted within Tesla, people familiar with the Autopilot effort said, and intensified in 2016, after 40-year-old Joshua Brown died in Florida when his Model S sedan, with Autopilot activated, struck a semi-trailer truck that was crossing a divided highway.

Tesla, worried that Autopilot gave drivers a false sense of security, brought in suppli-

ers to discuss ways to ensure drivers pay attention, some of the people said.

One idea was sensors to track drivers' eyes to ensure they watch the road. Tesla executives questioned the costs of such a system, which typically includes a camera and infrared sensor, and whether it would be ready for deployment, these people said. Another concern was whether the sensors could reliably detect drivers of varying heights.

Another measure the Autopilot team considered was incorporating sensors into the steering wheel to monitor whether drivers' hands were touching it at all times, these people said.

Autopilot already has a sensor to capture small movements of the steering wheel to gauge whether drivers are holding it. But drivers can quickly touch the wheel to stop the dashboard warnings for a few minutes.

"It came down to cost, and Elon was confident we wouldn't need it," one of those people said. Executives conveyed there was pressure for each vehicle to reach a certain profit margin, according to the people familiar with the matter.

Tesla in 2016 was gearing up to launch the Model 3 with a starting price of \$35,000, much lower than previous

Tesla to 'Flatten' Manager Structure

Tesla Inc. will restructure and flatten its management, Chief Executive Elon Musk told employees Monday, as the Silicon Valley auto maker struggles to boost production of its Model 3 sedan amid an exodus of top leaders.

Mr. Musk made the announcement following news that his engineering chief, Doug Field, was taking a leave of absence, and that senior executive Matthew Schwall was leaving the company for Alphabet Inc.'s driverless-car division Waymo.

Tesla vehicles. Tesla has targeted a 25% gross margin for when it began production, and aims to improve it over time.

"We've explored many technologies and opted for the combination of a hands-on-wheel torsion sensor with visual and audio alerts, and we will of course continue to evaluate new technologies as we evolve the Tesla fleet over time," the Tesla spokesman said Thursday.

Mr. Musk has argued Tesla shouldn't delay deployment of Autopilot given its potential to

"To ensure that Tesla is well prepared for the future, we have been undertaking a thorough reorganization of our company," Mr. Musk said in the memo reviewed by The Wall Street Journal. "As part of the reorg, we are flattening the management structure to improve communication, combining functions where sensible and trimming activities that are not vital to the success of our mission."

He added that the company will continue to hire workers. In early May, Mr. Musk alluded to a reorganization when he discussed cutting down on the number of contract workers.

Under a flat management structure, employees work for

top leaders with few layers of managers in between. But at Tesla, Mr. Musk is already in the trenches, sleeping on the factory floor as he tries to increase production of the Model 3, which began assembly last July and is months behind in reaching milestones.

Mr. Musk already has taken command of several significant roles.

In February, the CEO announced the company's sales and service divisions would report directly to him following the departure of Jon McNeill, Tesla's president of global sales, marketing and delivery and service. He left to become chief operating officer at ride-hailing service Lyft Inc.

a total of 25 seconds during the 37 minutes Autopilot was on, and received 13 warnings to keep his hands on the wheel. Autopilot never deactivated.

The National Transportation Safety Board said Autopilot lacked "an effective method of ensuring driver engagement" by allowing drivers to ignore warnings and keep their hands off the wheel for up to five minutes at a time. It also said Tesla's steering-sensor system doesn't ensure a driver is watching the road.

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TECHNOLOGY

Lackluster IPOs Test Plans for China Tech Offers

BY STEVEN RUSSOLILLO
AND JULIE STEINBERG

HONG KONG—More than a dozen technology companies from China are rushing to go public abroad, an enticing opportunity for investors but one that has generated poor returns recently.

Xiaomi is hoping to raise at least \$10 billion in what could be the world's largest IPO since 2014, and it is targeting a \$70 billion to \$80 billion valuation, people familiar with the matter previously told The Wall Street Journal. That is down from a previous goal of \$100 billion.

Some bankers and deal advisers say Xiaomi's coming share sale will serve as a bellwether for other large tech unicorns, or private companies with valuations above \$1 billion. If Xiaomi's IPO and trading debut don't go well, that might lead other companies to

\$50 billion in new shares if they list in the coming months. The first will likely be smartphone maker **Xiaomi Corp.**, which recently filed paperwork for a Hong Kong listing.

Shares of most Asian tech companies that have listed in New York and Hong Kong since the start of 2017 have notched lackluster performances, with the bulk trading below their initial public offering prices after strong early gains.

That could pose challenges for the many private Chinese tech companies hoping to take advantage of buoyant markets to go public. Together, these companies could sell at least



Ping An Healthcare & Technology CEO Wang Tao celebrated its Hong Kong IPO this month.

reconsider their timing and valuation targets.

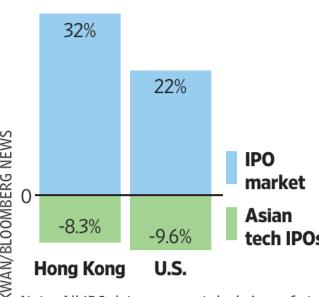
Some 16 Asian tech or internet companies have raised more than \$100 million in IPOs in New York or Hong Kong since the start of 2017. Shares of 12 of them—which are mostly from China—are trading below their offering prices, according to data from Dealogic and FactSet.

The six Asian tech IPOs in Hong Kong are down 8.3% on average from their IPO prices through Friday's closing, while the 10 that listed in New York are averaging a 9.6% decline. Their performance contrasts with newly listed companies broadly, which have notched up average gains of 32% in Hong Kong and 22% in New York over the period, Dealogic says.

Some Chinese tech IPOs have drawn high subscription rates, but that hasn't always translated into outperformance after listing. **Ping An Healthcare & Technology Co.**, a unit of Chinese financial giant **Ping An Insurance (Group) Co. of China Ltd.**, had a weak trading debut this month after raising

Falling Short

Newly listed Asian tech companies in the U.S. and Hong Kong have underperformed broader IPO markets, measured from IPO prices.



Note: All IPO data represent deal sizes of at least \$100 million since the start of 2017 through Friday.
Sources: Dealogic; FactSet

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\$1.1 billion in a highly subscribed IPO in Hong Kong.

Shares of the company, which operates an online health platform called Good Doctor, fell as much as 8.9% below their IPO price in the first few days of trading before regaining ground. They traded at HK\$54.70, or US\$6.97, through Friday, a hair below their IPO price of HK\$54.80.

California Clears Didi's Self-Drive Tests

BY AUSTEN HUFFORD

China's ride-sharing giant **Didi Chuxing Technology Co.** was approved to launch live trials of autonomous vehicles on roads in California, becoming the latest company to explore advanced driving technology in the U.S. as safety concerns remain in the spotlight.

Didi joins a list of established and young technology and automotive companies that are allowed to test drive autonomous vehicles on California roads with a safety driver present. The California Department of Motor Vehicles said there are 53 companies with permits, including ride-hailing company **Lyft Inc.**, **Intel Corp.**, **Alphabet Inc.**'s Waymo and Chinese internet-search company **Baidu Inc.**



Didi joins other companies testing autonomous vehicles in the U.S.

Didi opened its main U.S. research facility in Mountain View, Calif., last year to focus on developing artificial intelligence, including for autonomous driving. The approval

from the California state regulator is the company's first license for testing on public roads in the U.S.

"We have been testing our vehicles in closed internal en-

vironment for a while," Didi senior communications director Liang Sun said in an email.

The company is still finalizing its plans to begin U.S. road trials but said it would be done in a "prudent and safety-first" manner.

Uber Technologies Inc. let its own permit lapse in California at the end of March after one of its self-driving vehicles struck and killed a pedestrian crossing a street in Arizona.

In 2016, Didi acquired Uber's China operations after a costly battle for dominance in the Chinese market.

The Wall Street Journal reported last month that Didi is holding discussions about potentially having a multibillion-dollar initial public offering as early as this year.

Facebook Probe Leads To 200 App Suspensions

BY MARIA ARMENTAL

Facebook Inc. has suspended some 200 applications for suspected misuse of users' information shared on or through Facebook, the company said Monday.

The apps, which Facebook didn't name, are among thousands Facebook has examined so far in an investigation of outside developers.

The company began the probe after reports that Cambridge Analytica, which worked with the Trump campaign during the 2016 presidential election, had improperly obtained Facebook user data and retained it for years after telling Facebook that the records had been expunged. University of Cambridge psychology professor Aleksandr Kogan initially

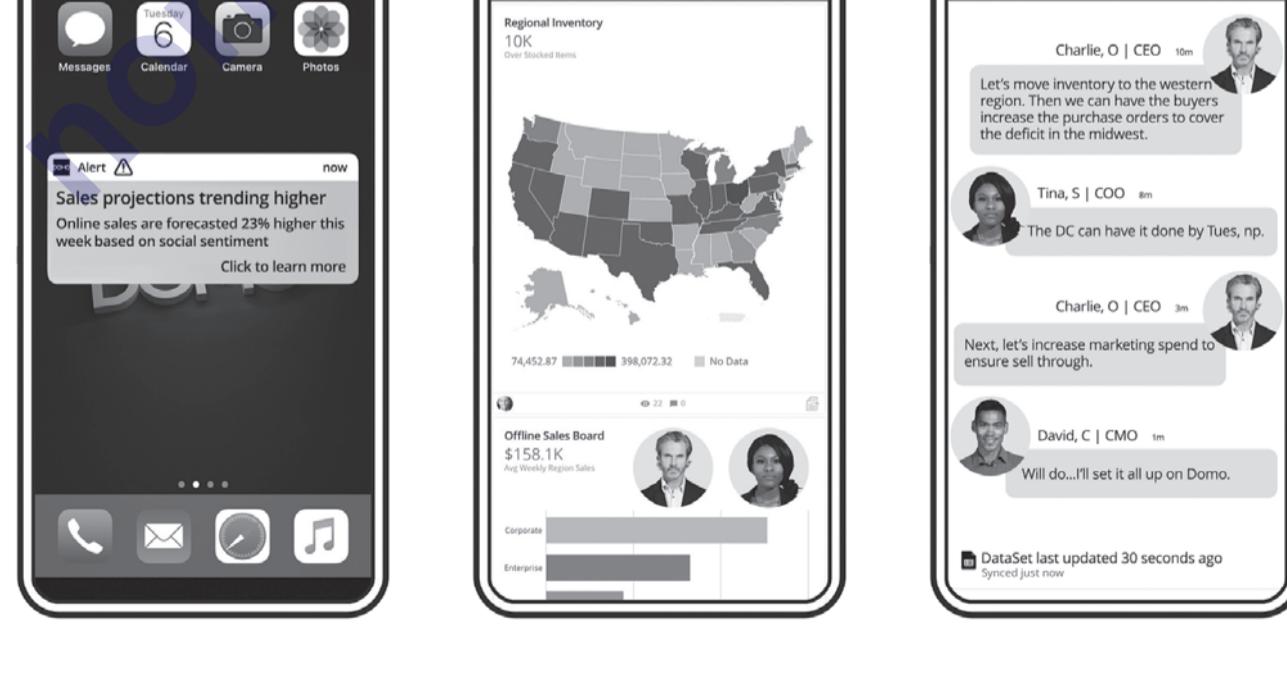
collected the user data by creating a personality-quiz app in 2013 that plugged directly into Facebook's platform.

Facebook announced in 2014 it would change its policies, significantly reducing the data apps could access. The changes went into full effect in 2015.

In the blog post Monday, Ime Archibong, Facebook's vice president of product partnerships, didn't specify how far along the company was in the review process.

"There is a lot more work to be done to find all the apps that may have misused people's Facebook data—and it will take time," Mr. Archibong wrote. "We are investing heavily to make sure this investigation is as thorough and timely as possible. We will keep you updated on our progress."

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BUSINESS NEWS

Pay, Performance Often at Odds

Firms posting the best shareholder returns score in middle of pack in terms of CEO pay

BY VANESSA FUHRMANS

The best-paid CEOs don't necessarily run the best-performing companies.

Corporate boards have tried for years to tie chief executive compensation to the results they deliver. The better the company and its shareholders do, the more the top boss should be paid, or so the pay-for-performance mantra goes. In reality, CEO pay and performance often don't match up, and 2017 was no exception.

Among S&P 500 CEOs who

greatly from the average. But a study co-written by Mr. Aguinis and published last week in the journal Management Research found that, much like with professional athletes, there were vast differences in the performance of CEOs.

The disparity between chief executive compensation and performance appears to persist over longer periods, too, Mr. Aguinis said. In the study, researchers analyzed the earnings of more than 4,000 CEOs over the course of their tenures against several performance metrics. They found virtually no overlap between the top 1% of CEOs in terms of performance and the top 1% of highest earners. Among the top 10% of performers, only one-fifth were in the top 10% in terms of pay.

In 2017, only two out of the 20 highest-paid CEOs who didn't leave their jobs before the end of the year landed in the top 20 for shareholder return.

Robert Kotick of Activision Blizzard Inc., known for "Call of Duty," "World of Warcraft" and other videogames, made \$28.7 million and posted a 76% return. Steve Wynn was paid \$34.5 million, while Wynn Resorts Ltd. posted a 98% total return. Mr. Wynn stepped down as CEO in February after The Wall Street Journal reported sexual-misconduct allegations, which he has denied.

Many firms condition a big share of pay on three-year performance metrics that are only partially affected by a single bad year, compensation consultants say.

CBS Corp. paid its chief,

Leslie Moonves, \$69.3 million

last year; total shareholder return was negative 6.2%. His

pay was virtually unchanged from \$69.6 million in 2016

when the broadcaster achieved

a one-year return of 37%. Like-

wise, Comcast Corp. CEO

Brian Roberts's annual pay has

hovered around \$33 million

the past three years as annual

shareholder returns ranged

from 25% to negative 1.1%.

In its proxy, CBS said Mr.

Moonves received \$12 million



Activision Blizzard's Robert Kotick ranked among the top 20 CEOs in terms of both pay and shareholder return in 2017.

DAVID PAUL MORRIS/BLOOMBERG NEWS

Pay for Performance?

CEOs posting the best total shareholder returns in 2017 tended to have middling pay packages.

Top CEOs by shareholder return

RETURN NAME/2017 PAY

		NAME	2017 PAY
387%	Howard W. Robin	Nektar Therapeutics	\$18.1 million
134	Mauricio Gutierrez	NRG Energy	9.0
131	Joseph Hogan	Align Technology	11.7
126	Jensen Huang	Nvidia	13.0
117	Valentin P. Gapontsev	IPG Photonics	2.3

Sources: Institutional Shareholder Services (returns); MyLogIQ (raises)

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Top CEOs by largest raise

	RAISE	NAME/2017 PAY
3,787%	Stephen Kaufer	TripAdvisor
693	Brenton Saunders	Allergan
473	Ari Bousbib	Iqvia Holdings
318	Hock Tan	Broadcom
280	Howard W. Robin	Nektar Therapeutics

Part of the \$8.8 million Mr. Saunders got in incentive payments stems from longer-term performance targets met since Allergan's 2014 acquisition of Forest Laboratories Inc., the company said in its proxy statement. Another portion of his 2017 compensation, \$22.6 million in stock awards, won't vest until future years and is contingent on meeting specific research and shareholder-return goals. The drugmaker said in its proxy that because the award covers two years, it will report less compensation for Mr. Saunders for 2018 and 2019.

One of the biggest gaps between CEO pay and shareholder return was at aerospace-parts company TransDigm Group Inc. For much of the year, TransDigm's stock took a beating from short sellers who have criticized the its acquisition-driven business model, but the volatility had little effect on then-CEO Nicholas Howley's pay package.

Shares, including reinvested dividends, returned just shy of 5% for the fiscal year that ended Sept. 30, 2017, underperforming the broader S&P 500 index for the first time in a decade. During the same period, Mr. Howley earned \$61 million, more than triple the \$18.9 million he made in 2016.

The bulk of his compensation—\$51.2 million—came from dividend-like payments on vested options, stemming from \$46 in special cash dividends the company awarded shareholders during the fiscal year. TransDigm paid no dividends the previous fiscal year.

Mr. Howley also received \$9.8 million in stock options. His base salary was \$7,000.

Mr. Howley stepped down in April after a 17-year run as CEO and remains TransDigm's executive chairman. The company declined to comment on his pay package but pointed out that its proxy statement shows the company's one-year return for the calendar, versus fiscal, year was 20% and that its longer-term returns dramatically outpace the broader market.

Shoe Firm Rockport Files for Chapter 11

BY BECKY YERAK

Comfort shoe maker Rockport Co., citing "today's evolving retail landscape" and a costly separation from former owner Adidas AG, has filed for chapter 11 bankruptcy with a plan to hand ownership to private-equity firm Charlesbank Capital Partners.

Rockport supplies its shoes to department stores and specialty retailers, as well as online and at some of its own stores, in more than 60 countries, according to court filings in U.S. Bankruptcy Court in Wilmington, Del.

The company, which filed for protection from creditors in the U.S. and Canada, said it might seek to close some of its own locations while under court protection.

In court papers, interim Chief Financial Officer Paul Kosturos blamed Rockport's bankruptcy on a "costly and time-consuming separation" from former owner Adidas Networks, along with supply-chain interruptions and a contract dispute with expeditors.

Also, he said a number of stores acquired when the company was bought by Boston firm Berkshire Partners and footwear maker New Balance "performed below expectations" in a tough retail market.

Charlesbank will serve as the lead, or "stalking horse," bidder with a \$150 million offer in a court-supervised sale process. The agreement between it and Rockport is subject to better offers.

Rockport said it has lined up \$20 million in new financing from existing bondholders to help get it through bankruptcy proceedings. The company said it has an existing \$60 million credit facility that it can tap to continue operating through its sales process.

'Stars are often underpaid, while average performers are often overpaid.'

got raises last year, the 10% who received the biggest pay increases scored—as a group—in the middle of the pack in terms of total shareholder return, according to a Wall Street Journal analysis of data from MyLogIQ LLC and Institutional Shareholder Services.

Similarly, the 10% of companies posting the best total returns to shareholders scored in the middle of the pack in terms of CEO pay, the data show.

"Stars are often underpaid, while average performers are often overpaid," said Herman Aguinis, a professor of management at George Washington University School of Business.

One reason for the mismatch is that boards often set CEO pay by benchmarking the average compensation for leaders at a peer group of companies and setting performance targets accordingly, Mr. Aguinis said. That works if CEO performance doesn't vary too

more in 2017 stock awards than the prior year, in part because of his contract renewal. Comcast said in its filing that it prefers to base executive pay on longer-term business-management metrics, not total shareholder return.

Allergan PLC's Brent Saunders received a 700% raise in

2017 to \$32.8 million, despite total shareholder return of negative 21%. The compensation package came during a year when Allergan ran into patent setbacks for one of its best sellers, dry-eye drug Restasis, which contributed to a 22% drop in the firm's share price for the year.

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MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

24899.41 ▲ 68.24, or 0.27%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.51 20.46
 P/E estimate * 16.41 17.72
 Dividend yield 2.16 2.34
 All-time high 26616.71, 01/26/18



Current divisor 0.14523396877348
 Session high 26800
 Session open ▶ UP Close
 Close ▶ Open
 Session low 25200
 65-day moving average

Bars measure the point change from session's open

Feb. Mar. Apr. May 22000

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2730.13 ▲ 2.41, or 0.09%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.28 23.83
 P/E estimate * 17.05 18.45
 Dividend yield 1.91 1.97
 All-time high 2872.87, 01/26/18



Feb. Mar. Apr. May 2500

Nasdaq Composite Index

7411.32 ▲ 8.43, or 0.11%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.99 26.09
 P/E estimate * 20.25 21.02
 Dividend yield 1.01 1.10
 All-time high: 7588.32, 03/12/18



Feb. Mar. Apr. May 6300

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.	
	Dow Jones	Industrial Average	24994.19	24862.52	24899.41	68.24	0.27	26616.71	20606.93	18.7	0.7
Transportation Avg	10782.15	10641.50	10663.16	-50.41	-0.47	11373.38	8783.74	17.6	0.5	7.4	
Utility Average	691.17	683.57	686.59	-2.90	-0.42	774.47	647.90	-2.3	-5.1	5.8	
Total Stock Market	28456.23	28275.98	28319.93	7.14	0.03	29630.47	24391.29	13.8	2.3	8.5	
Barron's 400	735.87	730.98	731.54	-0.31	-0.04	757.37	624.99	14.1	2.9	8.4	

Nasdaq Stock Market

Nasdaq Composite	7458.42	7401.89	7411.32	8.43	0.11	7588.32	6011.24	20.5	7.4	13.6
Nasdaq 100	7008.26	6954.64	6964.37	11.81	0.17	7131.12	5580.55	22.1	8.9	15.7

S&P

S&P 500 Index	2742.10	2725.47	2730.13	2.41	0.09	2872.87	2357.03	13.6	2.1	8.8
MidCap 400	1947.06	1933.13	1935.23	-3.86	-0.20	1995.23	1691.67	11.8	1.8	8.1
SmallCap 600	991.00	981.57	982.13	-4.74	-0.48	986.87	817.25	16.3	4.9	11.1

Other Indexes

Russell 2000	1614.24	1599.73	1600.34	-6.45	-0.40	1610.71	1355.89	14.8	4.2	8.7
NYSE Composite	12821.54	12755.46	12772.03	10.21	0.08	13637.02	11423.53	10.0	-0.3	4.5
Value Line	565.28	562.00	562.37	-0.28	-0.05	589.69	503.24	7.8	0.01	3.0
NYSE Arca Biotech	4746.85	4666.59	4715.54	51.73	0.11	4939.86	3507.64	28.6	11.7	5.4
NYSE Arca Pharma	537.10	533.61	534.72	2.60	0.49	593.12	514.66	2.2	-1.9	-3.1
KBW Bank	111.35	110.49	110.71	-0.12	-0.11	116.52	88.87	20.0	3.8	13.4
PHLX® Gold/Silver	84.18	83.05	83.47	-0.40	-0.47	93.26	76.42	-2.0	-2.1	3.5
PHLX® Oil Service	164.01	162.38	163.08	1.41	0.87	165.78	117.79	8.5	9.0	-9.4
PHLX® Semiconductor	1382.69	1364.35	1367.50	17.04	1.26	1445.90	1020.51	28.9	9.1	24.5
Cboe Volatility	13.28	12.81	12.93	0.28	0.21	37.32	9.14	24.1	17.1	0.5

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
SPDR S&P 500	SPY	6,235.4	272.98	...	unch.	273.11	272.41
Ford Motor	F	5,845.8	11.19	0.01	0.09	11.21	11.18
Endo International	ENDP	5,379.7	6.22	...	unch.	6.23	6.22
Intel	INTC	3,465.4	54.88	-0.02	-0.04	54.97	54.79
SPDR S&P Insurance	KIE	3,355.1	30.44	-0.01	-0.04	30.44	30.44
SPDR S&P 500 Growth	SPYG	3,056.5	35.09	...	unch.	35.10	35.09
Ambev ADR	ABEV	2,791.1	5.95	...	unch.	5.95	5.94
Amicus Therapeutics	FOLD	2,652.3	14.24	...	unch.	14.24	14.17

Percentage gainers...

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Symantec	SYMC	1,332.8	21.97	0.57	2.66	21.98	21.12
Tata Motors ADR	TTM	391.8	24.35	0.59	2.48	24.35	23.76
ProSharesUltiVIXST	UVXY	378.8	11.69	0.25	2.19	11.70	11.44
VS 2x VIX Short Term	TVIX	526.2	5.14	0.10	1.98	5.16	5.03
Sociedad Quimica ADR	SQOM	81.1	56.97	0.97	1.72	56.97	56.00

...And losers

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
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BIGGEST 1,000 STOCKS

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization. Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume. Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Monday, May 14, 2018

Net

Stock Sym Close Chg

MARKETS

Treasurys Fall After Fed Rate Remarks

BY DANIEL KRUGER

Prices of U.S. government bonds declined as investors focused on comments by central bank officials that some perceived as hawkish.

The yield on the benchmark 10-year Treasury note rose for the fifth time in the past seven sessions to 2.995% from 2.971% Friday.

CREDIT MARKETS Yields rise as bond prices fall. The two-year yield, which is more sensitive to expectations for Federal Reserve monetary policy, rose for the seventh consecutive session to 2.545%, the highest since August 2008.

Federal Reserve Bank of Cleveland President Loretta Mester said at a conference in France that stimulative fiscal policy and strong economic growth suggest officials may need to raise interest rates more than she had expected for them to eventually reach the neutral rate.

Neutral interest rates are the point where they neither help nor hinder growth. Odds that Fed officials will raise rates three more times this year rose to 52% late Monday, from 39% a month ago, according to CME Group data.

Yields also faced upward pressure after Bank of France Governor François Villeroy de Galhau, at the same conference, hinted that the European Central Bank may raise rates next year.

AUCTION RESULTS

Here are the results of Monday's Treasury auctions. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

	13-Week	26-Week
Applications	\$146,139,164,600	\$125,319,467,100
Accepted bids	\$48,000,066,600	\$42,000,271,600
* noncomp	\$840,989,600	\$678,305,100
* foreign noncomp	\$538,000,000	\$300,000,000
Auction price (rate)	99.522250	98.971194
Coupon equivalent	1.925%	2.085%
Bids at clearing yield accepted	54.91%	54.11%
Cusip number	912796Q8	912796Q1

Both issues are dated May 17, 2018. The 13-week bills mature on Aug. 16, 2018; the 26-week bills mature on Nov. 15, 2018.

U.S. Stocks Rise as Tensions Ease

Dow notches eighth consecutive gain as trade rhetoric cools between U.S., China

BY GEORGI KANTCHEV
AND ALLISON PRANG

U.S. stocks rose Monday with the Dow Jones Industrial Average notching its eighth consecutive day of gains as investors digested signs of easing trade tensions between the U.S. and China.

The countries closed in on a deal that would give China's ZTE a reprieve from potentially crippling U.S. sanctions in exchange for

Beijing removing tariffs on billions of dollars of U.S. agricultural products, people briefed on the deal said to The Wall Street Journal.

The U.S. and China are locked in high-stakes negotiations over trade, with the countries threatening to slap tariffs on tens of billions of dollars of each other's products.

Signs that the two countries could negotiate a deal have helped the market rebound, investors and analysts said.

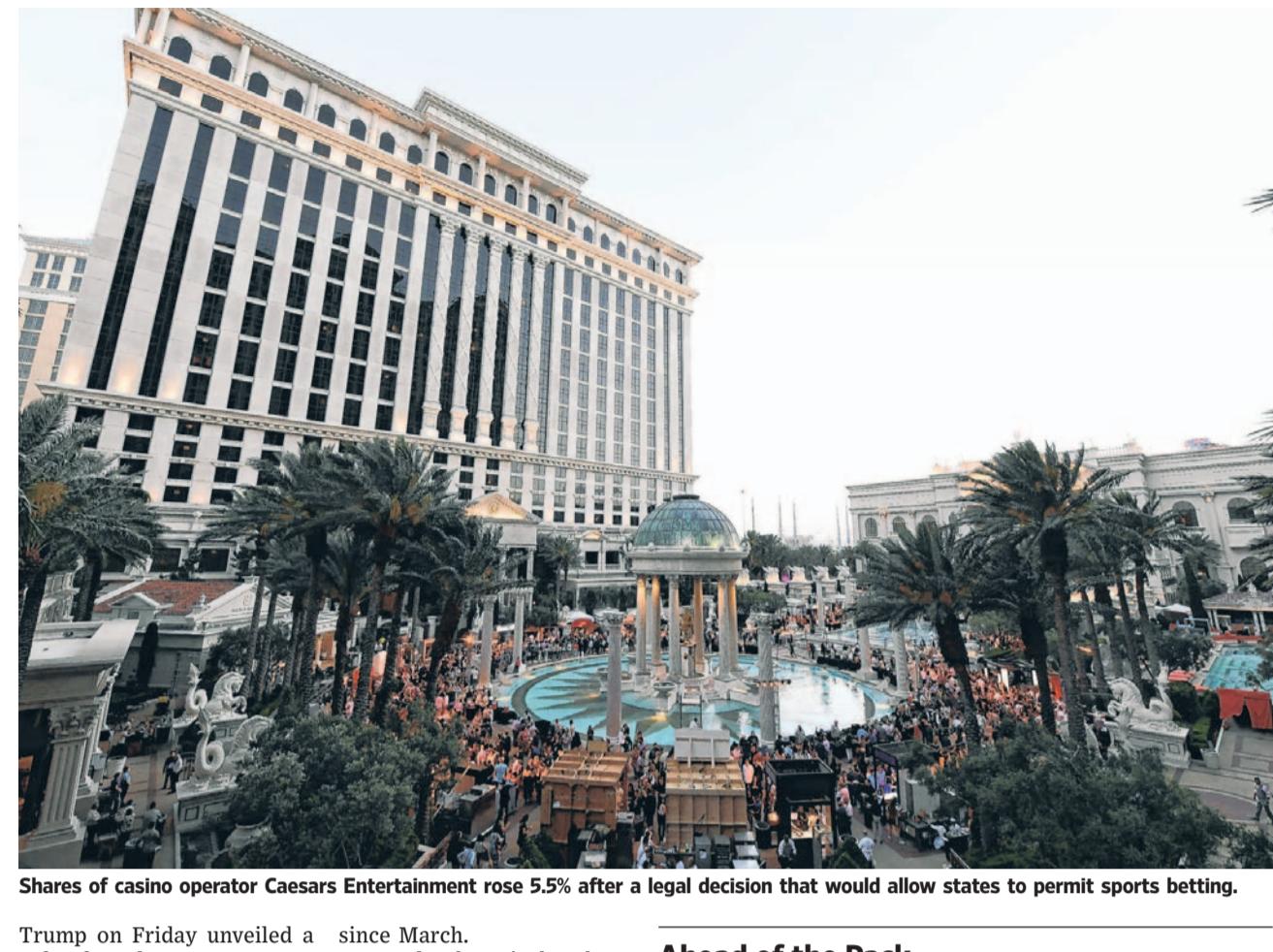
Jamie Cox, managing partner at Harris Financial Group, said people "can see the light at the end of the tunnel on tariffs."

"Markets can now focus on real economic activity and stop worrying so much about the overtones of tariffs," he said.

The Dow industrials climbed 68.24 points, or 0.3%, to 24899.41. The blue-chip index's winning streak is its longest since September 2017, when it rose for nine straight sessions.

The S&P 500 rose 2.41 points, or 0.1%, to 2730.13, with four of 11 sectors trading higher, and the Nasdaq Composite rose 8.43 points, or 0.1%, to 7411.32.

Health-care stocks climbed 0.7%, the most in the S&P 500, after President Donald



Shares of casino operator Caesars Entertainment rose 5.5% after a legal decision that would allow states to permit sports betting.

Trump on Friday unveiled a raft of modest measures to curb high drug prices that left the pharmaceutical industry relieved and buoyed its stocks.

Energy stocks gained 0.6% as U.S. crude settled up 0.4% at \$70.96 a barrel.

And shares of gambling firms climbed following the decision by the U.S. Supreme Court to let states permit sports betting.

Caesars Entertainment rose 65 cents, or 5.5%, to \$12.55, and **Penn National Gaming** climbed 1.51, or 4.7%, to 33.75.

Stocks around the world have rebounded in recent sessions after a turbulent start to 2018, amid solid corporate earnings and bets that inflation isn't rising at a pace that would force the Federal Reserve to accelerate its pace of interest-rate rises. U.S. stocks last week registered their biggest one-week gains

since March.

"Trade rhetoric has been dialed down a bit recently, and that's freeing up equities to look to other factors like the fantastic earnings season," said David Lafferty, chief strategist at Natixis Investment Managers, which manages around \$1 trillion.

Meanwhile, government-bond prices fell Monday, with the yield on the benchmark 10-year U.S. Treasury note settling at 2.995% from 2.971% on Friday. Yields move inversely to prices.

The WSJ Dollar Index, which tracks the dollar against a basket of 16 currencies, added nearly 0.2%.

In Europe, traders were also watching developments in Italy where the antiestablishment 5 Star Movement and hard-right League party have reached an agreement on a governing program.

The formation of a new government—which is ex-

Ahead of the Pack

Energy and health-care stocks were among the best performers in the S&P 500 Monday.

Intraday performance

pected in the coming days—between the two groups marks one of the biggest wins yet for the political insurrections shaking Europe's establishments.

The Stoxx Europe 600 fell less than 0.1%.

In early trading Tuesday, Hong Kong's Hang Seng Index fell 0.44%, while Japan's Nikkei Stock Average was up 0.08%.

Malaysia Markets Gain After Election

BY YANTOULTRA NGUI

Only a brief selloff occurred in Malaysian markets Monday, not the slump many feared last week, as domestic investors had their first chance to react since Wednesday's stunning election victory for Mahathir Mohamad's opposition coalition.

The country's stock benchmark fell nearly 3% at the start of trading, but within a half-hour was higher than last Tuesday's closing level. The FTSE Bursa Malaysia KLCI closed 0.2% higher.

Meanwhile, the Malaysian ringgit fell less than 1% against the dollar in Asian trading after derivatives last week had pointed to a drop of more than 2%. By late Monday in New York, the pair was unchanged on the day, and the ringgit was up 1% from last Tuesday.

Initial appointments of advisers by Mr. Mahathir and the "announcement of pro-business, pro-stability policy" allowed foreign and domestic investors to "express confidence" in Malaysia's economy and the market's longer-term outlook, said Danny Wong, chief executive of Kuala Lumpur fund manager Areca Capital. The perception of a "cleaner and more transparent administration will attract international investment," he said.

Eng Peng Gan, director of equities strategy and advisory at Affin Hwang Asset Management, predicted last week that

the stock market's initial drop wouldn't last a month; instead, it was but minutes.

Volatility was expected when markets reopened after the ouster of the political coalition that had ruled Malaysia since independence in 1957. In the U.S., an exchange-traded fund of Malaysian stocks slid 6% on Wednesday before rebounding 1.8% on Thursday and falling 0.8% Friday.

Buying in Malaysian stocks Monday morning was led by government-backed local funds, said investment bankers and analysts. State-run funds are key participants in Malaysia's financial markets, and they frequently support specific government-backed stocks, or at times the entire market, when there is major selling pressure.

Prices of Malaysian bonds

traded overseas plunged after Wednesday's election, with debt maturing in 2023 and sold by state investment fund

1Malaysia Development Bhd. seeing yields surge to 9.3% by Friday from 6.1% before the election. That fell to 9.1% Monday for the fund, the subject of multiple probes globally.

Many stock-market participants sold shares into Wednesday's election as the opposition was gaining momentum. The KLCI fell more than 1% in each of the last two full weeks of trading before the polling.

After the election, some investors said the result was as shocking as the U.K.'s vote to leave the European Union and U.S. President Donald Trump's election victory.

Until the pre-election weakness, Malaysian stocks were

regional outperformers. The index, with Monday's gain, is up 3% this year, keeping it among the best performers in the Asia-Pacific region.

Key to Monday's advance were consumer stocks on hopes of stronger spending if the new government scraps the goods-and-services tax enacted in 2015, as it has suggested it might. Food-and-beverage firms **Nestlé** Malaysia Bhd. and **Fraser & Neave Holdings** Bhd. rose 3.1% and 3.5%, respectively, while apparel retailer **Padini Holdings** Bhd. jumped 10%.

The Mahathir campaign promised to take a close look at some continuing major infrastructure projects. Stocks of companies involved in some of them experienced heavy declines in their prices.

Quick Recovery

FTSE Bursa Malaysia KLCI



Note: The markets were closed May 9, 10 and 11.

Source: Thomson Reuters

THE WALL STREET JOURNAL.

Don't Count on Earnings Bonanza Lasting

BY BEN EISEN

Companies are wrapping up a stellar earnings season, but the rest of the year might not be as hot.

With 91% of S&P 500 companies reporting results for the first three months of 2018, earnings are expected to have grown 25% versus the prior year, according to FactSet. That would be the best quarter since 2010 and well above the 17% growth analysts expected going into earnings season.

The number of rigs drilling for oil in the U.S. rose by 10 last week to 844 rigs, the highest in more than three years.

But guidance for the rest of the year is more tempered. So far this earnings season, 50 companies have issued per-share earnings estimates for the April-to-June period that are below the consensus forecast of analysts. Just 36 companies issued second-quarter guidance above analyst estimates, according to FactSet.

That is a sign of concern for some investors in the stock market, where any hint that earnings may be peaking has been enough to make people

nervous. The market tumbled last month after **Caterpillar** executives said their first quarter could be a "high-water mark" for the year.

Companies have turned slightly more downbeat for the full year as well. Among the companies updating per-share earnings guidance, 113 had negative guidance on Friday, up from 85 at the end of March. Those issuing positive guidance fell to 142 from 162.

That is still a lot of positive guidance, of course. Analysts

are projecting strong earnings growth throughout 2018, with profits forecast to grow by 19% in the second quarter, 21% in the third quarter and 17% in the fourth quarter, according to FactSet. That is still quite strong by any measure.

But after a nine-year bull-market run that has been premised in part on the expectation that the best economic growth and corporate profits are still ahead, many are on the lookout for signs that we have hit the top.



Many expected a selloff after Mahathir Mohamad's victory.

Oil Prices Increase As Market Gets Tighter

BY DAVID HODARI AND ALISON SIDER

Oil prices rose Monday on more signs a tightening global oil market, despite the release of OPEC data that signaled robust production.

U.S. crude futures climbed 26 cents, or 0.37%, to \$70.96 a barrel on the New York Mercantile Exchange.

New York Mercantile Exchange. Brent, the global benchmark, rose \$1.11, or 1.44%, to \$78.23 a barrel on ICE Futures Europe.

The Organization of the Petroleum Countries said in its monthly report Monday that petroleum stockpiles in the developed world stand just nine million barrels above the five-year average—a sign that the glut that weighed on the market for years is nearly gone.

OPEC also boosted its forecast for demand this year while trimming its outlook for global oil production.

The geopolitical tinderbox around the Middle East seems to be encouraging buyers,

while global supply demand fundamental are staying 'strong enough' to keep the sellers at bay for now," analysts at TAC Energy said. "If the complex can break above the multiyear highs set last week, the charts suggest we could see another 5-10% of upside near term."

Still, OPEC also said its total crude output rose by 12,000 barrels a day in April, month-on-month, to average 31.9 million barrels a day.

The increase was mainly the result of higher crude production in Saudi Arabia—the world's largest crude exporter and the de facto head of OPEC—and Algeria, the report said.

Those data added to a healthy picture of global oil production as producers pounce on higher prices. The gap between global and U.S. oil prices widened as new figures showed that producers in the U.S. are ramping up quickly.

The number of rigs drilling for oil in the U.S. rose by 10 last week to 844 rigs, the highest in more than three years.

The geopolitics of the Middle

MARKETS

Bond Gauge Signals Confidence in U.S.

Yield spread between Treasurys, German bonds is largest in three decades

By DANIEL KRUGER

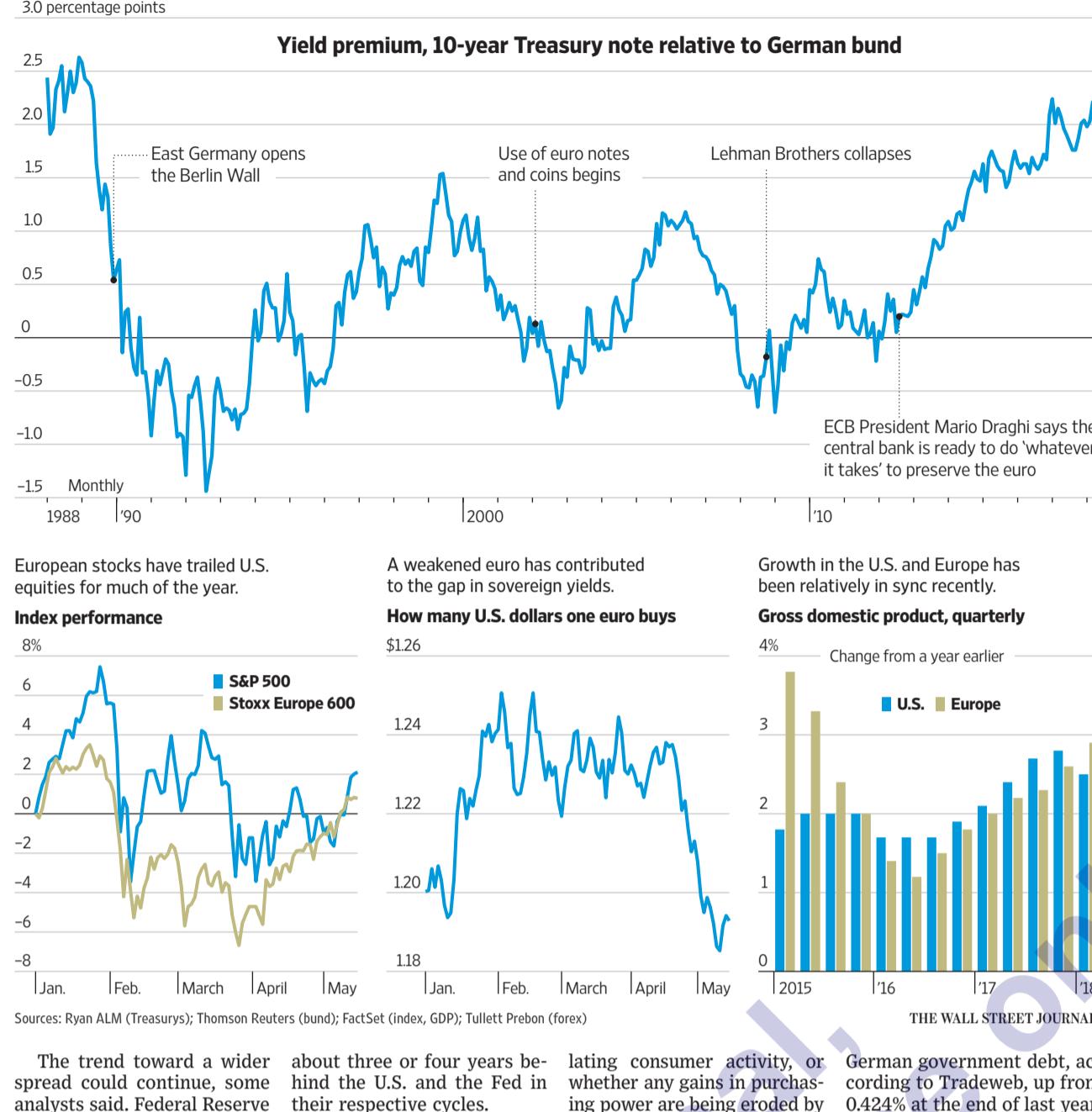
The gap between the yields on 10-year U.S. Treasury notes and German government bonds reached its widest in almost three decades, a sign of investor confidence that growth remains steadier in the U.S. than Europe.

The yield on the benchmark 10-year Treasury, which rises as bond prices fall, closed Monday at 2.995%, 2.385 percentage points above the 0.610% yield on the German bund. The gap last week hit 2.445 percentage points, its widest since April 1989.

This signal contrasts with others in the bond market, such as the narrowing gap between short- and long-term Treasury yields, known as a flattening yield curve, which investors often see as a warning of economic slowdown. Treasury yields and market-based measures of U.S. inflation expectations have both risen this year, while gains in the bund yield have been limited by recent softness in economic data.

Investors often study the two yields as barometers that influence borrowing costs for consumers and corporations in the U.S. and Europe. The gap between the two yields is also a key sign of foreign demand for U.S. debt, with ultralow and even negative rates in Europe increasing the appeal of Treasurys to foreign investors in recent years.

"That spread is probably anticipating the U.S. economy is going to grow stronger than the rest of the world, and Germany in particular," said Jack McIntyre, who manages global bond portfolios at Brandywine Global Investment Management.



European stocks have trailed U.S. equities for much of the year.

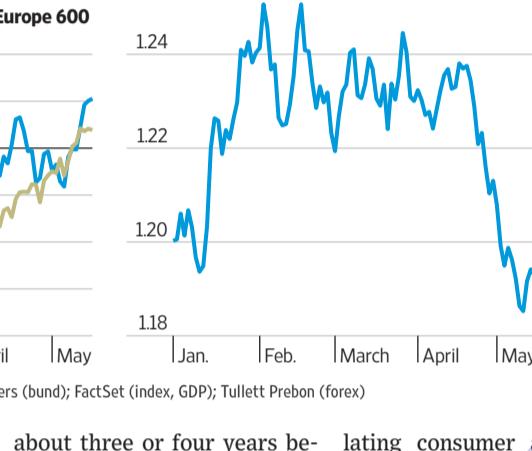
Index performance



Sources: Ryan ALM (Treasuries); Thomson Reuters (bund); FactSet (index, GDP); Tullett Prebon (forex)

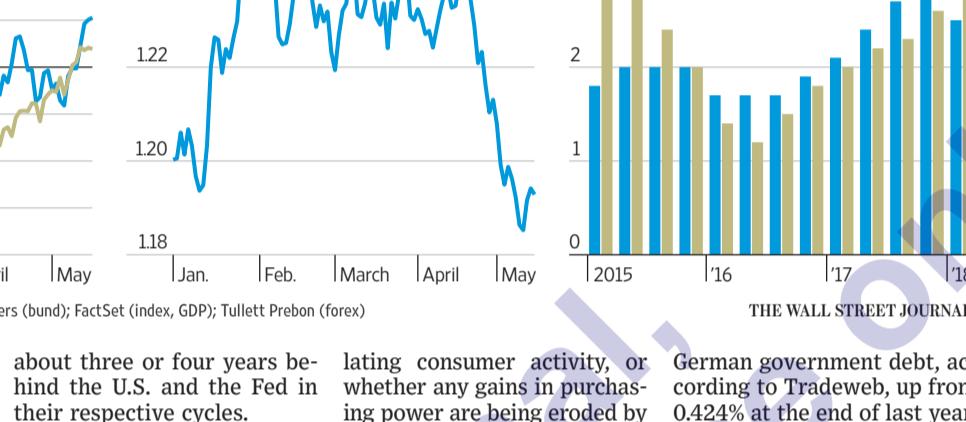
A weakened euro has contributed to the gap in sovereign yields.

How many U.S. dollars one euro buys



Growth in the U.S. and Europe has been relatively in sync recently.

Gross domestic product, quarterly



now being constrained by sluggish growth in Italy, which has fueled the rise of antiestablishment parties that disdain the unified currency.

"You have the tale of two Europes—that continues to be a challenge," said Mike Swell, co-manager of the Goldman Sachs Strategic Income Fund. He typically has trades that benefit from a widening spread between yields in the U.S. and Germany but said he had unwound them, because they could lose money if the U.S. dollar continues its recent gains against the euro.

Limited inflation growth in the U.S. and Europe could cap this year's climb in both Treasurys and the bund. U.S. consumer prices rose less than economists expected in April while the eurozone's annual inflation rate fell unexpectedly—a setback for the ECB as it considers when to end its bond-buying stimulus program.

Inflation poses a threat to the value of government bonds because it erodes the purchasing power of their fixed-interest payments and can spur central banks to raise interest rates.

The widening gap between U.S. and German yields mirrors a rebound in the value of the dollar against the euro. Through Monday, the dollar has gained 4.8% versus the euro since Feb. 1, surprising many investors who had bet that the currency was locked in to a multiyear trend of losses against the euro because Europe was seen as nearer the start of a long expansion while the U.S. was perceived to be closer to the end of its recovery.

The rise in U.S. yields has made it more expensive for some investors to bet against the dollar, after its earlier weakness raised the costs for investors in Europe to buy Treasurys while also hedging the risks of further declines in the currency, some analysts said.

about three or four years behind the U.S. and the Fed in their respective cycles.

Now, with the Trump administration's \$1.5 trillion tax cut expected to stimulate growth and push up borrowing needs, increasing the supply of new bonds, U.S. yields are rising. Investors will look to U.S. retail sales data Tuesday for signs of whether the tax cuts are stimu-

lating consumer activity, or whether any gains in purchasing power are being eroded by the recent rise in oil prices.

Even as the U.S. goes deeper into debt, Germany regularly runs a budget surplus, limiting the amount of debt it sells. That has helped hold down yields for Europe's benchmark issuer, with Monday's 0.610% yield on 10-year

German government debt, according to Tradeweb, up from 0.424% at the end of last year.

German yields have been held down in part by concerns about the vitality of some long-struggling European economies, often referred to by investors as "the peripherals," including Italy, Portugal and Greece. ECB officials' ambition to raise interest rates is

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

[WSJ.com/Heard](#)

Email: heard@wsj.com

CEO's Pay Too Often Doesn't Pay

If paying a chief executive more doesn't do anything for the company's stock price, why pay the CEO more?

Last year was another one when the relationship between CEO pay and stock-market performance was tenuous at best. **American International Group's** Brian Duperreault (whose 2017 compensation package included a sign-on bonus for taking the job in May) and **Allergan's** Brenton Saunders were among the best-paid CEOs in America, according to a Wall Street Journal analysis, yet their companies' share prices suffered. And the CEO pay packages of the five companies with the best-performing stocks were pretty average.

This isn't to say that the relationship between pay and stock performance was negative. Instead, on a scale where 1 is perfect correlation and minus 1 is perfectly inverse correlation, it was effectively zero. In English, that means there is no connection between executive pay and stock performance.

That is something of a statistical feat, given all the things that go into stock performance from one year to the next. And it fits with the academic literature, with some papers finding a positive relationship between pay and future returns, and others finding a negative one.

But CEOs who are paid more should be demonstrably better at delivering returns. And if top-paid CEOs aren't delivering that sort of edge, investors should question why CEO pay has risen about twice as much as median U.S. household income over the past 25 years.

There are, after all, other things that could be done with money. —*Justin Lahart*

CBS Gambles in Redstone Feud

The feud between CBS and National Amusements has descended into a playground brawl. CBS is right to defend shareholder value but in doing so it could hurt investors in both companies.

National Amusements, which controls CBS and **Viacom**, has been trying to merge the two companies. CBS has fiercely resisted the deal, arguing that merging with Viacom would drag down the company's value. On Monday, CBS filed a lawsuit against National Amusements and its president, Shari Redstone, to block it from forcing the merger.

"This is corporate civil war," says Joe Grundfest, a professor of law and business at Stanford University.

CBS directors see themselves as freedom fighters battling against Ms. Redstone, who the company says poses "a significant threat of irreparable and irreversible harm to the Company and its



National Amusements' Shari Redstone, who faces a CBS lawsuit.

stockholders." In the eyes of Ms. Redstone and National Amusements, the CBS directors are insurrectionist rebels abusing their power.

CBS shareholders appear pleased. The stock was up 2.8% Monday afternoon. Viacom's stock fell as much as 7%, reflecting diminished prospects for a deal.

If the CBS board really does believe a merger with Viacom would erode shareholder value, they are right to fight it. As the filing notes, CBS's stock price has tumbled from nearly \$70 a share last summer to under \$50 a share over the course of the talks—a loss of about \$7 billion in market capitalization.

ization for Class B stockholders.

National Amusements, which controls 80% of voting power though only 10% of CBS shares, could vote out the board and merge the companies. To block that, the CBS board is planning to hold a meeting on Thursday to issue a dividend of voting Class A shares to all stockholders, which would reduce National Amusements' voting power from 80% to 17%. Ms. Redstone would then be unable to remove board members—and thus powerless to push through the merger with Viacom.

Investors have good reason to celebrate CBS's rebellion. An independent CBS would cast off the Redstone discount. But it is a high-stakes gamble: The suit will cause the fight to drag on, and if CBS loses, the companies will merge anyway, likely on less-favorable terms. —Elizabeth Winkler

OVERHEARD

Sell low, buy high.

That isn't a great strategy on Wall Street, but maybe it can work in the pharmaceuticals business.

Eli Lilly announced

Monday morning that it plans to acquire **Aurka Pharma**, which is developing an experimental drug to treat cancer called AK-01.

Deals like this happen all the time, but this one has an unusual lineage.

The drugmaker itself sold AK-01 to venture capitalists in 2016 who in turn founded Aurka to develop the treatment.

Lilly didn't disclose what price it received for the treatment, but it is safe to assume that TVM earned a good return.

Lilly is paying \$110 million in upfront fees to get AK-01 back, and could owe up to \$465 million more if certain regulatory and sales milestones are reached.

Chinese Innovation Won't Come Easily Without U.S. Tech

Two hundred years ago, Samuel Slater—known to the British as "Slater the traitor"—helped launch the U.S. industrial revolution with pilfered British textile machinery designs.

Fast forward to 2018 and the U.S. is trying to keep its sensitive technology out of the hands of its challenger, China. The Trump administration correctly views Chinese acquisition of U.S. technology, through nefarious means or otherwise, as a threat to U.S. pre-eminence.

Even so, China's ability to dominate next-generation technologies hinges as much on the strengths and weaknesses of its own state-led innovation system as U.S. policy. China has proven excellent at mobilizing capital and digesting foreign de-

Brain Wave

Net receipts for foreign use of intellectual property



Source: CEIC

signs. Its record on real innovation is much patchier.

Many of China's notable high-tech successes have resulted from technology transfers. In the past two decades China has licensed Japanese high-speed rail technology and signed tech transfer agreements with **Westinghouse** for its nu-

clear technology—both in return for market access. These days, it promotes its own supposedly "indigenous" designs for export.

But homegrown Chinese technology champions and global brands are still rare—one reason Beijing is lobbying so hard for the Trump administration to reverse its sanctions on telecom market leader ZTE. China's new \$47 billion microprocessor fund, headed up by the government-backed China Integrated Circuit Industry Investment Fund, sounds impressive. But more-established competitors are already spending heavily: **Intel** alone spent \$13 billion on research and development in 2017.

China's past attempts to stoke indigenous innovation

have a checkered history. A flood of cheap capital and high, state-set solar-power rates in the mid-2000s secured China's place as the world's No. 1 solar cell manufacturer. But it also led to enormous overcapacity, which sank prices and pushed debt burdens higher, making investment in real R&D more difficult.

For investors, China's solar champions have been a losing proposition. American depositary receipts of top firms such as **JinkoSolar** are worth less than half of their peak in 2010. Robotics, a key element of Beijing's "Made in China 2025" plan to dominate high-tech manufacturing, is exhibiting similar tendencies.

The state-centric nature of China's financial system—

and its weak intellectual-property protection—represents a double whammy for prospective entrepreneurs. Small private-sector firms often have access to capital only through expensive shadow-banking channels, and face the risk that some better-connected, state-backed firm will make off with their designs—with very little recourse.

The sheer amount of cash Beijing is throwing at robotics, chips and electric vehicles makes it likely some Chinese companies will succeed in those sectors over the long run. But the wait could be longer, and the results less satisfactory for investors, than current rhetoric on both sides of the Pacific suggests.

—Nathaniel Taplin