

THE WALL STREET JOURNAL.

Virtual Reality For Everyone

PERSONAL JOURNAL | A8



Greg Ip
The Seeds of Brazil's Crisis

CAPITAL ACCOUNT | A2

DOW JONES | News Corp

THURSDAY - MONDAY, MARCH 24 - 28, 2016 - VOL. XXXIV NO. 39

WSJ.com EUROPE EDITION

DJIA 17502.59 ▼ 0.45% S&P 500 2036.71 ▼ 0.64% NIKKEI 17000.98 ▼ 0.28% STOXX 600 340.07 ▼ 0.07% OIL 39.79 ▼ 4.00% GOLD 1223.70 ▼ 1.96% EURO 1.1171 ▼ 0.42% DLR ¥112.74 ▲ 0.33%

What's News

Business & Finance

Credit Suisse is staging a new retreat from investment banking as it struggles with a slowdown in client activity and the performance of risky bets. A1

◆ **U.S. lawmakers want the USDA to participate in the review of China National Chemical's takeover of Syngenta. A1**

◆ **Many European banks are balking at underwriting a Russian bond deal, raising doubts about the sale. B5**

◆ **A U.K. judge ruled a trader who allegedly contributed to the 2010 "flash crash" should be sent to the U.S. B5**

◆ **Hermès's profit rose 13% last year as the company maintained margins. B1**

◆ **HSBC said David Nish, ex-CEO of Standard Life, will become a director in May. B8**

◆ **Google's parent firm is dismantling its robotics effort after less than three years. B1**

◆ **Apple faces the possibility that there may be a gap in the software protecting the contents of recent iPhones. B1**

◆ **Uber sued the owner of Ola, accusing its Indian rival of using fake accounts to place spurious orders. B1**

◆ **U.S. regulators plan to release a tougher version of a plan to rein in executive pay. B5**

◆ **AstraZeneca's blood thinner is no more effective than aspirin for some patients. B4**

World-Wide

◆ **Authorities identified two suicide bombers in the Brussels attacks as brothers and began to connect Tuesday's explosions to the Paris bombings. A1, A3**

◆ **A manhunt focuses on a Belgian, Najim Laachraoui, believed to be an Islamic State bomb maker who traveled to Syria and back. A1**

◆ **Obama and Macri announced new trade and economic initiatives. A4**

◆ **A Brazilian judge ruled that a corruption probe of ex-President da Silva be transferred to the country's highest tribunal. A4**

◆ **Boris Johnson, appearing before a parliamentary committee, said the U.K.'s financial sector would prosper outside the EU. A4**

◆ **Wisconsin's primary April 5 is a test for the second-place Democratic and Republican presidential candidates. A7**

◆ **The U.S. Supreme Court appears split over contraception coverage for women employed by religiously affiliated organizations. A7**

Notice to Readers

WSJ.com will publish throughout the Easter holiday weekend. The Wall Street Journal print edition won't be published on Friday or Monday in Europe.

CONTENTS Money & Inv... B5-8
Arts & Ent... A9 Opinion... A10-11
Business & Tech B1-4 Personal Journal... A8
Capital Account... A2 Technology... B3
Crossword... A12 U.S. News... A7
Heard on Street... B8 Weather... A12
Markets Digest... B6 World News... A2-6

€3.20; CHF5.50; £2.00; U.S. Military (Eur.) \$2.20



© Copyright 2016 Dow Jones & Company. All Rights Reserved

Link Seen in Brussels, Paris Attacks



Above, people observing a minute of silence in Brussels on Wednesday. Below, a Belgian soldier at a roadblock near the airport.

Turkey says it caught one of two suicide bombers identified trying to reach Syria

BRUSSELS—Authorities identified two suicide bombers who hit the airport and subway here as brothers with criminal pasts, and began to trace a clear line between their plot and the terrorists behind the November killings in Paris.

By Gabriele Steinhäuser, Natalia Drozdiak and Julian E. Barnes

At the same time, a cryptic note that investigators believe was written by one of the brothers suggested more assaults may be in the making.

The Belgian capital was on high alert a day after at least 31 people were killed and around 270 wounded in the coordinated attacks, which came just days after investigators in Brussels thought they had made a breakthrough in their fight against a violent Islamic State cell by capturing the last suspected Paris attacker alive.

Belgium, which has a sizable minority population of North African descent, has become a central hub for terrorist activity in Europe, and criticism of its ability to hunt down and arrest radicals before they attack is rising.

Turkey's President Recep Tayyip Erdogan said Wednesday that his country had detained one of the Brussels attackers last summer near the Syrian border on suspicion of seeking to join Islamic State, then deported him. Turkish officials identified the man as Please see PROBE page A3

Hunt Is On for Key Suspect

By Valentina Pop and Julian E. Barnes

Attacks in Brussels

- ◆ Middle East Crossroads: Defeats raise Islamic State threat in West... A3
- ◆ Opinion: An inordinate fear of terrorism?... A10

BRUSSELS—The manhunt following the Brussels attacks focuses on a Belgian man authorities believe is an Islamic State bomb maker who traveled to Syria to train and recruit other foreign fighters before slipping back into Europe among a wave of migrants last fall.

Belgian authorities said Wednesday they don't know whether the man, 24-year-old Najim Laachraoui, was a third

attacker who disappeared after two suicide bombers detonated their bombs at the Brussels Airport on Tuesday. The blasts were the first of two terrorist attacks that killed at least 31 people in the Belgian capital.

But Western officials suspect Mr. Laachraoui, who was raised in a Muslim enclave in the Schaerbeek district of Brussels, was involved in the planning of Tuesday's terrorist attacks and those in November in Paris.

Belgian prosecutors have identified one of the airport bombers as Ibrahim el-Bakraoui, 29, and the subway bomber as his brother, Khalid el-Bakraoui, 27.

The other suicide bomber at the airport hasn't been Please see SUSPECT page A3



Washington's New Friend: Argentina



ON GOOD TERMS: President Barack Obama met with Argentine counterpart Mauricio Macri in Buenos Aires on Wednesday, during the first state visit by a U.S. president in nearly two decades. A4

Credit Suisse Pulls Further From Investment Banking

By John Letzing

ZURICH—Credit Suisse Group AG has staged a new retreat from investment banking, further drawing to a close an era when the Swiss bank was one of the few European lenders with serious clout as a Wall Street trading house.

Chief Executive Tidjane Thiam, who was appointed in July, is scrambling to unwind big, high-risk bets that he said have been sitting on the investment bank's books without his knowledge, while cutting

thousands of jobs from a beleaguered trading unit, and running off tens of billions of dollars in unwanted assets.

The moves come as Credit Suisse's investment bank has posted nearly \$1 billion in write-downs since the fourth quarter, and as investors have shaved about third of the value from the bank's share price in the past three months.

On Wednesday, Credit Suisse said that trading revenue at its investment bank is expected to decline by as much as 45% this quarter from a

year earlier. The bank cited a slowdown in client activity, and "positions in risky, illiquid segments." Mr. Thiam professed to being blindsided by the size and scope of some of the positions accumulated by his investment bankers, in products such as distressed debt.

"This was all before my arrival," the CEO said during an appearance at a conference Please see SUISSE page A2

◆ Heard on the Street: Credit Suisse needs more control... B8

To Solve the Riddle of North Korea, A Scholar Collects Its Garbage

Toshio Miyatsuka finds clues about country's secretive culture in its clutter

By Alexander Martin

KOFU, Japan—Toshio Miyatsuka's office is cluttered with pots, toys, packs of cigarettes and women's underwear. Carelessly tossed on a pile are sheets of paper with scribbled diagrams for missile equipment.

Though some of the stuff comes from garbage heaps, there's a good reason to keep it all, he says. Everything is from North Korea.

Most collectors hoard familiar objects such as baseball cards or coins. Mr. Miyatsuka's trove give clues to one of the most mysterious countries in the world.

"I think it's safe to say that I'm the original North Korea nerd," says the retired profes-

sor of modern Korean history at Yamanashi Gakuin University, in Yamanashi Prefecture.

Rare food-rationing certificates from the mid-1990s show how distribution became scarce as a great famine hit the nation. The varying quality of cigarette packs hint at class divisions in the supposedly classless society.

The 68-year-old has lost count of how many objects he has gathered over the years. It is a hobby he picked up in 1991 when he visited Pyongyang for the first time on a tour.

Tired of being shown around approved sites, he sneaked out of his hotel in the wee hours to scout the city. Along the way, he noticed how Please see CLUTTER page A2



Toshio Miyatsuka

U.S. Concern Grows Over Chinese Bid For Syngenta

By Jacob Bunge

U.S. lawmakers want the Agriculture Department to weigh in on the national security review of China National Chemical Corp.'s planned takeover of pesticide and seed giant Syngenta AG, a move that would add a skeptical voice to the politically sensitive \$43 billion deal.

Sen. Chuck Grassley (R., Iowa) said he and a bipartisan group of Farm Belt senators in coming days plan to seek a formal role for the USDA, which has aired concerns over the Syngenta deal in recent weeks.

The takeover, unveiled in February, is the largest-ever foreign acquisition by a Chinese company. If successful, the deal would realign the \$100 billion global market for crop seeds and pesticides as Please see BID page A6

Oracle #1 Cloud ERP

1,800

Oracle Cloud ERP Customers

207

Workday Cloud ERP Customers

"Oracle has their act together better than SAP"
Aneel Bhusri, Workday CEO

ORACLE®

Midsized and large scale Enterprise Fusion ERP Cloud customers.

oracle.com/modern-finance or call 1.800.ORACLE.1

Copyright © 2016, Oracle and/or its affiliates. All rights reserved.

WORLD NEWS

Brazil's Boom-Era Missteps Prove Haunting

Brazil's deep recession and political upheaval may have a familiar ring given the country's history of recurrent economic and political instability.

This, however, is not your father's Brazilian crisis.

Brazil, like many emerging economies during the 1980s and '90s, regularly

suffered what economists call a "sudden stop." An overvalued currency and high inflation would undermine competitive

ness and encourage foreign borrowing. Foreign capital would flee, the currency would collapse, and governments, banks or companies would default on their foreign currency loans.

Today is very different. Brazil's currency floats. Inflation is 10% and falling. Most borrowing is in local currency. Banks are sound and foreign currency reserves are plentiful, at \$370 billion.

Far from being a sudden stop, the current crisis is the consequence of years of underinvestment, protectionism and overregulation. Those problems were papered over by a commodity boom that has now deflated.

The political turmoil revolves around kickbacks

skimmed off state-controlled oil giant Petrobras. But the real scandal is how little benefit the country's oil wealth produced. Today, Brazil's per capita income, adjusted to reflect the actual purchasing power of currencies, is 27% of the U.S.—down from 30% in 2010 and 38% in 1980.

Though Brazil's predicament is particularly acute, it is shared by many emerging economies, such as Russia and South Africa, that basked in the China-driven commodity boom. Many emulated China's model of state-directed economic management but, fatally, not China's focus on high investment and manufactured exports as drivers of productivity and growth.

Chinese public and private investment equal 43% of total gross domestic product. That has its drawbacks, such as excess capacity and debt; but it has generated impressive productivity growth. By contrast, Brazil invests far too little, just 17% of GDP.

Historically, private investment was hobbled by Brazil's high and volatile inflation and interest rates. Under President Fernando Henrique Cardoso in the late 1990s and early 2000s, the currency was floated, inflation tamed and the budget brought under control. His conservative polices continued under his leftist succes-

The Long Fuse to Brazil's Economic Crisis

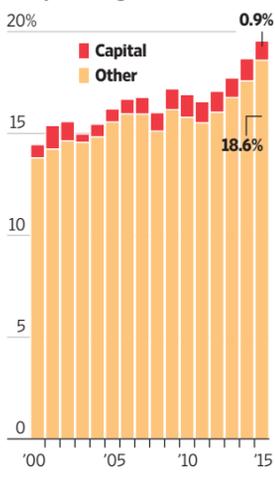
Chronically low investment and misplaced fiscal priorities have held back Brazil's economic growth, especially compared to China's.

Investment as a percentage of GDP



Sources: International Monetary Fund (investment and per capita GDP); Itaú Unibanco (federal expenditure)

Brazil's federal expenditure as a percentage of GDP



But both the IMF and Brazil mistook the boom as sustainable. Growth moved to a halt by 2014 as rising inflation and falling unemployment signaled that the economy had hit its productive limits. "Macroeconomic success blinded people to absence of reform," says Ilan Goldfajn, chief economist at São Paulo-based Itaú Unibanco. The tax system was and remains onerous and mind-numbingly complex. Extensive subsidized credit

Per capita GDP as a percentage of U.S. level



Sources: International Monetary Fund (investment and per capita GDP); Itaú Unibanco (federal expenditure)

sor Luiz Inácio Lula da Silva, elected in 2002.

Brazil, like many emerging markets, shrugged off the rich world's financial crisis. After shrinking slightly in 2009, it grew 7.5% in 2010, helped by commodity prices, the discovery of massive offshore oil deposits and a Keynesian splurge of government spending and subsidized credit. That year the International Monetary Fund confidently put Brazil's long-term potential growth rate at 4%.

misallocates capital and undermines monetary policy.

Most serious, the commodity revenue windfall was badly misspent. From 2000 to 2015 federal spending soared from 14% to 20% of GDP, notes Mr. Goldfajn, but the increase went entirely to consumption and income distribution.

Little of that money found its way into Brazil's woefully underdeveloped infrastructure, likely to be tested by the Olympics this year. Public

investment is just over 2% of GDP, the federal share around 1%. Chinese leaders have focused far more on growth than redistribution; local infrastructure investment averages 6% of GDP.

Today, China has 32 times as many miles of paved roads and three times as many miles of railroads per square mile as Brazil, according to the McKinsey Global Institute. That disparity is an important reason China is deeply integrated into global supply chains and Brazil is not. Another is Brazil's import barriers. China's exports equal 26% of GDP while Brazil's are just 13%, one of the lowest among large economies. It has about as many exporting companies as Norway despite having 40 times as many people, one study notes.

Brazil's long-term growth rate is probably only a bit above 2% now. Monica de Bolle, an economist at Pontifical Catholic University of Rio de Janeiro thinks Brazilian inflation could be headed to 20% as the country turns to it as a de facto tax on bondholders. "The stage thus seems set for a modified re-enactment of Brazil's past." This is still not a sudden stop like days of old. But a crisis is no less painful for having unfolded over many years instead of at once.

SUISSE

Continued from Page One
Wednesday evening. Mr. Thiam said the positions had become problematic in recent years, in part because limits placed on traders had simply been raised. "A limit that keeps moving is not a limit," he said. "That's really where things went wrong."

Earlier in the day, Mr. Thiam had said, "I don't want to name names, but there have been changes internally" as a result of learning the true extent of the bank's positions.

The CEO acknowledged recent morale problems in the trading, or global-markets, unit. Credit Suisse said Wednesday that about 2,000 jobs will be cut at the unit. Together with previously announced cuts, that brings the bank's total planned job cuts to 6,000. About 2,800 already have been implemented. Credit Suisse has about 48,000 employees, with roughly 11,000 in global markets.

Shares of Credit Suisse rose 0.9%.

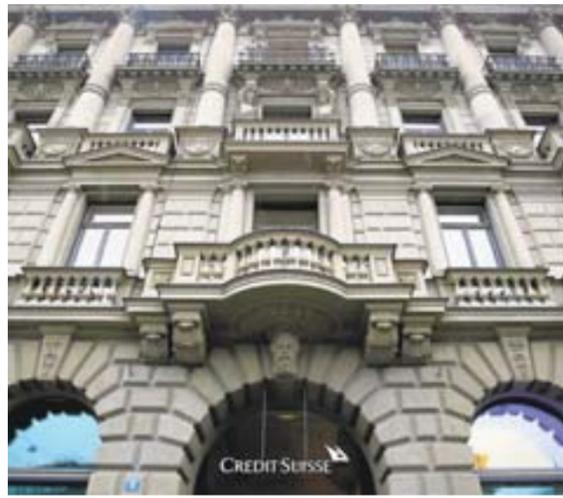
The decision to further rejigger the bank's strategy comes just five months after Mr. Thiam laid out his vision for the bank and tapped share-

holders for equity. "A lot of investors expected them to take this action in October," said Jonathan Fearon, investment director for European equities at Standard Life.

Mr. Thiam said the true extent of problems with the investment bank's debt-trading operation became apparent only after that October strategy announcement. Despite the latest cuts, Mr. Thiam stressed that Credit Suisse is "not just throwing away the investment bank."

Still, the reduction envisioned is significant. Credit Suisse said it now plans to pare the size of the global-markets unit by nearly 30% to \$60 billion in risk-weighted assets, from its previous target of maintaining as much as \$85 billion in risk-weighted assets. It also is exiting from businesses including distressed debt.

On Wednesday morning, Credit Suisse staff received a memo from global markets CEO Tim O'Hara, laying out restructuring plans. Heads for three new businesses—equities, credit products and a "solutions" unit that includes equity derivatives—were named at a town-hall meeting later in the day. "Periods of organizational change are inevitably disconcerting," Mr. O'Hara



Credit Suisse will cut 2,000 more jobs than it had planned.

wrote in the memo, which was reviewed by The Wall Street Journal.

Under Mr. Thiam's predecessor, one-time Credit Suisse investment banker Brady Dougan, the investment bank had been mostly sustained, albeit with peripheral cuts.

Mr. Thiam is a former McKinsey & Co. consultant and insurance executive and his outsider status was widely considered to make him more willing to take a knife to the investment bank and channel more resources into Credit Su-

isse's wealth-management units.

Credit Suisse's shrinking footprint in investment banking mirrors a shift that also has taken place at rival UBS Group AG. However, Credit Suisse's own reduction was in some ways considered more ambitious, because it had long maintained a larger and more diverse investment bank.

Challenging market conditions in recent months made it clear that Credit Suisse would have trouble with even those investment-bank operations

that were to remain after October's downsizing announcement.

Credit Suisse isn't alone. Global investment banks have generally been hurt of late from difficult conditions that include low interest rates, stricter capital rules and sagging commodity prices.

Last week, UBS CEO Sergio Ermotti said at a conference that trading results at UBS's investment bank have been sluggish in the first quarter, and that the bank would be satisfied if the unit "covers its cost of equity" in the period. That increased speculation about Credit Suisse's own investment-bank results in the period. Credit Suisse Chief Financial Officer David Mathers abruptly canceled an appearance at the same conference, sending Credit Suisse shares sharply lower.

Anxiety heightened internally among employees in recent days, as word of the bank's possible moves to make bigger cuts than originally anticipated spread, people familiar with the matter said.

In addition, Credit Suisse faced investors' expectations of seeing evidence that the bank's turnaround bid is working. "I'd say this restructuring should take 12 to 18 months," David Herro, chief investment

officer at Credit Suisse shareholder Harris Associates LP, said earlier this week. "By the end of this year or the beginning of next year, we should have a much clearer picture of what the new Credit Suisse looks like."

Credit Suisse's anemic investment-bank results originated late last year. As the bank has scrambled to get out of positions in products such as distressed-debt securitized loans to companies, its global markets unit wrote down \$633 million in the fourth quarter. As of March 11, the unit had written down a further \$346 million.

The bank's disappointing overall fourth-quarter results led to more erosion of investor confidence. Credit Suisse's share price has fallen more than 12% since its quarterly report early last month.

Credit Suisse has cut the 2015 bonus pool for its investment bank by 36% and Mr. Thiam reiterated on Wednesday that he has requested that his own bonus for the year be reduced by 40% "out of solidarity." Mr. Thiam's compensation was expected to be disclosed on Thursday.

—Max Colchester, Jenny Strasburg, and Margot Patrick contributed to this article.

CLUTTER

Continued from Page One
the usually spotless streets were littered with cigarette butts and empty boxes.

Captivated by the anthropological remnants, he kept on the lookout for more interesting rubbish.

"I realized the true picture of this country may lie in its garbage," says Mr. Miyatsuka.

One day he found a stray leaf from a student's notebook half-filled with English words like "generalissimo" and "First Lady." A doodle on the edge of the page showed what looked

like a military officer shooting someone—possibly a scene from one of North Korea's public executions.

During the trip, he tried to steal a telephone directory, potentially a source of information on state agencies. That drew the ire of officials suspicious of the Korean-speaking Japanese tourist, and he was subsequently banned from entering the nation.

Other memento seekers have not been so fortunate. Earlier this month, an American student was sentenced to 15 years of hard labor after being arrested for allegedly stealing a poster from his hotel in Pyongyang.

Mr. Miyatsuka's brush with the authorities didn't damp his fixation. "It's like wanting to see your ex-girlfriend again," he says. "If I couldn't get inside the country, I figured I'd go to its border."

Since 1992, Mr. Miyatsuka has made 47 trips to the China-North Korea border to gather information and collect goods smuggled into China. Sometimes he uses brokers and others who funnel things out of the country. He finally got his hands on a phone directory this way, paying around \$2,000.

His office is a mecca for North Korea scholars who chuckle at Mr. Miyatsuka's obsession.

"He's a geek. A very respectable geek," says Lee Young Hwa, a professor at Kansai University in Osaka. "When it comes to North Korea, he's one of the most trustworthy sources of information and analysis, since it's based on actual legwork."

In 2012, Mr. Miyatsuka and his wife were temporarily detained and questioned by Chinese border forces. That didn't stop him from going back for more. He is currently preparing for his 48th trip.

His archives are stored in a \$300-a-month room near Kofu, a city about 90 minutes by train from Tokyo. Inside, rows of bottles hold samples of rice, corn, soybeans and other grains from North Korea. A 2013 calendar depicting the December 2012 launch of the Unha-3 rocket on its cover hangs on a wall. Shelves are filled with rare books and pamphlets. Other novelties include a hair-perm machine, a hamburger wrapper from North Korea's flag carrier Air Koryo and beer from Pyongyang's Taedonggang Brewing Co.

Mr. Miyatsuka is fascinated by ordinary items. Condoms, for example, appear to be a hot item in the North despite their scarcity—signaling how attitudes toward sex may be changing in the country. He also has samples of North Korea's own version of Viagra.

Something about the dictatorship in Pyongyang tends to attract what Japanese call "otaku"—enthusiasts who may be credentialed scholars or

self-trained students of the regime. Some specialize in subjects such as North Korean film or music, or collect military wear.

Even within that community, Mr. Miyatsuka has carved out a special niche. He gives lectures to showcase his recent finds. He has published 10 books about North Korea, some of which chronicle his adventures and the objects he has gathered over the years.

Occasionally, visitors bring him unsolicited souvenirs. That is how he procured diagrams of what appear to be a missile-launch pad. Still, though, he isn't sure about what the drawings depict.

The latest objects to join his

CORRECTIONS & AMPLIFICATIONS

The surname of Pieter Van Ostaeen, an expert in Belgian jihadist networks, was misspelled as Van Oestayen in a World News article Wednesday about Islamic State's network in Brussels.

The surname of Jeremiah Morehouse, wine director at Restaurant Gary Danko in San Francisco, was incorrectly given as Morehead on one reference in an On Wine column that ran in Off Duty in the March 18-20 edition.

Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com.



Mr. Miyatsuka's office is filled with books that cover nearly every aspect of North Korean life and history.

cache are fragments of firework shells from New Year's Day celebrations in Pyongyang. They fell on the shoulder of one of his researchers who was attending the event.

His dream is to open a museum where he can exhibit his collection to a wider audience. "One day when the regime falls, I would like this to be the place to go to see what life was like in the nation," he says.

THE WALL STREET JOURNAL.
Europe Edition ISSN 0921-99
The News Building, 1 London Bridge Street, London, SE1 9GF

Thorold Barker, Editor, Europe
Bruce Orwall, Senior Editor, Europe
Cicely K. Dyson, News Editor, Europe
Margaret de Stree, International Editions Editor
Darren Everson, Deputy International Editor

Joseph C. Sternberg, Editorial Page Editor

Anna Foot, Advertising Sales
Jacky Lo, Circulation Sales
Stuart Wood, Operations
Jonathan Wright, Commercial Partnerships

Katie Vanneck-Smith, Global Managing Director & Publisher

Advertising through Dow Jones Advertising Sales: Hong Kong: 852-2831 2504; Singapore: 65-6415 4300; Tokyo: 81-3 6269-2701; Frankfurt: 49 69 29725390; London: 44 207 842 9600; Paris: 33 1 40 17 17 01; New York: 1-212 659 2176

Printers: France: POP La Courmeuve; Germany: Dogan Media Group/Hürriyet A.S. Branch; Italy: Qualprinters s.r.l.; United Kingdom: Newsprinters (Brockbourne) Limited, Great Cambridge Road, Waltham Cross, EN8 8DY;

Registered as a newspaper at the Post Office. Trademarks appearing herein are used under license from Dow Jones & Co. ©2015 Dow Jones & Company. All rights reserved. Editor responsible: Thorold Barker M-17936-2003. Registered address: Avenue de Cortenberg 60/4F, 1040 Brussels, Belgium

NEED ASSISTANCE WITH YOUR SUBSCRIPTION?
By web: <http://services.wsj.com>
By email: subswsj@dowjones.com
By phone: +44(0)20 3426 1313

THE ATTACKS IN BRUSSELS

Defeats Raise Islamic State Threat in West



MIDDLE EAST CROSSROADS
YAROSLAV TROFIMOV

BAGHDAD—When European Islamists started streaming into Syria and Iraq a few years ago, some European counterterrorism officials viewed it as a blessing in disguise. Better to have them pulverized on a Middle Eastern battlefield, they argued, than dispersed and plotting mischief at home.

Today, that battlefield has become more dangerous than ever for Islamic State, which is being buffeted by U.S.-backed military campaigns in Syria and Iraq. While it isn't facing imminent collapse, one consequence of this battering is that trained and battle-hardened foreign fighters from Europe are more likely to

head back to home ground. That is the alarming paradox of the U.S.-led campaign against the radical group: In the months and even years ahead, an Islamic State faced with defeat in a conventional war may pose a far greater danger to the West than when it was focused on conquering villages in the Euphrates river valley or the hill country of Aleppo.

"It's going to get worse before it gets better," said Bruno Tertrais, senior fellow at the Foundation for Strategic Research in Paris and a former policy adviser at the French Defense Ministry.

"If you manage to deflate Islamic State's narrative of inevitable expansion, this would eventually reduce its attractiveness, at least for some recruits. But in the short term, as it finds itself in difficulty on one field, it will try attacking another," Mr. Tertrais said.

In the long run, of course, protecting Europe and the U.S. completely from the kinds of attacks in Brussels and Paris is impossible without strangling Islamic State in its cradle.

"The frequency and mag-



Iraqis flashed the victory sign after Iraqi forces took back Zankura from Islamic State this month.

nitude of these operations is increasing as refugees are flooding Europe and elsewhere, and as [Islamic State] recruits and brainwashes people already in Europe," said Ayad Allawi, the former Iraqi prime minister who heads a major parliamentary bloc. "This will have to be dealt with at source, and the source is here in the greater Middle East."

In Iraq, Islamic State has lost some 40% of its terri-

tory, as government security forces, aided by the U.S., slowly close in on the group's stronghold of Mosul in northern Iraq and make major advances in Anbar province following the retaking of Ramadi.

In Syria, too, Kurdish militias have pushed closer to Islamic State's de facto capital of Raqqa, while the moderate opposition has made gains in northern Aleppo and Russian-backed regime

forces advance to the outskirts of Palmyra.

Since its brief history, however, Islamic State has shown itself resilient and adaptable, and is far from being vanquished. Emile Hokayem, senior fellow at the International Institute for Strategic Studies in Bahrain, said conventional measures of battlefield progress against it may be misleading.

"A group like ISIS will morph and transform, and it will become more lethal in other battlefields," he said.

At least 5,000 people from Western Europe have traveled to fight with Islamic State in Syria and Iraq, and several hundred of them since returned to Europe, according to Western officials. "You now have the phenomenon of these returnees in Europe. While Western governments have been aware of it for some time, there is a degree of critical mass now in the scale of these returns, and that is very alarming," said Tamara Cofman Wittes, director of the Center for Middle East Policy at the Brookings Institution and a former U.S. deputy assistant

secretary of state for the Near East.

The carnage in Brussels on Tuesday and in Paris in November demonstrated the ability of these networks to inflict mass casualties in the heart of Europe despite massive counterterrorism and intelligence efforts. These sophisticated attacks wouldn't have been possible without the training received in Islamic State camps in Syria or Iraq, said Guido Steinberg, expert at the German Institute for International and Strategic Affairs and former adviser on international terrorism at the chancellery in Berlin.

As crucial as it is to roll back Islamic State-controlled territory, doing so would no longer be sufficient, he said.

"We're already late. ISIS has been training people for two years now, and there is such a tremendous number of Europeans there," Mr. Steinberg said. "It's extremely dangerous both because of the sheer number of people, which is unprecedented, and because it is clear that the organization has made a strategic decision to attack Europe."

PROBE

Continued from Page One

Ibrahim el-Bakraoui, and said he was sent to the Netherlands because Belgian investigators told them that they could find no evidence he was a terror threat.

Frédéric Van Leeuw, Belgium's federal prosecutor, had hours earlier identified the 29-year-old Mr. Bakroui as one of the two men who blew themselves up at the Brussels Airport on Tuesday.

"Despite our warnings that this person is a foreign terrorist fighter, Belgium wasn't able to make the terrorism connection," Mr. Erdogan said.

But Belgian Justice Minister Koen Geens said Mr. Bakraoui "wasn't known to Belgian authorities for terrorism, but only criminal acts" when he was intercepted in Turkey.

Belgian Interior Minister Jan Jambon defended his country's police work.

"We know very well we have the highest number of foreign fighters" in Syria per capita. "That is the truth," he said. "I think we are doing what is necessary—but 100% guaranteed security, no one can grant that."

Police were hunting for a third, unidentified man allegedly involved in the airport blasts, as well as Najim Laachraoui, who had previously been linked to the Paris attacks. Officials wouldn't comment on whether the two might be the same person.

Mr. Van Leeuw identified the subway bomber as Mr. Bakraoui's brother Khalid, 27. He blew himself up in the subway, at a station close to many European Union offices.

The brothers were identified through fingerprints, Mr. Van Leeuw said, adding both had criminal records, but not for terrorism.

The younger brother was convicted four times for various crimes, including carjack-



A woman covering her face at a downtown Brussels square as people across Belgium observed a one-minute silence Wednesday in honor of the attack victims.

ing with a gun in 2011. The other brother's record wasn't available.

Neither of the other two airport bombers seen in security-camera footage—one dead, one believed to be on the run—has been identified, he said.

Investigators made some progress in tying the Brussels bombings to the Nov. 13 attacks in Paris, raising tough questions on how the same terrorist cell could once again cause terrible bloodshed, just four months later.

Khalid el-Bakraoui's name was on the lease of a Brussels apartment that Belgian and French police raided last week, a Belgian official said.

There they found the fingerprints of Salah Abdeslam, suspected of being the last surviving operative directly involved in the Paris attacks. He

was arrested three days later in another apartment in the Brussels district of Molenbeek, close to where he had grown up.

Mr. Abdeslam has been charged with committing "terrorist murders" and participating in a terrorist organization. His lawyer has acknowledged he was in Paris on the night of the attacks and said he is cooperating with investigators.

It was the taxi driver who took Ibrahim and his accomplices to Brussels Airport who enabled investigators to identify the Bakraouis.

The driver—who said he had grown suspicious because the men wouldn't let him touch their luggage—directed police to an apartment in the Brussels district of Schaerbeek, according to Mr. Van Leeuw.

In a raid that lasted more than 12 hours on Tuesday, investigators found 15 kilograms (33 pounds) of TATP explosives, 150 liters (40 gallons) of acetone, 30 liters of hydrogen peroxide, detonators and a suitcase filled with screws and bolts, as well as an Islamic State flag, he said.

Down that same street, police found a laptop in a trash can that contained what Mr. Van Leeuw described as Ibrahim el-Bakraoui's will.

In that note, he wrote that he was in a state of "haste," "not knowing what to do anymore." He wrote of being "sought everywhere" and "not being safe," said Mr. Van Leeuw.

The same message contained a sentence that could be read as a reference to Mr. Abdeslam—and possibly a warn-

ing of further potential assailants on the run. "If they go on for too long, they risk ending up next to him in a cell," Mr. Bakraoui wrote, according to the prosecutor.

The prosecutor didn't say who Mr. Bakraoui might have been referring to. But authorities had warned Islamic State could try to retaliate after the capture of Mr. Abdeslam.

In a photo from the airport released by police, three men are seen pushing luggage carts. The two who died wore dark tops and dark gloves on their left hands, which may have allowed them to hide detonators. The third man, who is still on the run, didn't wear gloves and was dressed in light colors, with a dark floppy hat.

The different clothing could indicate they had different

roles in the attack, analysts say.

Mr. Van Leeuw said it was the fugitive who dropped off the largest bag of explosives in the departure hall and left. That bag didn't detonate when the other two bombs went off, likely limiting further bloodshed.

In two hospitals outside Brussels, forensic investigators were working to identify the victims, trying to match remains with fingerprints and DNA provided by families and foreign authorities.

Didier Reynders, the Belgian foreign minister, said there were likely more than 40 different nationalities among the victims.

—Dion Nissenbaum in Istanbul and Matthias Verbergt and Inti Landauro contributed to this article.

SUSPECT

Continued from Page One

identified and investigators say they don't yet know whether it was Mr. Laachraoui. Late Wednesday, some local media reported that Mr. Laachraoui had been identified as the second suicide bomber at the airport, citing unidentified police sources. Belgian prosecutors couldn't immediately be reached to confirm.

Prosecutors said on Monday that Mr. Laachraoui was wanted by Belgian authorities in connection with the Paris attacks. His DNA was found on suicide vests used in those assaults and in the apartment where the vests were built. French investigators have said they believe Mr. Laachraoui helped to make those vests.

His alleged role in building the Paris bombs suggests he may have also made the bombs used in Brussels, according to U.S. officials.

Using a false Syrian passport, Mr. Laachraoui returned to Europe last fall among thousands of migrants fleeing the Middle East, Central Asia and the Horn of Africa, authorities said. They said they suspect he used the false documents under the alias Soufiiane Kayal because he was being prosecuted in absentia for his role in a network of radical Islamists that has funneled fighters from Belgium to Syria.

Belgian officials said they believe he slipped back into Europe to help plan the Paris attacks. After arriving in Hungary in September, he allegedly was met by Salah Abdeslam, one of the suspected Paris attackers, who was captured by Belgian police on March 18.

Western officials believe that Mr. Abdeslam's capture accelerated the plans for attacks in Brussels.

"You cannot plan an attack like this in four to five days," said Claude Moniquet, a counterterrorism expert and for-

mer French intelligence official. "This has been planned for several weeks, more likely a month. The arrest of Abdeslam gave new speed to this process, they must have said that if we don't act today, we risk being caught."

Some of the Brussels attackers are believed by investigators to have used a six-story building on rue Max Roos in Schaerbeek as a hide-

out. In a raid that lasted more than 12 hours on Tuesday after the attacks, police said they found chemicals, an Islamic State flag and an explosive device containing nails.

Belgian officials said the Schaerbeek house was identified by a cabdriver who took the three alleged attackers to the airport. Prosecutors said the cabdriver called police after seeing the surveillance

video, saying he had been suspicious after they didn't allow him to touch their luggage.

Authorities believe Mr. Laachraoui is one of at least three men who received training in Syria and worked with Mr. Abdeslam before and after the Paris attacks on Nov. 13.

In February 2013, Mr. Laachraoui left for Syria, Belgian officials have said. According to prosecutors, he

was part of a foreign-fighter recruiting network led by radical cleric Khalid Zerkani, which had enlisted one of the presumed ringleaders of the Paris attacks, Abdelhamid Abaaoud and another of the Paris attackers, Chakib Akrouh.

Mr. Laachraoui was one of the first members of the group to go to Syria, officials have said. Once there, Mr. Laachraoui was photographed with Mr. Abaaoud relaxing in a luxurious villa near the Syrian city of Aleppo. The images were placed on their Facebook accounts, apparently to lure family and friends to Syria. Officials said Mr. Laachraoui welcomed new members when they arrived in Syria.

Last month, in a court trial connected to the terror network, prosecutors urged for Mr. Laachraoui to be convicted in absentia and recommended a 15-year prison sentence for his alleged role in escorting would-be foreign fighters once they arrived in Syria.



Police are hunting for Najim Laachraoui, left, a Belgian suspected of planning Tuesday's attacks. Authorities say brothers Khalid El Bakraoui, center, and Ibrahim El Bakraoui were suicide bombers.

REUTERS (LEFT); AGENCE FRANCE-PRESSE/GETTY IMAGES (2)

WORLD NEWS

Obama and Argentine President Reset Ties

Buenos Aires meeting, declassification of U.S. documents mark turning point in relations

BY CAROL E. LEE AND TAOS TURNER

BUENOS AIRES—President Barack Obama and his Argentine counterpart Mauricio Macri marked a turning point in bilateral relations, announcing new trade and economic initiatives as their countries reset relations after years of antipathy.

Both leaders said Mr. Obama's state visit to Argentina—the first by a U.S. president in nearly two decades—would allow the two countries to strengthen cooperation on the fight against drug trafficking, terror and climate change.

Mr. Macri, who took office in December, said his government would play a more active role globally, offering peacekeepers in conflict zones and resettling “a significant number” of refugees, including those displaced by the war in Syria.

“President Macri has also committed Argentina to help address the Syrian refugee crisis, and I hope that inspires other nations to do the same,” Mr. Obama said in a news conference after the two leaders met privately for about an hour at the Casa Rosada, the presidential palace in downtown Buenos Aires.

Mr. Obama was scheduled to hold a town hall-style event with young Argentines Wednesday afternoon and then attend a state dinner hosted by Mr. Macri in the evening.

The presidential visit underscores the American leader's warmer ties with Mr. Macri than with his predecessor, Cristina Kirchner, whose anti-American posture alienated the White House.

Mr. Obama praised Mr. Macri for having “moved rapidly on so many reforms that he promised” during his campaign, a reference to the Argentine leader's overhaul of economic policies.

The president's stop in Argentina, following a three-day visit to Cuba, is part of a broader White House effort to improve strained relations

with some Latin American countries. The White House sees Mr. Obama's policy of restoring relations with Cuba as removing a major barrier to improving ties with other countries in the region, especially those with populist governments.

Mr. Obama's visit to Buenos Aires coincides with the 40th anniversary of a military coup in Argentina, prompting controversy among rights advocates who accuse the U.S. then of supporting a junta responsible for killing more than 9,000 civilian activists and left-wing guerrillas from 1976 to 1983.

Adolfo Pérez Esquivel, the 1980 Nobel Peace Prize winner who was tortured by the military, accused the U.S. of backing the dictatorship and said Mr. Obama's two-day visit, which began Wednesday, could be seen as a “gesture of provocation.”

The American leader said in the news conference that the U.S. would declassify military and intelligence documents on the Argentine dictatorship for the first time, adding to the more than 4,000 cables the State Department made public in 2002. Many Argentines hope the documents will shed new light on atrocities committed by the regime.

The U.S. position is muddled on the dictatorship, which began with the overthrow of President Isabel Perón on March 24, 1976.

Officials of President Gerald Ford's administration showed openness to the regime, U.S. cables and historians say, while President Jimmy Carter's administration, which took over in early 1977, worked to ostracize the junta.

Many Argentines are well-versed in news reports, based on already released State Department cables, that put former U.S. Secretary of State Henry Kissinger at the center of much of the controversy.

Two days after the coup, an adviser to Mr. Kissinger told him that “a fair amount of repression, probably a good deal of blood” was expected, according to a transcript of Mr. Kissinger's weekly staff meeting with advisers published by the National Security Archive, a group that works to make se-



Argentine President Mauricio Macri listened as Mr. Obama took questions during a news conference in Buenos Aires on Wednesday.

cret U.S. documents public.

Efforts to contact Mr. Kissinger for comment weren't successful, but he has in the past declined to discuss the cables or his role in U.S. policy toward Argentina.

The new declassification is part of a White House effort to move past the checkered his-

tory of U.S. policy and intervention in Latin America.

Mr. Obama said he hoped the move “helps to rebuild trust that may have been lost between our two countries” and is designed to send a message to the entire hemisphere that the U.S. wants to set a new tone in relations.

Mr. Macri, addressing reporters, said that his government was thankful for the gesture. “We all have a right to know the truth,” he said.

Mr. Obama plans on Thursday to visit Remembrance Park, a memorial next to the Río de la Plata, where the military drugged and dropped vic-

tims from airplanes.

He will then travel to Bariloche in Patagonia for some recreational time with his family. First lady Michelle Obama and their daughters are traveling with the president.

—Ryan Dube contributed to this article.

London Mayor Presses EU Exit Plan

BY JENNY GROSS

LONDON—Mayor Boris Johnson, one of the most prominent politicians lobbying for Britain to leave the European Union, said the U.K.'s financial sector would prosper outside the bloc as he set out his case for why the U.K. would be better off economically with an exit.

In an appearance Wednesday before a parliamentary committee examining the costs and benefits of the U.K.'s EU membership, Mr. Johnson sought to pick apart the arguments of those who say that Britain would have greater economic security remaining in the EU.

He said support for staying in the EU is “shallow” among business leaders and that bankers he had spoken to said they didn't think leaving would damage London's position as a leading financial center.

Some lawmakers said his arguments were inconsistent and that he was exaggerating the burdens of EU regulations to boost his campaign.

Andrew Tyrie, a Conservative lawmaker questioning Mr. Johnson, said some of his claims regarding EU regulations, such as that they prevent people from composting tea bags, were misrepresented.

An opposition Labour lawmaker in the hearing, Wes Streeting, said via his Twitter account that Mr. Johnson was “bombastic, full of character, armed with an argument, but devoid of any facts.”

The impact on Britain's economy has become a central issue in the campaign ahead of a June 23 referendum on the U.K.'s membership.

Prime Minister David Cameron, who is spearheading the campaign to remain in the EU, said that access to Europe's single market of 500 million consumers is critical for the country's economic health.

He has said leaving would be a “leap into the dark” and



London Mayor Boris Johnson leaving his home in London on Wednesday.

would put thousands of jobs at risk.

The government is due to provide further detail on its arguments when it publishes its analysis of the benefits and costs of continued membership.

One of the U.K.'s most influential business groups said in a report this week that leaving the EU could cost the U.K. economy up to £100 billion (\$141 billion) in lost income by 2020 and almost one million jobs.

Another report published by a financial-services lobby group this week said Britain's financial sector could be hit if Britain exits the bloc.

In a third report, credit-rating agency Moody's Investors Service said a departure could have negative consequences for the creditworthiness of British-based companies and the U.K. government.

Mr. Johnson, during his appearance Wednesday, described such warnings as nonsense. He said separating from the 28-member bloc wouldn't disrupt the U.K. economy, even in the short term, and that those who

would put thousands of jobs at risk.

He also played down comments by Bank of England Gov. Mark Carney that a British exit was the biggest risk to the economy, saying uncertainty would be short-lived because most powerful countries in the bloc would want to agree on a new free trade deal quickly.

He said Britain would be more competitive outside the EU because it could legislate in the interest of British manufacturing rather than play by Brussels' rules and negotiate its own trade deals with other countries.

He also said there has so far been “no sign whatever” of people being discouraged from investing in London.

“When we were considering whether or not to go into the euro, and thankfully we made the right decision not to, people were saying very much the same sort of thing. It didn't transpire,” he said. “On the contrary, London flourished, prospered as never before.”

John Nelson, chairman of the Lloyd's of London insurance market, said leaving the EU would be a setback that would see Lloyds move some of its activities to locations that remained within the bloc.

The insurance market has been a key part of London's financial services industry since it was established in 1688.

Mr. Nelson said it was a “fantasy” to imagine the U.K. would secure treatment as favorable as that granted to the EU as a whole when negotiating new trade agreements with the U.S. and elsewhere as a “small country.”

He added: “We will never replace what we would lose.”

—Paul Hannon contributed to this article.

WSJ City

Delivering news and insight on finance and markets from London

Download on the App Store

Brazil Supreme Court Takes Ex-Leader's Case

BY PAULO TREVISANI

BRASÍLIA—A Brazilian Supreme Court judge ruled late Tuesday that a corruption investigation of former President Luiz Inácio Lula da Silva be sent to the country's highest tribunal, effectively eliminating the prospect of his immediate arrest.

Justice Teori Zavascki ordered that the case be removed from the hands of a lower-court team of prosecutors currently investigating Mr. da Silva, a spokeswoman for the Supreme Court said.

Mr. da Silva is being investigated in connection with a federal corruption probe into whether the state oil company Petrobrás Brasileiro SA, known as Petrobrás, funneled money illegally to politicians through inflated payments to suppliers. Petrobrás has denied wrongdoing and said it is a victim.

Leading the team of prosecutors is Judge Sérgio Moro, who has issued arrest warrants against dozens of high-profile defendants in the probe over the past two years.

Mr. da Silva earlier this month was taken in by police for questioning, a move that has often preceded arrest for suspects targeted by Mr. Moro. Mr. da Silva has denied wrong-

doing and portrayed the corruption allegations as a smear campaign to tarnish his political legacy.

Last week, Mr. da Silva was named chief of staff by President Dilma Rousseff. That sparked a legal dispute culminating in an injunction issued Friday by another Supreme Court justice, Gilmar Mendes, suspending the appointment.

Mr. Mendes cited claims by Ms. Rousseff's political rivals that the nomination of Mr. da Silva was intended to protect the iconic former leader from Mr. Moro's reach. Under Brazilian law, many high-ranking public officials can be tried only by the Supreme Court, and not by lower courts.

Mr. Da Silva's lawyers asked the Supreme Court to roll back Mr. Mendes's decision, but the court is on vacation and won't have a regular session before March 30.

Tuesday's order doesn't reverse Mr. Mendes's ruling blocking Mr. da Silva from taking up a cabinet position, the spokeswoman said. But it took the investigation of the former president out of Mr. Moro's jurisdiction until the full Supreme Court decides where it belongs, she said.

Further details of the decision weren't made public.



Brazilian President Dilma Rousseff in Brasilia on Wednesday.

PABLO MARTINEZ MONSIVAIS/ASSOCIATED PRESS

NEIL HALPERN/REUTERS

ADRIANO MACHADO/REUTERS

WORLD NEWS

World Watch

EGYPT

President Names 10 New Ministers

President Abdel Fattah Al Sisi appointed 10 new ministers in a cabinet shuffle that comes as

political unrest and terrorism weigh on the economy.

The cabinet overhaul underlines the government's key challenges. Egypt is facing an acute shortage of dollars that has further weighed on an economy already hurting from the sharp fall in tourism and foreign investments since the uprising in 2011.

Mr. Sisi swore in Amr El Garhy, a veteran banker, as finance minister, and named Dalia Khorshed, who has years of corporate experience, as investment minister. —*Dahlia Kholiaif*

POLAND

Premier Wavers On Refugee Plan

Prime Minister Beata Szydlo appeared to suspend the country's earlier commitment to accept refugees under a resettlement system adopted last year by European Union members, saying she sees no possibility of accepting any following the Brussels attacks.

Poland's previous government promised to take in several thousand refugees from the

Middle East and Africa to help share the burden with other EU countries.

"I'll say very clearly, I see no possibility for migrants to arrive in Poland at this time," the premier said in an excerpt of an interview with local television station Superstacja.

Ms. Szydlo's government, which came to power in November, has opposed the EU's resettlement plan for migrants but said it would honor a previous deal.

—*Martin M. Sobczyk*

UKRAINE

President Calls For New Government

President Petro Poroshenko said he wants a new government selected next week to end a political impasse that has jeopardized financial support from Ukraine's Western backers.

Ukrainian leaders have been in high-stakes talks on shuffling the government for weeks after the pro-Western coalition splintered as they traded accusations of corruption and foot-dragging

on economic changes.

Mr. Poroshenko's allies want to oust Prime Minister Arseniy Yatsenyuk, but have struggled to garner sufficient support in Parliament, where Mr. Yatsenyuk's party is the second largest.

The deadlock has stopped work on changes needed for the country to receive more loans from the International Monetary Fund as it struggles to recover from a recession during an armed conflict with Russia-backed separatists in its east.

—*James Marson*



Escale Time Zone.

LOUIS VUITTON

WORLD NEWS

Taiwan Cultivates Help for China Claim

Officers on disputed Spratlys land mass raise crops, animals to boost island claim

By JEREMY PAGE

ITU ABA, South China Sea—This tiny palm-fringed outcrop boasts a unique strategic asset in the escalating contest over the South China Sea. The Taiwanese coast-guard officers who live here call it the “Happy Farm.”

While China builds artificial islands on the clumps of land it holds, and Vietnam and the Philippines look to the U.S. for help in defending their claims, the 167 Taiwanese officers on Itu ABA cultivate pumpkin, okra, corn and cabbage, and keep a handful of chickens and goats.

Their goal is to prove that Itu ABA is an inhabitable island, not a rock.

That is now the subject of fierce international debate, as a tribunal in The Hague prepares to deliver a verdict this summer on the first legal challenge to China’s expansive claims to the islands, rocks and reefs in the South China Sea.

A key part of the Philippines case is that no feature in the Spratlys archipelago meets a legal definition of an island, which requires it to be able to “sustain human habitation or economic life.”

The outcome has broad legal implications for all six governments with claims in the area, as well as for the U.S., which worries about freedom of navigation through one of



A Taiwanese security officer feeds goats on Itu ABA, a disputed piece of land in the Spratlys archipelago that China says is an island.

the world’s busiest shipping routes.

Itu ABA, which Taiwan calls Taiping Island, is the largest Spratlys feature and the only one with a freshwater supply. That gives it the strongest case to qualify as an island under a U.N. maritime convention.

If the tribunal concludes that Itu ABA is an island, it would be entitled to an Exclusive Economic Zone, or EEZ, extending up to 200 nautical miles, and allowing construction of artificial islands in that

zone.

Since Beijing claims all the Spratlys, maritime experts say that could give legal cover to its artificial islands, all of which lie within 200 nautical miles of Itu ABA.

But if the tribunal rules that Itu ABA is a rock, and thus not entitled to an EEZ, then China’s efforts to justify its claims through international law would be undermined, those experts say.

“The impact would be that China would be forced to say its activities are only based on

historic rights,” said Peter Dutton, an expert on maritime law at the U.S. Naval War College. “China would have very little left in terms of legitimate legal arguments. It would be exposed as simply exercising power.”

China has refused to take part in the tribunal, saying it has no jurisdiction. Taiwan, which China claims as a wayward province, is neither a member of the U.N. nor a signatory of the relevant maritime convention.

Instead, Taiwan has been

waging a publicity campaign to bolster its claims, which are roughly the same as China’s.

On Wednesday, the Taiwan government escorted foreign journalists to visit Itu ABA for the first time.

“Everything you eat and drink here today was produced on this island,” Wang Mao-lin, commander of the coast-guard outpost on Itu ABA, told the reporters.

His staff prepared a lunch including chicken, fish, pumpkin, spinach, papaya and rice—all produced locally except for

the rice.

After a tour of the farm, where he showed off 12 goats and 125 chickens, he also poured out cups of fresh water drawn from one of Itu ABA’s four wells.

“It’s as good as Evian,” he said, citing tests by Taiwanese water experts.

Lawyers for the Philippines say this is all for show. They presented their case to the judges’ panel of the Permanent Court of Arbitration in The Hague in November.

Paul Reichler, an American attorney who represented the Philippines at the tribunal, said Itu ABA had been uninhabited until it was occupied by Taiwanese forces in 1956, and has been inhabited only by government personnel since.

“They cannot survive there without supplies from the outside, including food and water,” he said. “The standard is: Can it produce enough potable water to sustain a human community over an extended period of time? Itu ABA can’t do that.”

He also said Itu ABA wasn’t suited to agriculture, and accused Taiwan authorities of bringing in topsoil to help it grow food locally, and producing much of its drinking water from desalination plants.

Taiwanese officials denied bringing in topsoil, and said they produced roughly half of Itu ABA’s drinking water from desalination plants, and brought in roughly 80% of food supplies.

But they said there was more than enough locally produced water and food to sustain a human settlement.

Malaysia Pushes to Expand the Use of Caning

By CELINE FERNANDEZ

KUALA LUMPUR, Malaysia—A push by Malaysia’s top law-enforcement official to use a British colonial-era punishment on people who reveal state secrets is dividing the government and sparking concerns in civil society.

Malaysia already administers the punishment—caning—to thousands of people a year who are convicted of crimes such as drug trafficking, rape, robbery and firearms possession. Human-rights groups and others deplore the practice, in which prisoners are whipped with a rattan stick, as inhumane. The government says it reduces recidivism; it hasn’t provided statistics to support that.

Now, as Prime Minister Najib Razak’s administration tries to contain a graft scandal at a state investment fund, his attorney general is proposing to also use caning on people found guilty of violating Malaysia’s Official Secrets Act.

Under the act, officials can declare any document or information to be secret, restricted or classified. The government has said it suspects secret documents related to the investment fund were leaked.

Attorney General Mohamed Apandi Ali wants to expand the

act to raise the penalties for breaking secrecy laws to life imprisonment, versus the current one-to-seven years in prison, and to cover journalists and editors who decline to disclose sources.

But another of his proposals, to include caning as an additional punishment, has drawn the most scrutiny.

To cane people for leaking state secrets is “heavy-handed and nothing short of barbaric,” said Wong Chen, an opposition Parliament member.

Any change to the law would require approval of Parliament, which will address new bills and amendments starting this month. Mr. Najib’s cabinet is divided over whether to adopt the recommendations, a cabinet member said.

Among those voicing support include Azalina Othman Said, a cabinet minister.

Mr. Apandi, in explaining his proposal to the *Sin Chew Daily* newspaper last month, said: “In certain countries, leaking official secrets is very serious offense. In China for instance, one could be sentenced to death.” He added: “We might prosecute journalists who refuse to disclose their sources....Rights to information is not a right prescribed under the constitution.”



Najib Razak in March. An official in his government wants to apply caning to those convicted of violating the state secrets act.

Some say the proposal alone risks having a chilling effect on civil society and that the secrets act, even in its current form, stifles dissent and reduces transparency in government dealings.

Shamini Darshni, executive director of Amnesty International Malaysia, said: “The proposal to introduce life imprisonment and 10 strokes of the cane to the Official Secrets Act is a worrying trend of re-

pressive legislation aimed at clamping down on civil liberties in Malaysia.”

Prime Minister Najib has come under intense political pressure since The Wall Street Journal reported last year that government investigators had found hundreds of millions of dollars had entered his personal bank accounts via banks, companies and other entities linked to IMDB. The investigation didn’t name the origina-

tion of the funds or say what happened to the money.

Mr. Najib, 62 years old, has denied wrongdoing or taking money for personal gain. The IMDB fund also has denied wrongdoing, and has said it is cooperating with investigations.

Malaysia’s attorney general said the funds were a legal political donation from Saudi Arabia and that most of the money was returned.

In recent months, Mr. Najib’s government has taken measures to limit public scrutiny of the fund. His ruling party last month suspended a deputy president who had called to step up inquiries into the fund, saying the deputy failed to assist Mr. Najib, the party president.

Malaysia’s auditor general this month invoked the Official Secrets Act for a report about the fund before it was submitted to a parliamentary panel, whose chief said the move was intended to deter any leaks.

Caning was introduced to Malaysia by the British colonial authorities in the 19th century and continued after the country’s 1957 independence.

Judicial corporal punishment remains a part of Malaysia’s penal system, as it is in Singapore and Brunei.

Iranian President To Visit Pakistan

By SAEED SHAH

ISLAMABAD, Pakistan—Iranian President Hassan Rouhani is due to visit Islamabad this week, as Tehran steps up a diplomatic campaign to woo Pakistan amid a deepening sectarian conflict in the Muslim world.

As part of his charm offensive, Mr. Rouhani is expected to sign a deal to sell electricity to power-hungry Pakistan and pledge deeper commercial ties now that international sanctions against his country are being lifted.

Improving relations with neighboring Iran is part of a delicate balancing act for Pakistan, which also depends on economic support from Tehran’s rival, Saudi Arabia, the Sunni kingdom that enjoys popular support among Pakistan’s Sunni-majority population.

Islamabad has offered to help mediate the increasingly confrontational dispute between the two Middle Eastern powers, which is deepening the sectarian rift between Shiite and Sunni Muslims and inflaming regional tensions.

This month, Pakistan Prime Minister Nawaz Sharif and the army chief, Gen. Raheel Sharif, visited Saudi Arabia, as Pakistan took part in joint military exercises in the kingdom that involved 20 Muslim countries.

Although economically weak, Pakistan has the largest army in the Muslim world and it is the only Muslim-majority country that is a declared nuclear-weapons state.

The leaders of Pakistan and Iran “will have an exchange of views on strengthening bilateral relations, particularly after lifting of the sanctions on Iran that has opened new avenues for enhancing economic interaction” Pakistan’s Foreign Ministry said on Wednesday.

A spokesman for the Iranian Embassy in Islamabad said: “The capacity of relations between Iran and Pakistan is high, but because of sanctions, that capacity was not fulfilled. This trip is a step toward correcting that.”

During Mr. Rouhani’s visit, he is expected to promote exports of natural gas, crude oil and other petroleum products. Discussions are also expected on a gas pipeline to connect Iran and Pakistan.

BID

Continued from Page One
China’s government is pushing to modernize its agricultural sector, reduce reliance on imports, and compete with longer-established Western rivals.

The national security review of the ChemChina-Syngenta deal is being conducted by the powerful Committee on Foreign Investment in the U.S. Syngenta, based in Switzerland, generates about one-quarter of its sales in North America, where it is a top pesticide seller and supplies an estimated 10% of U.S. soybean seeds and 6% for corn.

The committee is made up of representatives from 16 U.S. departments and agencies, including the Treasury, Homeland Security and Defense departments, but not including the USDA. CFIUS has a track record of scotching foreign companies’ purchases of U.S. assets they think raise national-security risks.

“I’m not saying foreign direct investment is inherently bad,” Mr. Grassley said in an interview Wednesday. “But we ought to ensure through

[CFIUS] that we’re not permitting the sale of too much of our food industry, especially when government-controlled entities like ChemChina are the buyers.”

Mr. Grassley said he and other senators want permanent roles on CFIUS for the USDA and the U.S. Food and Drug Administration, which are sometimes tapped to provide their views on mergers, to evaluate food security and safety aspects of foreign-driven deals.

Chinese firms increasingly are shopping abroad, putting more deals before CFIUS.

“We need to consider the long-term implications of letting foreign entities control significant market share in U.S. agriculture, especially in consolidated markets, like the seed market has become,” he said.

U.S. farm groups and agricultural companies also have complained that China’s process for reviewing and approving agricultural products like genetically modified seeds is out of step with other major countries, leading to sometimes lengthy delays for high-tech seeds and trade disruptions.

U.S. Agriculture Secretary Thomas Vilsack said in February that the U.S. agricultural industry has grappled with “inconsistency” and “lack of synchronization” when it comes to securing China’s approval to import biotech crops in China, one of the world’s top buyers of agricultural commodities.

“I have a watchful eye on all of this and continue to be extremely concerned about the way in which biotechnology and innovation is being treated and

impeded by a system in China that often times is not based on science and appears to be based more on politics,” Mr. Vilsack said in a conference call with reporters in February, responding to a question about the ChemChina-Syngenta deal.

A USDA spokeswoman declined to comment further.

A spokeswoman for the Treasury Department, which chairs CFIUS, declined to comment. Representatives for ChemChina and China’s Ministry of Agriculture didn’t respond to requests for comment.

Other farm-state lawmakers have their own reservations.

“Whenever the Chinese acquire American operations, it is reason for concern,” said Rep. Jeff Fortenberry (R, Neb.) in a recent statement to The Wall Street Journal. Rep. Adrian Smith, another Nebraska Republican, said in a statement to the Journal that there were “still many details” to examine. He added: “I plan to look closely at any potential national security implications.”

“China’s the main holdup when we’re trying to get biotech traits approved,” said Chandler Goule, a senior at the Washington-based National Farmers Union. If a China state-owned company owns a major biotech seed company, he said, “there’s a concern they’d block their competition.”

A Syngenta spokesman declined to comment on the CFIUS review.

Michel Demaré, Syngenta’s chairman, said in February that Syngenta doesn’t expect preferential treatment by Chinese agricultural authorities, and that the ChemChina deal could help the Western seed industry by further opening the country to biotech crops, which currently permits cotton, papaya, sweet

peppers and tomatoes.

“We are very convinced there is no security issue,” Mr. Demaré said.

The companies could address any U.S. security concerns and still keep their deal, analysts say.

Terms of the deal allow ChemChina to walk away from the offer without paying a reverse breakup fee if CFIUS or antitrust concerns require selling businesses that generate more than \$2.68 billion in annual sales. If the U.S. lodges protests over Syngenta’s U.S. seed business, which generates about \$1 billion in annual sales, the company could sell it, according to analysts at Sanford C. Bernstein.

Investors don’t yet consider the deal a sure thing. Syngenta shares on Wednesday climbed to 399.10 Swiss francs (\$410.26) in European trading and have traded well below the offer, worth 480 francs a share, since the deal’s announcement.

ChemChina and Syngenta voluntarily initiated the CFIUS review upon announcement of their deal. The formal review process typically takes 75 days. The companies expect to close the deal by the end of 2016.

U.S. NEWS

Wisconsin Primary Looms Large in Races

Cruz picks up Jeb Bush endorsement ahead of state's contest; history favors Sanders

By Reid J. Epstein

Wisconsin's primary, up next on the presidential-nominating calendar, presents a key test for the second-place Democratic and Republican candidates: If Sens. Bernie Sanders and Ted Cruz can't win there, they face a diminishing belief that they can win in states that follow.

That is because both Mr. Cruz, who is chasing GOP front-runner Donald Trump, and Mr. Sanders, who lags behind Hillary Clinton in the Democratic delegate count, hold distinct advantages in Wisconsin.

With two weeks between Tuesday's contests in Arizona and Utah and Wisconsin's vote on April 5, the candidates will be able to put down roots in a way they haven't since before the February contests in Iowa, New Hampshire and South Carolina.

Mr. Trump won the Arizona primary on Tuesday, while Mr. Cruz prevailed in Utah's caucus. On the Democratic side, Mrs. Clinton won in Arizona and Mr. Sanders in Utah and Idaho.

Mr. Cruz was scheduled to appear at a forum Wednesday in Wisconsin's Waukesha County, a suburban Milwaukee area that is home to the state's largest concentration of GOP voters and crucial to any Republican's electoral hopes. He also announced four additional stops Thursday and Friday in Madison and the Fox Valley, the GOP-rich area between Milwaukee and Green Bay.

The Cruz campaign also has put out a call for volunteers to come to the state to establish a "Camp Cruz," which it hadn't



Sen. Ted Cruz's campaign has asked volunteers to form a 'Camp Cruz' in Wisconsin, akin to an earlier one in South Carolina, above.

done since South Carolina's Feb. 20 primary.

"Cruz has an opportunity, but he also has a lot of work to do because most Wisconsinites don't know a lot about him," said Mark Graul, a veteran Republican operative from Green Bay who organized the state for George W. Bush in 2004.

The state will award 42 Republican delegates and 86 pledged to the Democrats.

Mr. Cruz, who has built his campaign around how much he is hated by the Washington GOP establishment, on Wednesday won an endorsement from former Florida Gov. Jeb Bush, a standard-bearer of the GOP's establishment wing who last year raised more than \$100 million for his own failed White House bid. Mr. Cruz also

got the formal nod from the Club for Growth, the antitax organization that had never before endorsed a presidential candidate.

"For the sake of our party and country, we must move to overcome the divisiveness and vulgarity Donald Trump has brought into the political arena, or we will certainly lose our chance to defeat the Democratic nominee and reverse President [Barack] Obama's failed policies," Mr. Bush said in his endorsement of Mr. Cruz.

For Mr. Trump, Wisconsin's population distribution poses a particular disadvantage. He is highly unpopular in the Milwaukee area, where local conservative talk-radio hosts have been lamenting his rise for months.

An analysis by Marquette

Law School of its recent poll, published Saturday in the Milwaukee Journal Sentinel, found Mr. Trump is viewed positively by just 25% and negatively by 64% of GOP voters in the three suburban counties that ring Milwaukee. But in nearly three dozen rural counties in the state's west and north, Mr. Trump's favorable ratings are 21 percentage points higher than his negative ones.

Mr. Trump's Wisconsin footprint is light, and no significant elected official in the state backs his campaign. Mr. Trump's aides didn't respond to a request for his Wisconsin endorsements.

But the New Yorker in recent weeks suggested putting a Wisconsinite on the Supreme Court: Judge Diane Sykes of

the Seventh U.S. Circuit Court of Appeals.

Almost the entire state GOP backed Wisconsin Gov. Scott Walker's presidential bid, which he terminated in September amid low poll numbers. Mr. Walker hasn't endorsed a candidate since and declined an interview request.

Ohio Gov. John Kasich, the third-ranked GOP candidate, held a town-hall meeting Tuesday in Wauwatosa.

Mr. Kasich's top aide in the state, Brian Nemoir, said Wisconsin can be the place where the Ohio governor takes advantage of the race's three-way dynamic.

"John Kasich is betting that at some point, voters in the remaining 20 states and at the convention will get serious

about beating Hillary Clinton in November," Mr. Nemoir said.

For the Democrats, the latest polling shows an even race between Mrs. Clinton and Mr. Sanders.

The Vermont senator is extremely popular among liberals in and around Madison, where he held his first major rally, drawing 20,000 people in July. Wisconsin's demographics also tend to mirror those in neighboring Michigan and Minnesota, both of which Mr. Sanders won.

Also helping Mr. Sanders is Wisconsin's history of backing liberal mavericks, going back to Sen. "Fighting" Bob La Follette, who founded the progressive movement a century ago. "Time and time again in Democratic primaries we go for the person who is much more out there on the progressive end of it," said Thad Nation, who was an aide to the state's last Democratic governor, Jim Doyle.

Mrs. Clinton has her own strength in Milwaukee, home to the vast majority of the state's blacks and Hispanics. Wisconsin Democrats said they expect higher voter turnout in Milwaukee than elsewhere because voters there also have hotly contested elections for mayor and county executive.

And while Mr. Sanders and Mrs. Clinton have focused their ire of late on Mr. Trump, in Wisconsin they both figure to take aim at Mr. Walker, who remains a highly polarizing figure despised by activist Democrats.

"Just mentioning Scott Walker will light a room on fire," said Democratic Rep. Mark Pocan, who hasn't endorsed a candidate.

—Peter Nicholas and Janet Hook contributed to this article.

U.S. Watch

POLITICS Ryan Urges Elevation Of Political Discourse

House Speaker Paul Ryan (R, Wis.) called for elevating the national political discourse in a year when the Republican presidential-campaign fight has often descended into bitter personal feuds.

"We think of [politics] in terms of this vote or that election. But it can be so much more than that. Politics can be a battle of ideas, not insults," Mr. Ryan said Wednesday. "If someone has a bad idea, we don't think they're a bad person. We just think they have a bad idea."

In the speech to House interns, Mr. Ryan was careful not to pin the blame on any specific politicians, avoiding any mention of GOP presidential front-runner Donald Trump; his main rival, Sen. Ted Cruz of Texas; or any Democrats.

"Our political discourse—both the kind we see on TV and the kind we experience among each other—did not used to be this bad, and it does not have to be this way," Mr. Ryan said.

—Kristina Peterson

ECONOMY Sales of New Homes Rose 2% in February

Sales of newly built homes rose modestly in February, a sign of halting progress in the housing market.

Purchases of new, single-family homes increased 2% from a month earlier to a seasonally adjusted annual rate of 512,000, the Commerce Department said Wednesday. Newly built homes represent just a tenth of all home purchases, and big monthly swings often obscure broader trends. February's figure came with a margin of error of plus or minus 18.8 percentage points.

The broader picture suggests the segment is struggling to gain momentum. Sales in the first two months of this year were down 3.7% compared with the same period in 2015. Still, February's sales put the market on pace to eclipse the 501,000 new homes sold in all of 2015.

—Josh Mitchell and Eric Morath

Colleges Face Higher Costs From New Overtime Rule

By Melanie Trotman

Schools across the U.S. are bracing for a surge in personnel costs as they prepare for the Obama administration's reworked overtime-pay rules.

The Labor Department proposal, due to be released in final form as soon as this summer, would make about five million U.S. workers newly eligible for overtime pay by more than doubling the salary threshold that generally determines who can and can't get it.

While the rule will apply to employers of all kinds, higher-education institutions say their missions and circumstances mean they will be hit in ways that other types of employers aren't. School officials, who say they are under pressure to keep a lid on tuition, have warned of cuts in student services, degree offerings and labor-intensive research on issues such as climate change and cancer.

The University of California school system, for instance, faces a \$39 million-a-year tab for raises to avoid paying overtime to thousands of postdoctoral scholars, librarians and specialists. The University of

Iowa says it would limit work hours for staff. And a state university in Missouri could cut some employee benefits.

The new requirements are creating a clash between two White House priorities: strengthening the middle class by raising pay for many workers and relieving tuition burdens on college students.

Given the administration's desire to rein in student debt, many colleges question the wisdom of the details in the overtime-pay proposal, saying that doubling the salary threshold is too extreme, for example.

The rule reached its final stages of review last week when the Labor Department sent it to the White House's Office of Management and Budget. That office will have 90 days to review it, including analyzing the costs and benefits, though that could be extended.

Obama administration officials wouldn't comment on colleges' contention that the rule undermines the president's goal of making college more affordable.

An administration official said that under the Fair Labor Standards Act, there is a whole class of workers who aren't

even subject to the overtime-pay regulation, including many at colleges and universities who have teaching responsibilities, such as professors.

Administration officials say inflation has eroded the value of the existing threshold of \$23,660 a year since it was last updated in 2004, leaving too few workers eligible for overtime pay while working more than 40 hours a week.

If the threshold is raised to \$50,440, as proposed, hourly workers and those who earn salaries of less than that could get overtime pay while those with salaries of at least that amount who work in white-collar jobs generally couldn't.

Universities are busy determining which workers will be affected and what their costs will be if regulators don't scale back the proposal. Though professors and others who primarily teach are expected to be untouched by the rule under a longtime teaching exemption, that still leaves a huge swath of staff.

To afford the cost of compliance, institutions say they will likely use a combination of raising salaries, paying overtime and forbidding some work.



The University of California system expects a \$39 million-a-year tab for raises to avoid paying overtime to thousands of workers.

Vanderbilt University, in Nashville, Tenn., calculated that nearly half its employees would be eligible for overtime pay, up from about a third now. It would cost about \$7 million a year to increase salaries of the newly eligible workers to keep them exempt from the rule—or more than \$9 million to switch them to hourly employees logging 10 hours of overtime weekly.

"I can't raise tuition at Vanderbilt to pick that up," said Barbara Carroll, the university's chief human-resources officer. "Almost certainly less work will get done."

Research universities reliant on postdoctoral associates will feel a particular blow, say school officials who fund some of these positions with federal grants that have

been stagnant or declining. "It's a finite bucket of money in higher education," said David Blake, chairman of the public-policy group for the College and University Professional Association for Human Resources.

The University of California said in a regulatory filing that it would have to boost salaries for about 70% of nearly 12,000 workers classified as postdoctoral scholars, librarians and specialists to avoid the hassle of having to monitor and pay for overtime hours. That is about 8,200 employees, based on a tally from its 2013-2014 fiscal year.

The cost: about \$39 million a year, including raises that could exceed 20% of base pay instead of the typical cost-of-living adjustment of 2% to 5% allotted in research grants.

Contraceptive Case Could Split Supreme Court

By Jess Bravin and Louise Radnofsky

WASHINGTON—An impassioned argument at the Supreme Court on Wednesday left uncertain the future of contraception coverage for women employed by religiously affiliated organizations, as a split of the eight-member court appeared to be a serious possibility.

The court was hearing a challenge from a Catholic bishop and six other Christian plaintiffs to an Obama administration workaround of the health-care law for Christian colleges and similar organizations that object to the inclusion of contraception in employee plans.

Under the system, employers objecting to the health law's requirement that workers' insurance plans include a wide range of birth-control coverage must



Religious groups want to ban contraception from insurance plans.

state their objections. Federal officials then ask a third party to provide coverage, with the costs reimbursed by the federal government.

The government says the al-

ternative arrangement ensures coverage for employees while shielding employers objecting to contraception from direct involvement. Religious leaders say the arrangement is inadequate

because it still uses their health plan to carry out something they believe to be immoral.

Justice Anthony Kennedy appeared to hold the outcome in his hands. During the argument, he at times sounded sympathetic to religious organizations, at one point saying the government had sought to "hijack" the health plans arranged by the religious organizations to provide women contraceptives with a minimum of inconvenience.

That was a disappointing development for the administration, which hopes he will join four liberal justices to uphold the contraceptive accommodation. The "religious organization plans here are, in effect, subsidizing the conduct that they deemed immoral," Justice Kennedy said.

Yet he also gave weight to

concerns raised by liberal justices who suggested it would be unworkable to extend to any religious affiliate the same special treatment extended to houses of worship—which, among other privileges, need not provide contraceptive coverage at all through their plans.

"It's going to be very difficult for this court to write an opinion which says that once you have a church organization, you have to treat a religious university the same," he said.

If Justice Kennedy instead joins three fellow conservatives, the resulting 4-4 split will leave the legality of the compromise unclear. Instead, federal appeals-court rulings—most of which have upheld the government's approach—will govern its application in different parts of the country.

PERSONAL JOURNAL.

How Virtual Experiences Make the Real World Better

By JOANNA STERN

You're going to own a virtual reality headset one day.

My interest in gaming stops at Monopoly. The promise of virtual reality hasn't meant much more to me than a funny photo opp. But the buzz! It's the future! So I went on a journey to find virtual reality's practical uses.

With VR, you can take a class of fifth-graders across the world without needing permission slips. You can inspect the countertops in that dream house you've been eyeing. You can feel your heart pound as you practice your big speech in front of a room of people.

It's hard to believe how powerful virtual reality is until you put on the headset.

By visiting places in the real world I'd already seen in VR, I came to realize that these silly headsets can be magical.

They also have a dark side: It's easy to end up nauseous. And, more frighteningly, virtual experiences can sometimes get too real. More often than I imagined, the line between the two realities starts to blur.

Better Buying

I'm walking into the master bath of a \$7.3 million penthouse that just hit the market. The blue tub that backs up to a stunning view of downtown San Francisco is perfect.

While examining the square showerhead, I feel something I never have before, a newfangled sort of déjà vu. Though my physical body has never been here, I remember it. In my office just two days ago, I was staring at the same brass spigot, via a VR headset.

The first person you try VR with could be a realtor rather than a Best Buy employee. San Francisco realtor Roh Habibi now keeps a Samsung Gear VR headset in his car.

"I've locked in showings just after having a client put on the headset," he says. Sales gimmick or no, when I set foot in that house, I knew exactly how to get



A simulation of Disney's 'Lion King,' where you end up on stage surrounded by dancers, singers and a baby Simba, is available on YouTube and some VR apps.

to that bathroom.

Virtual tours are made by capturing 3-D images with a \$4,500 camera and software sold by a startup called Matterport. You can click around an interactive model online, but it's nothing like viewing it in Matterport's Gear VR app, where you can tilt your head up to inspect the molding, then down to appreciate the stair runner.

Though the images are still, you can move from one point to another. Just stare for a second at the spot you want to go to. Sound convenient? It's like being thrown onto a fast moving train. In VR, when roaming from room to room, I needed Dramamine. In the real house, I just wanted Chardonnay.

Better Learning

I'm in a real classroom full of real fifth-graders—though not for long. We all raise our Google Cardboard smartphone holders to our faces and behold the Great Sphinx. "Now look over there to the left," the teacher Robin says to us. "Remember we read about mastabas?"

We were on a Google Expedi-

tion, where the company provides Android phones, cardboard holders and 360-degree photos to classrooms. Using a tablet, teachers guide and point out what students should focus on—"should" being the key word. "Do you see that car down there?" one child yelled. "They didn't have cars in ancient Egypt!" replied another.

After their Egyptian tour, students were more engaged with the teacher's questions and with each other. The biggest lesson? While virtual reality runs a real risk of isolating us, it can also connect us.

Much of the expedition proceeds without headsets on, however. Partly, that's to ensure the teacher can maintain students' focus. It's also out of caution for children's use of VR. Makers of some systems, such as Sony and Oculus, dissuade users under 12 or 13. Google says children should be over 7 and have adult supervision.

Looking at the comfort and engagement, it's easy to imagine students eventually attending class inside their headsets. But before anyone young or old can go in for

longer hauls, the experience has to be gentler on our equilibriums.

For the most sensitive, even relatively passive VR experiences can bring on nausea. A few of my young friends mentioned feeling dizzy, even though Google's images weren't moving. Children might have trouble self-regulating symptoms like nausea and eyestrain, and the larger psychological impact has yet to be studied.

There's also the issue of endurance. Last week, after I spent 45 minutes lost in the Gear VR headset, I felt as if I'd just ridden the Cyclone at Coney Island.

Better Viewing

Not even an amazing IMAX film can provide the holy-wow-I'm-really-here sensation of a VR headset. It's unlocking sports and entertainment experiences most of us would never otherwise have.

The New York Rangers goalie tryout, available at Madison Square Garden, is the best example yet. You step into an area with motion sensors, put on an HTC Vive headset and grab controllers.

You wave your arms, blocking and shifting position as hulking hockey players take shots on you. The whole experience was put together by a VR startup called Strivr.

The VR revolution is hitting Broadway, too. Disney's thrilling "Lion King" simulation, where you end up on stage surrounded by dancers, singers and a baby Simba, is a must-watch. Andrew Lloyd Webber's "School of Rock" also put a camera smack in the middle of the action. Both are available on YouTube and some VR apps.

For gear, VR dabblers can start cheap, with a Google Cardboard smartphone holder and some VR apps like VRSE and Jaunt. Decent midlevel gear options include the \$100 Samsung Gear VR and a coming LG headset designed to work with its new G5 phone.

What if VR could make us be more empathetic to strangers or help us conquer our fears? We'll all find our own uses for virtual reality, just as we did with personal computers. For now, it's still early days.

WSJ
PODCASTS



ALWAYS PLUGGED IN

Stay informed and feed your curiosity with WSJ Podcasts. From Potomac Watch to Free for All to Heard on the Street, our far-reaching lineup keeps you connected.

Listen now and discover more at WSJ.com/podcasts

ARTS & ENTERTAINMENT

Punk Turns 40

BY ANNA RUSSELL

ANARCHY IN THE U.K.

has moved indoors. British cultural institutions are digging into their archives in preparation for “Punk London,” a series of exhibitions and events taking place in the U.K. capital this year to celebrate what has been deemed the 40th anniversary of punk. Not surprisingly, some would rather keep the movement out of exhibition halls.

On May 13, the British Library will open “Punk 1976-78.” Focusing on punk’s early years, the exhibition will display rare recordings, record sleeves, fanzines, posters, ticket stubs and other ephemera. In August, the British Film Institute will screen a series of punk-related films curated by musician and director Don Letts. In the coming months, the Roundhouse, Design Museum and Museum of London will also all turn their attention to this brief, explosive moment in music history.

“It was a short-lived, incendiary period,” says photographer Jill Furmanovsky, whose black-and-white images of bands like the Buzzcocks, the Clash and the Slits are on display at the Barbican Music Library until April 28. “It was moving, it was irrevocable, and it was needed.”

The loud, take-no-prisoners genre that became known as punk developed in the 1970s, mostly in the U.S. and the U.K. In London in 1976, two key moments helped spark the punk fervor: the Ramones’ July gig at the Roundhouse, and the release of the Sex Pistols’ anthem-like debut single, “Anarchy in the U.K.”

“It was like a firework—it exploded and it had this incredible energy core that spread into all areas of culture beyond music, but then kind of fizzled out very quickly,” says Stuart Brown, head of programs and acquisitions at the British Film Institute. “The influence going forward has been immeasurable.”

For some, the anniversary itself is incendiary. “Punk London” has been championed by the mayor of London’s office and is being funded by a £99,000 grant from the Heritage Lottery Fund—an irony not lost on hard-core fans. Last week, Joseph Corrè, the son of Sex Pistols manager Malcolm McLaren and fashion designer Vivienne Westwood, announced plans to publicly burn his collection of punk memorabilia in protest. “Punk rock doesn’t exist. It’s extinct, and all you have left is some sort of tourist attraction,” says Mr. Corrè. “If you’re going to celebrate it, let’s celebrate it properly and burn it all.” He plans to torch the collection, which he estimates to be worth around \$7 million, on Nov. 26, the release date for “Anarchy in the U.K.”

It’s not the first time punk has made its way into a museum. A 2013 exhibition at the Costume Institute at New York’s Metropolitan Museum of Art focused on the subculture’s impact on high fashion. “Punk: Chaos to Couture” included fake graffiti and a replica of the grimy unisex bathroom at the East Village music club CBGB. Over 442,000 people visited the show.

Most curators are aware of the irony. “It’s kind of a conundrum,” says the BFI’s Mr. Brown. “There is something slightly uncomfortable about us all doing it, but at the same time I think it’s important.” The BFI’s program will include screenings of documentaries including Don Letts’s 2005 “Punk: Attitude,” as well as films like Kenneth Anger’s 1972 “Lucifer Rising” that may have influenced punks.



Clockwise from top, Jill Furmanovsky, ‘The Slits, 1977’; Derek Ridgers’s ‘Soho, 1978’; tape of an early interview with the Clash; Ms. Furmanovsky’s ‘The Buzzcocks, Manchester, 1977’



Some, however, don’t see a contradiction. “We collect the counterculture as well as the culture,” says Andy Linehan, curator of popular music at the British Library. “It’s all part of the culture of the country we’re trying to reflect in our collection.” At the library’s May exhibition, visitors will be able to listen to an excerpt of a 1976 recording of an interview for the New Musical Express with the Clash, and view a collection of the punk fanzine “Sniffin’ Glue.” The show will also feature the first releases—all punk singles—from British record labels Rough Trade, Cherry Red and Beggars Banquet, as it was called at the time.

Revisiting the era has led to some surprises for those involved. The first time Derek Ridgers took his camera to a punk club, he went to the Roxy. In 1976, the small space, now a Speedo store in London’s fashionable Covent Garden, was hot, loud and sweaty. “Quite a few of the punks I photographed at that time have come forward via Facebook or Twitter and they’ve told me who they were,” says Mr. Ridgers, whose photos will be shown at the Photographers’ Gallery’s “Punk Weekender” in June.



Beginning in 1980, Anita Corbin spent nine months photographing the women of London’s subculture scene at local clubs. Punk, skinhead, rockabilly and Rasta women, dressed up and in pairs, populate her photos, which will be shown at Metro Imaging in April, as well as the Photographers’ Gallery.

Ms. Corbin, now 57, has spent the past few years trying to track down her former subjects in the hopes of rephotographing them. In January, her photograph of two skinhead girls at a South London McDonald’s in 1980 surfaced on Instagram. The photo was regrammed by British fashion insider Alexa Chung and reached over 12,000 likes. Soon Karen Driscoll, the skinhead incorrectly labeled “Debbie” in the photo, received a flurry of messages from friends and family who recognized her.

“It’s just bizarre,” says Ms. Driscoll, 50, now a personal assistant. She hadn’t seen the image since her early 20s. “It was a lovely time,” she says. “Nobody knew who you were and nobody knew who you were with, and it was fabulous. I’d never get away with that now.”

TELEVISION



Noah Bean as Bowie.

Channeling David Bowie

BY MIKE AYERS

NOAH BEAN HAD always been told he resembled David Bowie. But the actor never expected to play the rock star.

During a shoot for HBO’s rock ‘n’ roll series “Vinyl” last August, Mr. Bean found himself decked out in Ziggy Stardust-era garb, complete with orange hair and costume.

Mr. Bean, 37, auditioned for the role last July after his friend and “Vinyl” star Bobby Cannavale suggested he go out for the part. “I was terrified,” he says. “I didn’t imagine I would get it.”

Channeling the musician was also difficult, Mr. Bean says, but he knew it was a rare opportunity. “He was a huge rock god,” he says. “There’s a huge amount of confidence. You have to walk in and feel like an international rock god. I don’t know about you, but I don’t feel like that everyday.”

For the one-day shoot and roughly four minutes on screen in the episode, Mr. Bean worked overtime to get Bowie’s movements and voice just right. He worked with vocal and movement coaches. He watched the 1975 documentary “Cracked Actor” about Bowie, as well as interviews Bowie did with Dick Cavett. And he dropped a lot of weight. “I think cocaine was a staple of his diet in those days,” Mr. Bean says. “I didn’t go as far as getting a cocaine habit, but I did try to drop a few pounds.”

Bringing Bowie into the “Vinyl” world continues what music supervisor Randall Poster says is the show’s goal of mixing “fact and fiction.” Other artists from the era that have been represented in the show’s plots include Alice Cooper, Lou Reed and the Velvet Underground and the New York Dolls.

The episode, directed by Nicole Kassell, features Mr. Bean-as-Bowie interacting with American Century Records honcho Zak (Ray Romano), who professes his love for “Hunky Dory.” “I knew this was not to just have Bowie show up,” Ms. Kassell says. “It was to trigger an idea for Ray’s character that was going to play out for the rest of the season.” Indeed, later on in the episode, Zak becomes transfixed by a young piano player covering Bowie’s “Hunky Dory” song “Life on Mars?”

The voice used is that of R&B artist Trey Songz, who Mr. Poster says he had in mind as soon as they decided to feature “Life on Mars?” “It somehow, in a simple way, had to transcend the ordinary,” Mr. Poster says. “We wanted to do a soulful take and I love Trey’s voice.”

HBO

CLOCKWISE FROM LEFT: JILL FURMANOVSKY (2); DEREK RIDGERS/THE PHOTOGRAPHERS’ GALLERY, LONDON; THE BRITISH LIBRARY BOARD

THEATER

A Grueling Part Takes Its Toll

BY EBEN SHAPIRO

SPORTS FANS are accustomed to the farewell tour when a revered but ailing athlete dons his uniform one last time to much acclaim.

The theater world is experiencing a similar phenomenon as Lisa Dwan, one of the foremost interpreters of Samuel Beckett, is retiring her signature monologue, “Not I,” after a final series of performances in the U.S. over the next month.

Since 2005, the 38-year-old Irish actress has toured the world, performing the piece hundreds of times to sellout crowds and over-the-top reviews. (In *The Wall Street Journal*, Paul Levy called it “one of the theatrical experiences of a lifetime.”) Ms. Dwan performs “Not I” as part of a trilogy of short plays—the others are “Footfalls” and “Rockaby”—by Beckett, the Irish writer who won the Nobel Prize in 1969.

But the play’s physical and emotional demands have finally

caught up with her. Each show brings her to the “brink of anxiety, distress and trauma,” she says. “It takes a massive toll.”

There also is the psychological strain from a monologue that a critic for the *Guardian* labeled an “existentially terrifying babble, hinting at deep trauma and extinction of self.”

“Not I” presents “probably the most difficult and challenging part for an actress,” says Walter D. Asmus, a director who specializes in Beckett and who has directed Ms. Dwan. The physical toll stems from the playwright’s stage directions, which call for the intense, stream-of-

consciousness monologue to be performed in a pitch-black theater with even the house lights turned off. The only illumination is on the actress’s mouth, “faintly lit.” Other actresses played the role sitting in a dentist’s chair, but Ms. Dwan stands at a large board she had specially constructed so that her head wouldn’t slip out of the spotlight. For the past 11 years, her



LOCKED IN Lisa Dwan, left, performs ‘Not I’; the audience sees only her mouth, far left.

Siobhán Barbour, a stage manager who has toured the world with Ms. Dwan, recalls helping her back to her hotel in Perth after a particularly grueling performance. “She could barely see,” Ms. Barbour said, “She was absolutely ragged.”

The role has driven others to nervous breakdowns, Ms. Dwan said, including her mentor in the part, Billie Whitelaw, who passed along Beckett’s instructions for the monologue. Ms. Whitelaw died in 2014. “She had four nervous breakdowns doing this,” says Ms. Dwan, who found the part so harrowing, she used to call Ms. Whitelaw, weeping. “She would just say ‘I know.’” Other actors told Ms. Dwan they bailed on the part after having suicidal thoughts. Mr. Asmus says one actor he directed in “Not I” turned in her driver’s license during the run because she was so preoccupied with the role, she worried about crashing her car.

Ms. Dwan defuses the stress with meditation, yoga, “living like a nun” and close friends who keep an eye on her mental health. Still, she says, the performance has “messed with my head.”

Injuries aside, Ms. Dwan is quick to say that “Not I” has been a tremendous “privilege and a gift.” After final shows in Boston, Los Angeles and New York City, she will be working on a production opening in September at London’s Old Vic theater. Called “No’s Knife,” it is based on some of Beckett’s short prose pieces. “He’s not done with me yet,” she says.

head has been strapped into place with a harness and her arms have been immobilized in brackets for each performance.

Adding to the ordeal is the record-breaking pace that Ms. Dwan brings to the monologue. Beckett wanted “Not I” to be performed at “the speed of thought.” At its New York premiere Jessica Tandy did it in 24 minutes, reportedly prompting Beckett to tell her, “You ruined my play.” Billie Whitelaw, an actress who worked closely with Beckett on the part, got it down to 14 and a half minutes. Ms. Dwan does it in a blistering 8 minutes and 45 seconds, “with a virtuosity that I’ve never seen before,” Mr. Asmus says.

She calmly ticks off the list of injuries she has sustained during

the run. The most serious is a hernia—“like a tiny alien fist,” she says—caused by the projection needed to “push the air out with such ferocity” during the monologue. Nearly as troubling to her medical team is an extremely compressed neck from strapping her head into a viselike device every night. “I have severely damaged my neck,” she says.

She has pulled muscles in her calf, developed migraines and after performances has temporarily lost vision in one of her eyes and lost feeling in her face. After each run, she is covered with cuts, scabs and bruises. The harness cuts her ears, leaving her bleeding after many shows. “When I’m doing this, I’m an animal. I’m a creature, a slice of the universe,” she says.

FROM LEFT: JUSTIN DOWNING/SKY ARTS; FAYE THOMAS

OPINION

REVIEW & OUTLOOK

An Inordinate Fear of Terrorism?

Tuesday's coordinated terrorist attacks in Brussels have left at least 30 people dead and more than 200 wounded, shut down the capital of Europe and raised security alarms from Frankfurt to London to New York. So maybe it's time we all get over our inordinate fear of Islamist terrorism.

Believe it or not, that's the not-so-subliminal message we keep hearing from President Obama, even as he condemned the attacks during his visit to Cuba. "Obama frequently reminds his staff that terrorism takes far fewer lives in America than handguns, car accidents and falls in bathtubs do," reports Jeffrey Goldberg in a lengthy profile of the President's national-security thinking in the Atlantic magazine. Islamic State, Mr. Obama is quoted as telling adviser Valerie Jarrett, is "not coming here to chop our heads off."

We wish we felt reassured. There wasn't a day in the past week when Islamists didn't undertake a violent attack. That includes a shooting assault on a tourist resort in Ivory Coast that killed 16 people, and the bombing of a shopping district in Istanbul in which four people were killed, including two U.S. citizens.

"In 2014 the total number of deaths from terrorism increased by 80% when compared to the prior year," reports the Institute for Economics and Peace (IEP) in its widely cited Global Terrorism Index. In absolute terms, that comes to 32,685 deaths from terrorism, up from 3,329 at the turn of the century. The economic cost, the IEP adds, is somewhere north of \$52 billion, plus another \$114 billion that various countries bud-

get for counterterrorism efforts. Last we checked, nobody was spending that kind of money on bathtub safety.

It's true that most terrorist attacks take place outside the West. But one reason the attacks in Brussels—or Paris, or Tel Aviv, or San Bernardino, Calif.—are so troubling is that they are possible portents. If Islamic State has no regrets about killing 130 people in Paris, they wouldn't hesitate to murder many times that if they could. What's missing isn't intent but the means. That may change as they expand their network of sleeper cells and lone-wolf sympathizers in the West.

This is missing from Mr. Obama's analysis, and it reminds us of pre-9/11 thinking. Take an op-ed by terrorism expert Larry C. Johnson, arguing that the data on terrorism didn't justify the fears it generated. "Terrorism is not the biggest security challenge confronting the United States," Mr. Johnson concluded, "and it should not be portrayed that way." The article ran in the New York Times on July 10, 2001.

As Mr. Goldberg documents, Mr. Obama takes it as a point of pride that he isn't consumed by terrorism. The President, Mr. Goldberg reports, "gets frustrated that terrorism keeps swamping his larger agenda"—the pivot to Asia, his efforts on climate change and his opening to Cuba.

It's not Mr. Obama's fault that the mass murder in Brussels took place as he was courting a regime that, until recently, the U.S. State Department listed as a state sponsor of terrorism. As a matter of symbolism, however, the coincidence is inordinate.

Obama wants you to keep cool about jihadist mass murder.

Putin and the Pilot

A court in Russia's Rostov region on Tuesday convicted Ukrainian pilot Nadiya Savchenko of war crimes and illegal-entry charges and sentenced her to 22 years in prison. Those charges are phony. Lt. Savchenko's only crime is defending her homeland against Vladimir Putin's Kremlin aggression.

The 34-year-old helicopter pilot and Iraq War veteran was fighting in eastern Ukraine in June 2014 when she was abducted by Moscow-backed rebels and taken to Russia. The Russians claimed, absurdly, that she was released by the rebels and then illegally crossed the border into Russia on her own accord.

The Russians also accused her of directing

mortar fire that killed two Russian TV journalists that day. Never mind that cellphone location data and videos shot by the rebels themselves make it clear that Lt. Savchenko was elsewhere, already in captivity, when the alleged shelling occurred.

The point of this show trial was to humiliate Ukraine. Yet Lt. Savchenko has emerged as a national hero in Ukraine and has even been elected to Parliament in absentia. As the judge finished reading her sentence, she sang a Ukrainian revolutionary song and vowed to remain on a hunger strike. She may eventually be freed as part of a prisoner swap with Kiev, but already she has cemented her status as a symbol of Ukrainian resistance to Russian imperialism.

Andrew Stephen Grove

"At last I meet the enemy face to face." That's how Andy Grove greeted us, in 1987, on a visit to Intel Corp. in Silicon Valley. We had been fighting his efforts to persuade the Reagan Administration to impose tariffs on the Japanese memory chips that competed with Intel's, and we proceeded to get into an extended if civil policy brawl.

That was vintage Andrew Stephen Grove, as fierce a competitor in political debates as he was in business. He died Monday, at age 79, having helped to build Intel into one of America's great companies. He is the latest of many business giants who are dying with less recognition than they deserve for creating America's post-World War II prosperity.

Grove won his political battle as the Reagan Administration negotiated a semiconductor cartel with Japan that raised memory-chip prices for a while. But he lost the war thanks to his own business success, as we predicted he would. Intel's technology breakthrough in more complex microprocessors made the DRAMs of that era a low-priced commodity while Intel drove the innovation that led to the new age of individual computing.

This was a tremendous business and management achievement for which Grove was named Time magazine's Man of the Year in 1997. Grove's appearance on Time's cover symbolized an era when CEOs were admired for creating jobs and wealth that benefitted everyone.

Americans—even some in the media—took pride in U.S. companies that led the world. Now the media elevate politicians and reality-show celebrities, and the country isn't better for it.

Having fled Hungary after the failed anti-Soviet uprising of 1956, Grove is also an example of the many immigrants who have driven American capitalism from its earliest decades. Alexander Graham Bell came from Scotland before founding what became AT&T. Robert Goizueta, who ran Coca-Cola during its glory years, immigrated from Cuba. Google co-founder Sergey Brin is from Russia. They show how the U.S. shortchanges itself by indulging bursts of nativist exclusion.

Grove ran Intel as CEO from 1987 to 1998, remaining chairman until 2005, intellectually active as ever. We recall a phone call amid the post-Enron political furor in which he urged us to resist then-Senator Joe Biden's misguided attempt to force nonexecutive corporate chairmen to sign off on company accounts under threat of criminal sanction. Grove's point was that this would drive independent voices out of boardrooms, and Mr. Biden failed.

Grove once told us that he loved reading Peter Drucker on management, and he wrote one of the better business memoirs, "Only the Paranoid Survive." That's good advice for those who want to avoid complacency, in business or life, from a man who more than repaid America for the great opportunity it offered him.

The immigrant who built Intel with fierce competitive drive.

Divesting of Campus Outrage

Most days there's no difference between campus activists and the tenured professors who tutor them in grievance politics, so allow us to note rare courage among America's educators: On Sunday more than 230 members of Columbia University's faculty sent a letter to the school's trustees opposing demands that Columbia divest, boycott and sanction Israel.

The student group Columbia University Apartheid Divest passed around a faculty petition pressing Columbia to stop investing in companies that sell to Israel—Hewlett-Packard, Boeing and others. The appeal denounces Israel's alleged "inhumane segregation" and "use of asymmetrical and excessive violence against Palestinian civilians." Some 70 faculty members signed.

Most signers teach anthropology or comparative literature, where truth is a hazy concept. This may explain why they ignore the depredations of Hamas, which fires rockets at civilians from the cover of schools and hospitals. As for "excessive violence," consider Taylor Force, the West Point graduate stabbed to death by a Palestinian earlier this month near Tel Aviv.

The faculty letter in response defends Is-

rael's "thriving democracy" that protects "the individual rights of all citizens, including Arabs as well as Jews." The letter notes that "Israel withdrew unilaterally from Gaza," which is now "a base for attacks on Israeli civilians." The conclusion: "Columbia's ties with Israel need to be preserved."

Nine deans signed the letter, including the business school's Glenn Hubbard and the law school's David Schizer. Also on the list are liberal historian Simon Schama, former Democratic New York mayor and professor David Dinkins, as well as teachers in physics, computer science and dozens of medical educators. Then there's professor Jack Greenberg, the civil-rights lawyer who argued *Brown v. Board of Education* before the Supreme Court.

This show of sanity is important given developments on other campuses such as the City University of New York, where nasty episodes of anti-Semitism have unfolded in recent months. The divestment movement has infected campuses across the nation, but the rebuke from the Columbia faculty may suggest that professors, regardless of political affiliation, see the campaign for what it really is: a smear tactic against the Jewish people.

Trump's Useless Revolution



BUSINESS WORLD
By Holman W. Jenkins, Jr.

Trumpism offers nothing for Americans who are flocking to it as much in response to cultural anxieties as economic ones.

A trade war with China will not bring back low-skilled, high-wage manufacturing jobs. On the contrary, Chinese workers themselves are being turfed out of their own factories by automation.

Building a wall at the southern border won't hold back cultural changes in America from the fact that Hispanics are a fast-growing economic and cultural bloc. At the risk of putting ideas in his head, Donald Trump would have to increase the white birthrate and even that probably wouldn't change the emergence of an unfamiliar yet familiarly dynamic new America.

Mr. Trump may well benefit politically from Tuesday's terrorist attacks in Belgium. In the long run, we will be thanking our lucky stars that we get our cultural renewal from largely Catholic immigrants from the south rather than the Islamic proto-majorities that will fundamentally alter the character not just of the European Union (if it survives) but of Russia.

Mr. Trump's standpattism on entitlements and pensions implies economy-killing tax hikes down the road, which even then won't hold off the need to restructure these promises.

Globalization will experience hiccups, as will the cultural evolution of the United States. But Mr. Trump and Trumpism aren't a solution to anything.

True, some Americans have never been able to recapture the standard of living that their now-vanished factory job once gave them. But false promises won't help these people. Faster economic growth would. Rearranging social programs that have contributed to the woeful decline in the readiness of people to move in search of a job would as well.

Andy Puzder, CEO of the company that runs the fast-food chains Carl's Jr. and Hardee's, stirred up controversy by admitting the industry's interest in automation is partly driven by minimum-wage hikes. Fast-food jobs may not be anybody's ideal, but if you're new in town, it's a job that almost anybody can get.

Berkeley's Alan Auerbach and Boston University's Laurence Kotlikoff, in a careful new study, show that the great inequality panic of 2016 is overblown. But they also highlight the ways welfare and tax policy impose high marginal rates at both ends of the income scale, discouraging work. Too many benefits for the poor and unemployed are effectively tied to place, so moving in search of a job

means the safety net is yanked away just when it might be most helpful in getting a family back on its feet.

We shouldn't fail to mention that the bipartisan obsession, in the 1990s and early 2000s, with luring low-income families to take out mortgages has also ended up hindering their ability to move in search of work.

For 40 years, moreover, it has been obvious that the problem of chronic poverty, especially African-American poverty, is the problem of neighborhoods where crime, bad schools, lack of jobs and family breakdown undermine good behavioral norms. Champions of policies to help people escape such neighborhoods, rather than policies that pour money in, win every seminar but never win control of policy in Washington. Is that because lifetime, gerrymandered sinecures in Washington depend on preserving concentrated neighborhoods of black poverty?

Belgium's terror attacks show why the U.S. needs to be more dynamic, not less.

As Thomas Edsall points out in the New York Times, "African-American voters have provided Democrats with their margin of victory in elections at every level across the nation, year after year. . . . How long can Democratic Party leaders and candidates continue to rely on African-American voters before African-American voters take matters into their own hands—just as white working-class Republican voters have done this year?"

The Trump phenomenon, we're told by those pro and con, signals a political realignment. Realignments aren't confined to one party but signify a reshuffling of coalitions between parties.

Voters are better at signaling dissatisfaction than thinking clearly about solutions. Democracy's great virtue isn't the wisdom of voters' every judgment but the fact that an election is always coming, so voters can react against choices that aren't working.

The problem is matching the candidate who can capture the public's imagination with the policies that will actually improve conditions. Mr. Obama, in his 2008 race, fulfilled the first condition. Trump fulfills the first condition.

Sadly, this year the two parties are converging on candidates who appear unlikely to channel voter dissatisfaction into productive policies, though we shouldn't rule out a pleasant surprise.

Bracing up America's internal dynamism and prosperity is surely an urgent need. Most of all, it's needed so America can remain a bulwark in an increasingly dangerous and chaotic world.

LETTERS TO THE EDITOR

Europe Is Right to Distrust U.S. Data Security

Regarding Roslyn Layton's "Europe's Protectionist Privacy Advocates" (op-ed, March 11): In 2000 the U.S. assured Europe that a program of self-certification would safeguard the personal information of Europeans transferred to the U.S.

During the 15-year period of the arrangement, the incidence of data breaches and identity theft has skyrocketed in America. The U.S. Federal Trade Commission just reported almost half a million complaints about identity theft in the past year, an increase of 47% from 2014.

There is hardly an American consumer who hasn't had to change a credit-card account or received a data-breach notification because of lax security practices by a U.S. firm. Almost every major retailer, financial institution and health-care company in the U.S. has admitted to clients and customers that it failed to protect personal information.

The U.S. government, which con-

tinues to assure Europeans of the strength of the U.S. approach to privacy protection, last year lost control of the records of every single federal employee. Even unique biometric identifiers and the sensitive Form SF-86 for classified background checks were hacked.

Foreign corporations and governments would be negligent if they didn't consider the risks that result from the transfer of personal data. The Europeans and Max Schrems may not have all the answers, but at least they are trying to solve the problem. Meanwhile, the U.S. government holds fast to the view that "notice and choice" will safeguard personal data.

As long as that view prevails, consumers are likely to suffer ever more serious data breaches.

MARC ROTENBERG
President
Electronic Privacy Information Center
Washington

Obama, the Senate and the Supreme Court

Regarding your editorial "Obama's Supreme Politics" (March 18): The U.S. Supreme Court isn't supposed to be the forum for political discourse. President Obama's own description of Merrick Garland, not quoted by the Journal, provides a strong reason Judge Garland should not be considered. The president said Judge Garland would bring "integrity, modesty and an evenhandedness" to the Supreme Court.

It isn't the job of the Supreme Court to be an "evenhanded" instrument of progressive compromise. Its role is to assure law is adjudicated in accordance with America's social contract: the Constitution. Antonin Scalia understood this means following its original meaning, not the progressive drift in language or personal decisions on current moral values. Those shifts are supposed to be made through the formal process of amending the Constitution. Otherwise we are an autocracy ruled by that court.

BILL MILLS
Sterling, Va.

The president's trap in nominating Judge Garland to the Supreme Court may be even more complex than it

appears. If the Senate were to provide its advice and consent, this would then leave another opening on the Sen. Harry Reid Court of Appeals (formerly the U.S. Court of Appeals, D.C. Circuit). Since Mr. Reid earlier invoked the nuclear option to pack the court with reliably liberal judges, it isn't inconceivable that Judge Garland's eventual replacement could be confirmed, even by a Senate in which Republicans hold the majority.

DAVE ERCHULL
Tucson, Ariz.

Had Justice Scalia lived, we'd have a justice reflecting an election outcome from 1984. Why, then, do conservatives object to a justice solely because he would reflect an election outcome from 2012?

ILYA SHLYAKHTER
Cambridge, Mass.

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

OPINION

In Campaign 2016, What's Old Is News Again

By Joseph Rago

American politics rarely switches into reverse gear, generationally speaking, but this year's election will likely prove an exception, amid so many other departures from normality. On the exit of Marco Rubio (date of birth: May 28, 1971), both parties are primed to nominate candidates who are older than Barack Obama (Aug. 4, 1961) and close to George W. Bush

Clinton and Sanders are stuck in the 1990s. Trump seems very 1980s. Cruz attaches himself to Reagan. Kasich, well, he's Kasich.

(July 6, 1946). More to the point, the debate has a backward-looking register that doesn't attest to much reflection about the future.

The ancient mariners of the Democratic Party, Hillary Clinton (Oct. 26, 1947) and Bernie Sanders (Sept. 8, 1941), have spent the balance of the campaign litigating the 1990s. The former House representative has assailed the former first lady for the North American Free Trade Agreement, Wall Street deregulation, welfare reform, the crime bill and other

remnants of the era aside from neon leggings and the Macarena.

Mrs. Clinton answered his sniping in a Detroit speech this month. She said the defining U.S. challenge is how to "create the good jobs of the future," and "I don't think we can answer that question by refighting battles from 20 years ago."

But then she warned the audience that her ideas "might sound quaint" and spoke affectionately about the union-dominated, corporatist economy of the 1950s. She did also happen to mention the '90s, twice, when "the typical family's income rose by \$10,000. Some of you remember that."

Perhaps the only historical period the Democrats don't want to dissect is the past decade. They repudiate the economic results of Mr. Obama's governance but not his policies, so the post-2008 years are an awkward subject. But voters have been as drawn to a 74-year-old socialist as they've been overwhelmed by the charismatic Mr. Rubio's "new American century" because their prospects seem so diminished.

Mrs. Clinton recently got in trouble for a gaffe about Nancy Reagan and AIDS, which recalled the 1980s, the decade when the political character of Donald Trump (June 14, 1946)—and his taste—was formed. He's trailed by the ghosts of the past: Leona Helmsley, Le Club res-



GETTY IMAGES

taurant, Spy magazine, the 2004 Israeli Day Parade, Roy Cohn, "Fat Tony" Salerno.

Mr. Trump says he will make America great again—an inherently nostalgic slogan. For the businessman and his followers, the modern economy isn't an opportunity but a disaster, and he promises to revert to the 20th-century model.

"I love the old days, you know," Mr. Trump said in February in Las Vegas. "You know what I hate? There's a guy, totally disruptive, throwing punches. We're not allowed to punch back anymore. I love the

old days. You know what they used to do to guys like that when they were in a place like this? They'd be carried out on a stretcher."

Meanwhile, the political class is helpless to make sense of such statements, or Mr. Trump's rise, without the crutch of historical analogies. Mr. Trump is a new George Wallace, or Benito Mussolini, or Charles Lindbergh; he demands Nazi salutes; the year is 1968, or 1939, or even 1914.

Ted Cruz (Dec. 22, 1970) is a younger man selling an older man's agenda, namely, the one that belonged to Ronald Reagan (Feb. 6,

There's Still Time in the U.S. Election for a Conservative Independent



POLITICS & IDEAS
By William A. Galston

Donald Trump's disturbingly isolationist remarks to the Washington Post's editorial board this week have fortified the determination of many Republicans to find a viable alternative—at their convention if possible, through an independent conservative candidacy if necessary.

Some observers may believe that such a candidate couldn't even get on the ballot because the filing deadlines have come and gone. If so, they are wrong. Back in 1980, from a standing start in late April, Republican John Anderson's underfunded independent presidential campaign managed to get on the ballot in all 50 states plus the District of Columbia by mid-September.

As Richard Winger, the publisher of Ballot Access News, has reminded me, the laws in 1980 were less hospitable to independent candidacies than they are today. The reason: The Anderson campaign was determined to leave a legacy of lowered barriers to the ballot for future candidates, so

the campaign pursued the issue all the way to the Supreme Court, and Mr. Anderson prevailed. In 1983's *Anderson v. Celebrezze*, the court held that Ohio's early deadline for independent candidacies to file nominating petitions with the required number of signatures violated the First Amendment's guarantee of freedom of association.

Anderson v. Celebrezze remains a binding holding today, and it has had an impact. Mr. Winger points out that lower courts have used it to strike down June filing deadlines in five states—Alaska, Nevada, South Dakota, Arizona and Kansas.

As matters now stand, most states' deadlines are months away. Nine fall in July, 32 in August, and five in September. Four deadlines—Illinois, Indiana, New Mexico and North Carolina—are in June, and precedent suggests that the deadlines would be struck down if challenged.

That leaves Texas, the only state with a May filing requirement. Texas has never been taken to court over this, but it seems clear that its law would not survive a challenge. Among other vulnerabilities, Texas imposes an earlier deadline on independent presidential candidates than

on aspirants for any other office.

This flies in the teeth of the Supreme Court's opinion, which found that state-imposed restrictions on presidential elections affect a "uniquely important national interest." Moreover, said the court, a state has a "less important interest in regulating Presidential elections than

Anti-Trump forces need a convention strategy plus a plan to get ballot access.

statewide or local elections." It is hard to see how a more stringent requirement for presidential candidates than for others could be squared with the court's reasoning.

Not only is there plenty of time remaining for independent candidates to file, but the threshold that ballot petitions must meet is far from onerous.

Thirty-four states require fewer than 10,000 signatures, and only two (Florida and California) demand more than 100,000. Moreover, some states make ballot access easier for minor parties than for independent

candidates; others do the opposite.

In Florida, for example, an independent candidacy would take about 119,000 signatures to get on the ballot; an organized minor party, none whatever.

A systematic effort to get on the ballot everywhere would be free to choose its approach, state by state. A well-organized and funded effort could get the job done in a matter of weeks.

This is not to say that Republicans who cannot accept a choice restricted to Hillary Clinton or Donald Trump will have a smooth path. The Republican National Committee is understandably opposed to the idea of an independent candidacy. Months ago, every candidate in the race for the nomination pledged to support their party's nominee, which would make it impossible for any of them to run as an independent conservative without fatally undermining his or her credibility. Other individuals who step forward will probably burn their bridges with the Republican Party, at least as it now stands.

And there is a delicate timing issue. It isn't too late right now to mount an independent candidacy, but it will be when the Republican Con-

vention convenes in late July. So this venture would have to be launched well before the identity of the party's nominee is known. The trick for the anti-Trump forces is to proceed simultaneously along two tracks without allowing Plan B to fatally weaken the effort to deny the New York billionaire a first-ballot victory.

The most obvious objection to this course has nothing to do with the technicalities of ballot access. An independent conservative candidate who earned even 5% of the popular vote would doom the Republican nominee to defeat in November. The supporters of an independent effort would be compelled to press the case that Mr. Trump cannot win anyway and also would bring down the party's Senate majority—and perhaps the House as well, if the margin of defeat were large. The independent candidate might bring out enough traditional Republicans to save their congressional majorities.

A more principled argument—albeit a harder sell for many loyal Republicans—is that Mr. Trump's victory would spell catastrophe, not only for their party, but for the country.

Mr. Rago is a member of the Journal's editorial board.

Remembering the Lion of Silicon Valley

By Michael S. Malone

In the end, after the illnesses had taken away everything else, the fiery intelligence remained.

When Andrew Grove, born Andrés Gróf, died Monday at age 79, it was a measure of the former Intel CEO and chairman's enduring importance to the digital age that—in an industry so relentlessly focused upon the future that it has little time or interest in the past—the news rolled across Silicon Valley like a deep, heavy shock wave.

More than the careers of Steve Jobs or David Packard or Mark Zuckerberg, Andy Grove's was the ultimate Silicon Valley story. No one traveled further in a single lifetime—from Hungarian refugee to the head of one of the world's most valuable manufacturing companies. No one was more central to the making of the Valley—from the fabled Fairchild Semiconductor in the 1960s, to the founding of Intel in 1968, to the trade war against Japan in the 1980s, to the tech revolution's globalization. His decision to take Intel Corp. out of memory chips in 1985 and bet everything on microproces-

sors—now the heart of every important electronics device, from cell phones to supercomputers—has reshaped the modern world.

For Time magazine's 1997 Man of the Year it wasn't enough to ride the tiger of the law named for his friend, partner and mentor, Gordon Moore, or to run Intel. He also found time to be a widely read columnist and write two best sellers, "High Output Management" (1983) and the classic "Only the Paranoid Survive" (1996), the title of the latter a summation of Grove's business philosophy and a phrase still commonly heard across Silicon Valley.

That is a measure of the awe, and fear, that Andy Grove stirred throughout the electronics industry during his tenure at Intel, until his retirement as chairman in 2005. If you worked with him, for him or, worst of all, competed with him, you knew that in the end, Andy would win. I once wrote an article about his beloved Intel that he didn't like. . . . and he refused to speak to me for 10 years. Then, out of the blue, he called and ended the silence. Just like that.

His tough life philosophy was hard-earned. Grove had few happy

memories of his Jewish childhood in Hungary, surviving Nazi occupation and then living under Soviet occupation. He was a sickly child, made nearly deaf by scarlet fever, but smart. Educational honors and opportunities came his way, yet by age 20 he knew that he couldn't endure the corruption and contradictions of life under Communism.

So he escaped in 1956 and made his way to the U.S., taking the name Andrew Grove and eventually earning a doctorate in chemical engineering in 1963 at the University of California, Berkeley. Even as he was writing what would become a seminal text on semiconductors, he joined Fairchild Semiconductor.

It was an uneasy fit. Fairchild was a nexus of young talent and a rich new market but also a hotbed of chaos and improvisation—presided over by, in Grove's eyes, an unforgivably indecisive general manager, Robert Noyce. Possibly the only person in Valley history not charmed by the charismatic Bob Noyce, Grove later said he stayed only because of Gordon Moore, who had recruited him.

So, it was one of the happiest days of Andy Grove's life when Mr. Moore told him he was leaving Fairchild to start another chip company—and one of the worst when he found out

that the co-founder would be Bob Noyce. The ambitious Grove went along anyway, becoming Intel's first employee. Such was the tension between Grove and Noyce (most of it one-way) that Intel, even as it became a global giant over the next two decades, managed only once to get the three leaders together for an official photo.

Escaping from Communist Hungary and building an American business career that changed the world.

Yet the relationship between Grove and Noyce was far more complex than it seemed. In my last extended interview with him, in 2012, Grove stunned me by suddenly saying, with tears in his eyes, that of all the people he had known, "After all these years, I miss Bob the most."

Noyce had died of a heart attack in 1990 at age 62. Five years later, Grove was diagnosed with prostate cancer, then a few years later with Parkinson's disease. Typically, he fought back hard, with everything from experimental treatments to massive philanthropic support of

research programs. And he did it publicly. Not an easy thing in the Valley of Youth.

But Grove let the world see the illness that slowly twisted his face and ruined his ability to speak. His mind remained as fearsome as ever. In our 2012 interview, he started off by calling me an obscenity, and not in a particularly jocular way. For the next two hours, though he had trouble enunciating words, I was his intellectual chew toy, even though he knew that, as the writer, I would have the last word. All he expected—as ever—was honesty for honesty.

His last important public appearance was in 2013 for the debut of a PBS documentary about the birth of Silicon Valley. The screening was held at the Computer History Museum in Mountain View—a museum his achievements helped make possible. Surrounded by a thousand of his friends, former employees and even some enemies, he seemed much larger than his shrunken self. And as the lights went down, I saw him turn and cast his fierce eyes over the audience, surveying his world one last time.

Mr. Malone writes often for the Journal about technology. His books include "The Intel Trinity" (Harper-Business, 2014).

Notable & Quotable: 'Only the Paranoid Survive'

From "Only the Paranoid Survive: How to Exploit the Crisis Points That Challenge Every Company" (Doubleday, 1996) by former Intel CEO Andrew Grove, who died Monday at age 79:

I recently listened to evaluations of a certain highly touted new software from a company whose other products we already use. Our head of Information Technology told of unanticipated obstacles we were running into by trying to adopt this new software and therefore said that she was inclined to wait until the following generation of software

was ready. Our marketing manager had heard of the same situation at other companies as well.

I called up the software company's CEO to tell him what I was hearing and asked, "Are you considering changing your strategy and going directly to the new generation?" He said, "No way." They were going to stay the course, they had heard of no one having any problems with their strategy.

When I reported this to the individuals who brought me the news, our IT manager said, "Well, that guy is always the last to know." He, like most CEOs, is in the center of a for-

tified palace, and news from the outside has to percolate through layers of people from the periphery where the action is. . . .

The lesson is, we all need to expose ourselves to the winds of change. We need to expose ourselves to our customers, both the ones who are staying with us as well as those that we may lose by sticking to the past. We need to expose ourselves to lower-level employees, who, when encouraged, will tell us a lot that we need to know. We must invite comments even from people whose job it is to constantly evaluate and critique us.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch
Executive Chairman, News Corp
Gerard Baker
Editor in Chief

Robert Thomson
Chief Executive Officer, News Corp
William Lewis
Chief Executive Officer and Publisher

Rebecca Blumenstein, Matthew J. Murray
Deputy Editors in Chief

DEPUTY MANAGING EDITORS:
Michael W. Miller, Senior Deputy;
Thorold Barker, Europe; Paul Beckett, Asia;
Christine Glancey, Operations; Jennifer J. Hicks, Digital; Neal Lipschutz, Standards; Alex Martin, News; Ann Podd, Initiatives; Andrew Regal, Video; Matthew Rose, Enterprise; Stephen Wisniewski, Professional News; Jessica Yu, Visuals

Paul A. Gigot, Editor of the Editorial Page;
Daniel Henninger, Deputy Editor, Editorial Page

WALL STREET JOURNAL MANAGEMENT:
Trevor Fellows, Head of Global Sales;
Chris Collins, Advertising; Jason P. Conti, Legal; Suzi Watford, Marketing and Circulation;
Joseph B. Vincent, Operations;
Larry L. Hoffman, Production

EDITORIAL AND CORPORATE HEADQUARTERS:
1211 Avenue of the Americas, New York, N.Y., 10036
Telephone 1-800-DOWJONES

DOW JONES
News Corp

WEATHER & CROSSWORD

Follow the Money at a Busy International Airport

When an airport's finances go online, fliers can see where all those fees go

By SCOTT MCCARTNEY

Travel buffs have a new hobby: scrutinizing how Los Angeles International Airport spends \$1 billion a year on operations.

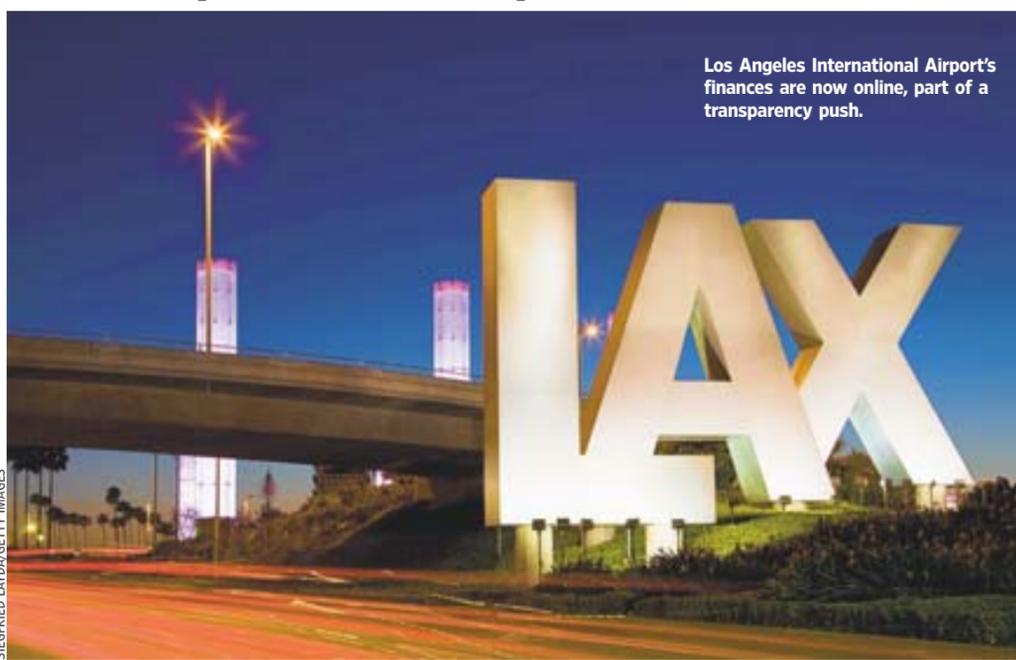
The L.A. city controller last week put the finances of Los Angeles World Airports online. You can look up each invoice paid by the agency that runs LAX. You can see how the money is spent, check salaries of airport employees, chart car rentals by month and see maps of noise impact and rankings of airports world-wide showing LAX lagging. It opens up the inner workings of a major airport as never before.

"I think everybody would be surprised at how much it costs to operate a major airport, just what a massive operation is involved," says Los Angeles City Controller Ron Galperin. "These are very complicated operations."

The disclosure is part of the controller's push for more transparency and accountability in city spending. Mr. Galperin has put the checkbooks of different departments online, making every dollar spent downloadable and searchable, and it's been popular. The city controller's website got very little traffic until the spending information started going up in late 2013; since then it has tallied a total seven million page views.

"You name it, the city buys it," Mr. Galperin says.

The Los Angeles airport collects an average \$17 per passenger through concessions and fees: When you rent a car, the airport collects revenue from rental-car companies plus a \$10 fee to pay for facilities. The airport gets a cut of duty-free sales and every bottle of water sold. When you take a taxi, there's a \$4 fee paid to the airport per drop-off and pickup. Uber and Lyft pay it, too, for use of the roadway and curb spaces. Airlines pay the airport rent for the space they use and landing



Los Angeles International Airport's finances are now online, part of a transparency push.

fees on each flight, which ultimately come out of passengers' pockets, too.

LAX is the largest airport in the country in terms of the number of passengers beginning or ending their trips there (Atlanta is biggest if passengers making connections are included). Costs at LAX are expected to rise as bills come due for a massive rebuilding program now under way.

Some of the spending showed up Tuesday after the bombings at the Brussels airport. LAX beefed up terminal patrols by police officers armed with automatic weapons and bomb-sniffing dogs. Los Angeles officials said they had no specific threat concerning the airport but wanted to show a bigger law-enforcement presence. Last year, LAX spend about \$120 million on security staffing costs, airport spokeswoman Nancy Castles said.

The biggest cost for LAX is employees. The airport spends \$374 million a year on salaries and benefits, about 37% of all spending, and another \$175 million on contractual services. Behind the scenes are maintenance workers,

\$314,425

Annual spending at LAX on fingerprint and background checks of employees

\$11,296

Annual spending at LAX on dog food for airport police K-9 teams

police and fire officers, airfield managers, lawyers, architects, accountants, PR teams, sales executives recruiting new airlines around the world and many others. (LAX and some other airports have their own police forces; others are patrolled by municipal police. Federal Transportation Security Administration officers, who are unarmed, screen passengers and cargo but don't carry out law enforcement at airports.)

Airport spending world-wide has gone up as new terminals get

built, old terminals get renovated and airports chase new business around the world, even offering to help airlines pay for launching new flights. Airports were once seen as low-cost loading docks for getting people on and off planes as cheaply as possible, with greasy hot dogs on rolling warmers available for the desperately hungry.

Now, though, airports are considered first-impression community gateways, showcases for art, high-quality food, amusement and local ambience. Airports increasingly see themselves pitched in global competition for air service.

But details of the spending at LAX show how running an airport is about much more than public art and incentives for foreign airlines. Los Angeles World Airports spent \$3.9 million on Smarte Carte luggage trolleys in 2015, \$314,425 for fingerprint and background checks on employees, \$257,348 on toilet paper, \$23,180 on foam ear plugs, \$15,805 on retirement clocks, \$11,296 on dog food for airport K-9 teams and \$10,562 on badge retractors (those wire things that clip to your belt).

"The scale of the airport's oper-

ation is often overlooked when considering the cost," says Ms. Castles, the airport spokeswoman.

To keep things running smoothly at LAX, the airport agency bought \$1,322 worth of WD-40 lubricant. The total tab at Home Depot was \$417,811 for the year. The airport police department bought \$271,719 worth of body armor, handcuffs, boots, pants and other supplies. Total AT&T bill in 2015: \$3.4 million.

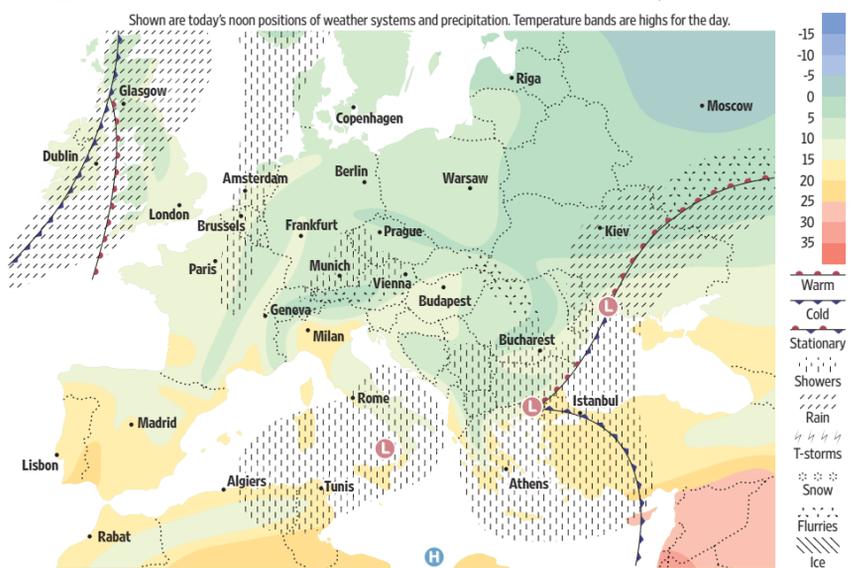
There were plenty of big-ticket items. LAX is spending hundreds of millions on construction, including \$228 million worth of interior improvements and security upgrades at the Tom Bradley International Terminal last year. About \$118 million was spent in 2015 renovating other terminals, soundproofing and noise mitigation, and \$32 million on escalators and elevators. The airport paid \$41 million to the city of Inglewood, Calif., for Inglewood's residential soundproofing and aircraft noise-reduction programs.

More money is coming in as passenger traffic grows. Concession revenue, which includes parking and rental cars, is a big part of any airport's budget, bigger than landing fees. LAX has undergone a concessions makeover in its terminals with local restaurants spicing up the offerings. It's resulted in increases in concession revenue for the airport. Though some stores had to be shut down because of the construction, in-terminal concession revenue jumped 8% last year at LAX. Duty-free revenue was up 15%.

The \$8.5 billion modernization program largely will be paid for by the \$4.50 "passenger facility charge" added to each airline ticket.

LAX, which has lagged in airport quality surveys around the world, is rebuilding the Bradley terminal now, expanding it with additional gates and concession areas, and will eventually build a central rental car facility, a train to the airport and a people mover inside the airport. There will also be big improvements to the central terminal area. A VIP terminal, paid for by a private company, is under development.

Weather



Global Forecasts

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

City	Today			Tomorrow			City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W		Hi	Lo	W	Hi	Lo	W
Amsterdam	10	6	c	10	3	r	Ottawa	-2	-4	sn	4	-8	sn
Anchorage	8	2	pc	8	1	sh	Paris	11	6	c	12	6	r
Athens	19	12	pc	18	9	t	Philadelphia	23	16	pc	20	6	pc
Bahgdad	27	16	pc	31	18	pc	Phoenix	27	12	s	29	13	s
Baltimore	24	16	s	20	5	pc	Pittsburgh	22	8	t	9	0	pc
Bangkok	36	27	s	35	26	pc	Port-au-Prince	36	21	s	36	23	s
Beijing	14	-1	s	15	1	s	Portland, Ore.	12	7	sh	13	3	sh
Berlin	9	4	pc	10	4	r	Rio de Janeiro	29	25	t	30	25	pc
Bogota	24	11	pc	23	11	r	Riyadh	26	12	pc	30	15	s
Boise	12	3	c	9	-2	sn	Rome	15	5	sh	16	7	r
Boston	8	4	sh	16	4	r	Salt Lake City	14	4	pc	9	0	r
Brussels	10	6	c	10	4	r	San Diego	23	13	s	21	14	s
Buenos Aires	24	12	s	21	15	pc	San Francisco	19	11	s	18	11	s
Cairo	32	19	pc	32	25	pc	San Juan	31	25	pc	30	24	pc
Calgary	8	-3	r	7	-4	pc	Santiago	27	11	s	31	12	s
Caracas	32	25	s	32	25	s	Santo Domingo	31	21	pc	31	21	s
Charlotte	25	14	pc	24	9	pc	Sao Paulo	24	20	t	25	21	t
Chicago	9	-2	r	8	1	s	Seattle	10	5	r	12	3	c
Dallas	19	5	s	22	10	s	Seoul	11	-1	pc	11	2	s
Denver	9	-3	pc	6	-6	sn	Shanghai	12	5	pc	13	4	pc
Detroit	16	0	r	8	-1	pc	Singapore	32	26	pc	32	26	pc
Dubai	27	18	s	28	20	s	Stockholm	6	1	sf	7	2	r
Dublin	11	2	r	12	6	pc	Sydney	27	19	s	27	19	pc
Edinburgh	10	2	r	11	4	pc	Taipei	17	13	r	15	11	r
Frankfurt	11	5	c	10	4	r	Tehran	19	9	s	21	11	pc
							Tel Aviv	30	16	pc	27	20	pc
							Tokyo	10	4	r	12	3	pc
							Toronto	3	1	i	5	-3	c
							Vancouver	10	4	c	11	4	c
							Washington, D.C.	24	16	s	20	6	pc
							Zurich	9	1	sh	9	3	r

The WSJ Daily Crossword | Edited by Mike Shenk

LOCAL COLOR | By Melina Merchant

- Across**
- 1 Expedition maker
 - 5 Wood's counterpart
 - 9 Trying to avert a strike, perhaps
 - 14 ___ about (words of approximation)
 - 15 Armed but not exploded
 - 16 Eponym of counties in eight states
 - 17 1956 children's book followed by the sequel "Savage Sam"
 - 19 Waterloo native
 - 20 Clorox competitor
 - 21 Ultimate object
 - 23 Didn't stick around
 - 25 Greenhouse device
 - 29 Facebook profile picture, often
 - 32 "I'll be right back"
 - 34 Color
 - 35 Youngest Hogwarts students eligible to try out for Quidditch
 - 37 Timeline stretches
 - 39 Works on walls
 - 40 "Phooey!"
 - 41 Bowler's twists
 - 46 Black Hawk War participant
 - 47 Like some pumps
 - 48 Table protector
 - 50 Conviction cancellation
 - 51 There's one in this club
 - 52 Meet successfully
 - 55 Make pigtailed
 - 59 Cassette part
 - 62 Easter basket treats
 - 64 Busby adornment
 - 65 Be dutiful
 - 66 Let go
 - 67 Lew who was married to Ginger Rogers
 - 68 Botticelli's Venus, e.g.
 - 69 Galley items
- Down**
- 1 Take in
 - 2 Single

- 3 Cells important in night vision
- 4 Prepare to leave the beach, perhaps
- 5 Harmful
- 6 Bent out of shape
- 7 Baker's need
- 8 Poindexter
- 9 Basis of a meritocracy
- 10 Building that might hold a few planes
- 11 Curve downward
- 12 Santa ___ winds
- 13 Power base?
- 18 "American Psycho" author
- 22 In the center of
- 24 Seldom-stocked shoe size
- 26 Reduce to shreds
- 27 They may be fixed in subsequent printings
- 28 Back from vacation, say
- 29 1984 Cyndi Lauper hit
- 30 Ice-covered moon of Jupiter
- 31 Take-charge sort
- 32 New York paper that published the first crossword
- 33 Con
- 36 Pound part
- 38 Group of signs
- 42 Prima ballerinas
- 43 Dijon denials
- 44 Mousy
- 45 Like some brewpub offerings
- 49 El Greco's adopted home
- 51 Physically fit
- 53 Bus. sch. course
- 54 Perfume advertised as "the forbidden fragrance"
- 56 Tourist destination in Uttar Pradesh
- 57 Music's Stravinsky
- 58 Recipe amts.
- 59 Where you may find a sweater
- 60 Work with
- 61 My, to a monarch
- 63 Pre-Easter purchase found in the four longest Across answers

Previous Puzzle's Solution

S	T	R	E	P	P	S	I	S	A	M	F	M
A	I	O	L	I	O	H	O	K	B	E	L	A
O	N	E	A	N	D	O	N	E	O	N	Y	X
N	O	O	S	E	L	A	V	A				
S	C	O	T	T	S	C	E	M	E	N	T	S
H	O	U	R	E	S	T	A	T	E	D	H	I
O	N	T	A	P	C	H	R	O	N	W	E	E
U	T	A	H	E	R	E	A	N	D	O	D	
L	I	A	N	E	X	E	R	I	T	S	O	M
D	I	D	N	O	W	E	I	S	T	P	E	T
A	N	A	T	O	M	E	Y					
A	N	A	T	O	M	E	Y					
B	U	M	P	A	M	I	N	O				
G	A	O	L	L	O	W	A	N	D	S	L	O
O	P	I	U	S	A	L	E	C	R	E	A	D
B	E	I	T	A	R	E	I	S	E	D	G	E

Master Business English with today's news

Now on iOS

BUSINESS & TECH.

INSIDE:
MONEY & INVESTING

Banks Wary of Russia Bond Sale

MARKETS | B5

Pinterest Reaches Out

Company pins down path to wider global audience **BUSINESS | B4**



© 2016 Dow Jones & Company. All Rights Reserved.

THE WALL STREET JOURNAL.

Thursday - Monday, March 24 - 28, 2016 | **B1**

Uber Escalates Battle for India

Street Fight

Uber and Ola are locked in an increasingly bitter battle for market share in India. Here's a look at how the numbers stack up for the two services.

	Uber	Ola
CEO/Co-founders	Travis Kalanick	Bhavish Aggarwal, Ankit Bhati
Year of launch	2013*	2010
Number of Indian cities	27	102
Number of drivers on the platform*	250,000+	430,000+
Lowest fares per kilometer in Delhi, in rupees		
Commission charged per ride	20%	20%
Valuation	\$51 billion	\$5 billion

*In India Source: the companies

THE WALL STREET JOURNAL.

BY SEAN MCLAIN AND ADITI MALHOTRA

NEW DELHI—An already-bitter battle between **Uber Technologies Inc.** and its main local competitor for dominance of the Indian market has hit a new level of ferocity.

Uber earlier this week filed a lawsuit against Bangalore-based **ANI Technologies Pvt. Ltd.**, which owns Ola, accusing the rival ride-sharing company of, among other things, creating tens of thousands of fake accounts and using them to place spurious orders and disrupt Uber's business.

Ola dismissed Uber's allegations as "frivolous and false." The company added that it wasn't "beyond our imagina-

tion that this is an effort to divert attention from the current realities of the market where Uber has faced major setbacks."

A spokeswoman for Uber in India declined to comment, citing the continuing legal dispute.

The spat is the latest dust-up between Uber, which is seeking to expand globally, and local adversaries looking to protect their home turf. ANI recently joined with U.S.-based **Lyft Inc.** and China's **Didi Kuaidi Joint Co.** in a nascent alliance against Uber.

Uber's fight with India's Ola is reminiscent of its battle with U.S. rival Lyft. The two San Francisco-based rivals undercut each other's prices,

poach drivers and duplicate services.

Uber executives see India, the world's second-most populous country, as a critical growth market. Uber and Ola have waged price wars to win customers and offered competing incentives to lure drivers in a race to expand.

In a suit filed in the Delhi High Court, Uber alleged that people working for Ola made 405,649 false bookings on the Uber app for rides in 10 Indian cities over six months. Uber said in court papers that it believes Ola employees in Bangalore and Pune were responsible for the fake accounts "based on the latitude longitude of the sign-up location of *Please see UBER page B3*

Apple Win On Phone Comes With Cost

BY DAISUKE WAKABAYASHI AND ROBERT MCMILLAN

The U.S. Justice Department's move to postpone a highly anticipated showdown with **Apple Inc.** over unlocking a terrorist's iPhone appears to be a victory for Apple.

But it comes at a cost: the suggestion that there may be a gap in the software protecting the contents of recent iPhones.

Since 2014, Apple has said that it had no way of breaking into phones using the most recent versions of its software. In resisting the government's order, Apple argued that creating software to do so could endanger all of its customers. Late Monday, the government postponed the case, saying it was investigating a method for getting into the phone without Apple's help.

"This suggests that the very thing that Apple feared already exists in some form and it exists outside of the walls of Cupertino," said Edward McAndrew, a partner at law firm Ballard Spahr and a former federal prosecutor in Virginia.

A high-stakes showdown with the U.S. government was averted.

U.S. Magistrate Judge Sheri Pym late Monday suspended her Feb. 16 order that Apple help investigators unlock the iPhone of Syed Rizwan Farook, who along with his wife killed 14 people in the Dec. 2 terrorist attack in San Bernardino, Calif.

Judge Pym postponed indefinitely a hearing scheduled for Tuesday, averting a high-stakes showdown between Apple and the Justice Department in a closely watched case over the balance between security and privacy in the smartphone era.

The Federal Bureau of Investigation's new method for potentially unlocking the phone, and its author, remained unclear Tuesday. The government said the "outside party" that brought it the information wasn't from the U.S. government. A law-enforcement official said the government is still testing the method, but is cautiously optimistic that it will unlock Mr. Farook's phone without Apple's help.

During the telephone conference call with Judge Pym on Monday, Apple lawyer Theodore Bontros urged the judge to suspend or revoke her order, in part because he said the government had implied that Apple had done something wrong in creating its encryption and opposing the govern- *Please see APPLE page B2*

In India, U.S. Chains Revamp Their Menus

BY PREETIKA RANA

NEW DELHI—**McDonald's Corp.** had to do the unthinkable this year: change the decades-old recipe of its signature two-patty chicken burger in India.

Battling a slump in sales, the Oakbrook, Ill.-based company redesigned the Big Mac of India—known as the Maharaja Mac, one of its best sellers for 20 years. It switched to thicker chicken patties and added jalapeños and a habanero sauce in January. It also launched a meatless Big Mac—a first—for India's many vegetarian consumers, using two corn and cheese patties.

"Everyone needs to reinvent to stay relevant," said Amit Jaitia, vice chairman of **Westlife Development Ltd.**, which runs the McDonald's outlets in western and southern India. "Even though the market is tough, you can still do things that can get you ahead."

India's once seemingly insatiable appetite for fast food has hit a wall at McDonald's, Pizza Hut, KFC and other established global brands, deflating optimism that untapped demand in the 1.2 billion-person market will offset slumping consumption in the West and China.

While the overall market for eating out is projected to expand, growth is slowing and less of it is happening at the international chains that were the trailblazers in India. Euromonitor International expects sales from India's food-service industry to reach 8 trillion rupees (\$120 billion) this year, up 11% from last year. In 2008, in comparison, the industry grew at 16%.

The fast-food first movers of the West that landed in India more than 15 years ago are trying to reinvent themselves, hoping to avoid the kind of demand implosion that forced **Yum Brands Inc.**, which controls brands like Pizza Hut, KFC and Taco Bell, to rethink



Ronald McDonald outside a McDonald's in India, in 2014. The fast-food chain and other Western brands are shifting plans in India.

its investments in China.

"The last two years have been the worst," said Ajay Kaul, whose Jubilant Foodworks Ltd. runs **Domino's Pizza** in India. The early movers built too many stores too soon anticipating a "deluge of guys coming into the middle class," he said, but "that conversion has not happened."

The biggest global fast-food brands had been rolling out outlets at an ever-accelerating rate in Asia's third-largest economy. Nearly half of Domino's 1,000 stores in India, for example, were built in the past five years. But the anticipated take off in customers has been weaker than ex-

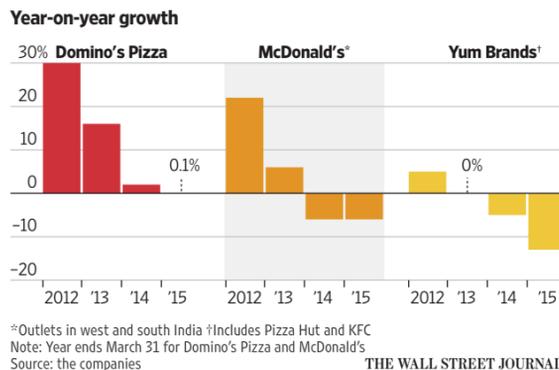
pected. Hundreds of millions of Indians still live below the international poverty line of \$1.90 a day, making fast food an expensive treat for the vast majority.

Meanwhile, India's first generation of fast-food fans—the few who can afford french fries—are increasingly switching to newcomers.

In recent years megacities have been flooded with new outlets from **Starbucks Corp.**, **Burger King Corp.**, **Wendy's Co.** as well as homegrown upstarts like spicy-potato slider chain **Goli Vada Pav**, tea chain **Chaayos** and India's answer to Starbucks, **Café Coffee Day**. *Please see INDIA page B2*

Slow Food

Same-store sales growth has slowed and fallen at the biggest global fast-food chains in India.



THE WALL STREET JOURNAL.

Hermès Rolls Along With Strong Profit

BY JASON CHOW

PARIS—**Hermès International SCA's** profit jumped 13% for 2015, as the maker of the Birkin bag maintained its in-

dustrial-leading margins even as revenue growth eased up during the fourth quarter.

The tightly held, family-controlled French luxury-goods company said Wednes-

day that profit climbed to €973 million (\$1.09 billion) from €859 million in the previous year, while revenue rose 8.1% to €4.84 billion.

Hermès, often regarded as the apex in the sector in both the prices it charges and its profitability, continues to rake in cash by cultivating its brand allure and keeping prices high while containing costs.

The luxury-goods group said its operating profit margin widened slightly to 31.8%, up 0.3 percentage point from the previous year, even though it said previously that profit margins would be relatively flat due to currency fluctuations.

Despite robust earnings growth, Hermès remains cautious in its outlook. The company reiterated its previous warning that revenue growth for 2016 would be below its

target of 8% at constant exchange rates as a weakening global economy and geopolitical tensions crimp consumer demand for expensive handbags and other fashion goods.

"We're in a very complex macroeconomic environment," said Chief Executive Axel Dumas. Still, Mr. Dumas said the company would benefit as it continues to expand production of its leather goods. Hermès recently opened two new factories, and plans to increase production capacity by about 8% each year over three to five years.

In a bid to even out pricing disparities around the world due to fluctuating currencies, Hermès said it increased prices in the eurozone by about 4% at the beginning of this year, while keeping prices in other countries constant.

Alphabet Is Ending Its Robotics Program

BY JACK NICAS

Google parent Alphabet Inc. is dismantling its robotics effort after less than three years and aims to sell **Boston Dynamics**, the legged-robot maker that was the centerpiece of the program, according to people familiar with the matter.

The moves reflect internal disagreements about the direction of Boston Dynamics and concerns about Alphabet's ability to make money from robots as the company increases its scrutiny of costs, said the people familiar with the matter.

In addition to Boston Dynamics, Google bought at least six other robotics firms in 2013, combined them into a group dubbed Replicant—a nod to the 1982 science-fiction

movie "Blade Runner"—and tapped Android co-founder Andy Rubin to run it.

Alphabet recently dissolved Replicant and assigned its employees to Alphabet's X division that works on long-term "moonshots," said X chief Astro Teller.

In an interview, Mr. Teller said the former Replicant employees are trying to repurpose their robotics work into new projects. He said he told the workers to prioritize the problems they are trying to solve over developing specific technology.

"Having an identity that's about robots is like saying you all share that you have Apple computers. That's meaningless," Mr. Teller said.

He didn't confirm that the *Please see GOOGLE page B3*



A Hermès store in Moscow. Hermès is cautious about its outlook.

SERGE KARBUKHOV/REUTERS

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	Goldman Sachs Group B7	PNC Wealth Management.....B7
Airbnb.....B4	Goli Vada Pav.....B1	Premier Foods.....B2
Amazon.com.....B7	GrabTaxi Holdings.....B3	R
ANI Technologies.....B1	H	Renault.....B2
Apple.....B1	Hermes International.B1	S
AstraZeneca.....B4,B8	HSBC.....B5	Société Générale.....B7
B	I	Starbucks.....B1
Bank of America.....B7	IATA.....B4	Starbucks.....B1
Baring Private Equity Asia.....B2	J	Starbucks.....B1
Blue Bird.....B3	JPMorgan Chase.....B7	Starbucks.....B1
BNP Paribas.....B5	K	Starbucks.....B1
C	KKR.....B2	Starbucks.....B1
Chaayos.....B1	L	Starbucks.....B1
China Mengniu Dairy..B4	Lyft.....B1	Starbucks.....B1
China Telecom.....B4	M	Starbucks.....B1
CIT Group.....B8	McCormick.....B2	Starbucks.....B1
Citigroup.....B7	McDonald's.....B1	Starbucks.....B1
Credit Suisse.....B7,B8	Morgan Stanley.....B7	Starbucks.....B1
D	N	Starbucks.....B1
Dean Foods.....B8	Nike.....B4	Starbucks.....B1
Delta Air Lines.....B4	Nintendo.....B5	Starbucks.....B1
Deutsche Bank.....B7	Nissan Motor.....B2	Starbucks.....B1
Didi Kuaidi Joint.....B1	P	Starbucks.....B1
Domino's Pizza.....B1	Pershing Square Capital Management.....B5	Starbucks.....B1
G	Pinterest.....B4	Starbucks.....B1
GameStop.....B5		Starbucks.....B1
General Mills.....B4		Starbucks.....B1

INDEX TO PEOPLE

A	Gutierrez, Edwin.....B7	M
Ackman, William.....B5	H	McNamara, Paul.....B5
Alemany, Ellen.....B8	Helfgott, Ludovic.....B4	N
B	I	Nikitina, Svetlana.....B7
Boutros, Theodore.....B1	Ingram, Robert.....B7	P
D	J	Pearson, Michael.....B5
Dunigan, Jim.....B7	Jatia, Amit.....B1	S
E	Johnson, Boris.....A4	Siluanov, Anton.....B7
Emin, Tracey.....B7	K	T
Errera, Alexandre.....B7	Kaul, Ajay.....B1	Thain, John.....B8
G	Khan, Rashid.....B3	Thiam, Tidjane.....B8
Ghosh, Carlos.....B2		V
Gabel, Jonathan.....B7		Varma, Unnat.....B2

APPLE

Continued from the prior page

ment's order, according to a transcript. Tracy Wilkinson, an assistant U.S. Attorney, said vacating the order would be premature because the new method might not work. "There have been a lot of people who have reached out to us during this litigation with proposed alternate methods, and one by one they have failed for one reason or another," said Ms. Wilkinson. The disclosure also underscores a troubling reality for Apple: It is in law enforcement's best interests to not only find and exploit vulnerabilities, but keep that information out of the company's hands. Apple executives have said repeatedly that securing its technology is a constant arms race and that no software is impenetrable. "This will become another tool in the FBI's surveillance arsenal until the vulnerability is found and patched," said Casey Ellis, chief executive and co-founder of cybersecurity firm Bugcrowd.

The U.S. pointed to a possible gap in the software protecting Apple's iPhones.

That runs counter to federal policies encouraging companies to share information about security flaws in software, so they can be fixed. The U.S. Computer Emergency Readiness Team was created in 2003 as a central repository of the nation's knowledge of security bugs, and a place where federal agencies, security researchers and the private sector can coordinate the nation's response to cyberthreats. Monday, the government said it knows about a potential gap in the software protecting Apple's iPhones. But the government isn't telling anyone, at least for now. To some, the revelation shifted a key question in the case, from whether Apple has a responsibility to help law enforcement unlock a terrorist's iPhone to whether law enforcement has a responsibility to help Apple protect its customers from a potential vulnerability in the iPhone. "The last entity that the FBI will tell is Apple," said Christopher Soghoian, principal tech-

nologist for the American Civil Liberties Union, which filed an amicus brief supporting Apple's opposition to the judge's order.

Security experts speculated about ways the iPhone could be breached. One scenario is that there is a previously undisclosed bug amid the few pieces of software that the government could access on Mr. Farook's phone, such as the "boot loader" code that the iPhone uses to start up its iOS operating system.

Another possibility: hardware hacking. Technicians could de-solder the iPhone's encrypted memory chip and insert a test socket where the memory had been. Then they would copy the encrypted data to memory chips, slide them, one-at-a-time into the test socket and try to guess Mr. Farook's 4-digit passcode. It would take as many as 10,000 guesses to determine the passcode, and the iPhone only allows 10 tries, but by repeatedly loading the data onto a flash chip, the FBI would essentially reset the counter. This technique would require about \$50,000 in equipment and take as little as two days, according to an estimate made by Daniel Kahn Gillmor, a technology fellow with the ACLU.

A more expensive scenario—this one costing between \$500,000 and \$1 million—would use a focused ion beam to probe the iPhone's microprocessor, extracting cryptographic information that could then be used to decrypt the phone's data. That technique would require several months of very precise work, where any misstep could render the phone unreadable.

On Capitol Hill Tuesday, Rep. Ted Lieu (D., Calif.) said he found the FBI's actions in the case "extremely disconcerting," noting that it filed the case against Apple before exhausting all of its options and then asked to delay the hearing before knowing whether its new method of unlocking the phone will work. "Either there was a tremendous lack of due diligence or the FBI wasn't particularly interested in this iPhone and they were using a horrific tragedy to try to set a precedent," Mr. Lieu said.

A Justice Department spokeswoman said the FBI had sought to access the phone's data without Apple's help, and asked for the delay to test the recently proposed method. —Kate O'Keefe contributed to this article.

BUSINESS NEWS

Private Equity Considers Yum China

Yum Brands Inc. is considering selling a stake in its Chinese operation as part of a plan by the U.S.-based restaurant company to spin off the once fast-growing business.

By Rick Carew, David Benoit and Dana Mattioli

Yum, owner of the KFC, Pizza Hut and Taco Bell fast-food brands, has started discussions with several financial firms about selling a stake in the business that could approach 20%, according to people familiar with the situation. The business could be valued at about \$10 billion, according to one of the people.

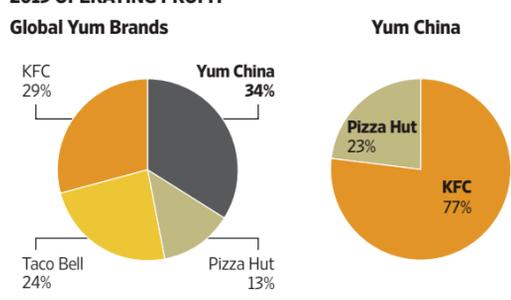
Those exploring offers include KKR & Co., Baring Private Equity Asia and several Chinese funds, according to the people. Interested investors have floated a number of proposals, but Yum appears focused on selling a 19.9% stake to avoid a big tax bill. It is possible that interested parties could form one bidding consortium or more.

Yum, which has a market value of \$32 billion, announced the plan to hive off its China operations in October. The idea is to insulate the company from turbulence in those operations stemming from food-safety scares, stronger competition and other headwinds. As part of the plan, the China business would pay its former parent for the brand rights to

Splitting Up

Yum Brands is shopping a stake in its China business to private-equity firms.

2015 OPERATING PROFIT



Source: the company

KFC, Pizza Hut and Taco Bell, which isn't yet in the country. Yum, which plans to complete the China spinoff by the end of 2016, hasn't publicly discussed the possibility of selling a stake. Company executives have said Yum initially plans to list the new China company on the New York Stock Exchange. At some point later, the new entity is likely to either have a dual listing on the Hong Kong stock exchange or to fully migrate there, the executives have said.

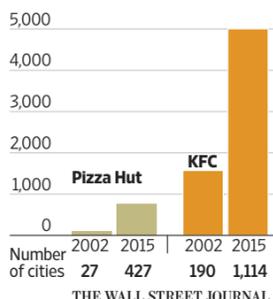
According to one of the people, Yum is seeking a so-called anchor investor as a first step in the spinoff process, which among other things could add China know-how and make the stand-alone company more attractive to other shareholders. The dis-

cussions with potential investors are at an early stage and Yum may not reach agreement with any parties, some of the people cautioned. The spinoff is expected to proceed with or without an anchor investor.

A Yum spokeswoman declined to comment on any potential stake sale. "We continue to make good progress since we announced the transaction separating Yum and Yum China into two powerful, independent, focused growth companies," she said in a written statement. "We will provide updates on the transaction at appropriate times."

Once considered the crown jewel of Yum's business, the China operations have come under scrutiny from investors including Keith Meister's Corvex Management LP. The activ-

Number of restaurants in China



THE WALL STREET JOURNAL.

ist fund pushed Yum to separate the Chinese business, which could appeal to a different shareholder base than the company's more-mature operations elsewhere.

Opening a KFC near Beijing's Tiananmen Square in 1987, Yum was the first major Western fast-food company to enter China. The country soon became the star of Yum's global portfolio. In 2011, Yum's China revenue rose 35% to \$5.6 billion, accounting for 44% of its global total, while operating profit rose to \$908 million.

Yum now operates 7,100 restaurants in China, including 5,000 KFCs, of 43,000 restaurants world-wide. Around half of its sales come from China. —P.R. Venkat, Laurie Berkitt and Matt Jarzemsky contributed to this article.

Spice Maker Bids for Premier Foods

By TAPAN PANGHAL

LONDON—U.S.-based spice maker McCormick & Co. on Wednesday said it had made a takeover approach of roughly \$670 million for British food manufacturer Premier Foods PLC.

McCormick's statement came after Premier said earlier in the day it had received two approaches from McCormick and had rejected both.

Premier said the first offer came Feb. 12 and was pitched at 52 pence (74 cents) a share in cash, valuing Premier at £462 million (\$656 million). The second offer arrived on March 14 and represented an increase of 15%, valuing Premier at 60 pence a share.

Premier, best known for its

Mr. Kipling cupcakes and Loyd Grossman sauces, said both offers undervalued its growth prospects.

McCormick said in its response that the second offer represented a 90% premium on Premier's closing share price of 31.5 pence on Tuesday, and believes that, even though the bid has been rejected at board level, it would be well-received by Premier's shareholders.

Shares in Premier soared 71% to 53.75 pence in London in response to the takeover interest.

McCormick, which already sells spices and flavorings in the U.K. under the Schwartz brand, said the acquisition of Premier would be consistent with its long-term strategy and, if completed, would in-

crease its presence in the U.K. grocery market.

The Maryland-based company also said the latest offer provides Premier shareholders with an attractive premium, combined with the certainty of a cash value. But Premier said the offer represented an insufficient premium on its total value, which includes allowances for debt and pension obligations.

"McCormick's proposal represents an attempt to capture the upside value embedded in Premier's business that rightfully belongs to Premier's shareholders," Premier Chairman David Beaver said.

"The proposal fails to recognize the value of Premier's performance to date and prospects for the future, including

the strategic plans we have to accelerate growth," he added.

McCormick didn't reveal its next move, and cautioned that no firm offer is certain. Under U.K. takeover rules, McCormick is required to make a firm bid for Premier by April 20 or withdraw its offer.

The U.S. firm is being advised by Goldman Sachs and Rothschild, while Premier is being advised by HSBC, Jefferies, Credit Suisse and Ondra Partners.

In an effort to protect its independence, Premier also said Wednesday it is making new investments to boost growth and would team up with Japanese noodle maker Nissin Foods Holdings Co. The tie-up is conditional upon no takeover for Premier succeeding.

Ghosh Urges Uniform Driverless-Car Rules

By MIKE SPECTOR

Auto makers need to push regulators around the world for consistent rules to allow driverless cars to proliferate, Renault SA and Nissan Motor Co. Chief Executive Carlos Ghosh said Wednesday.

Mr. Ghosh, speaking at the New York International Auto Show, said he expects autonomous vehicles to become more commonplace in coming years, eventually changing lanes on highways and driving through cities on their own. His companies plan to offer 10 autonomous-drive models by 2020.

But differing regulations could present hurdles to clearing them for operation, he said.

"It's very important that we...lobby in every single country with the regulatory authorities to take our eyes



Carlos Ghosh, head of Nissan and Renault, speaking Wednesday.

off the road and our hands off the wheel," Mr. Ghosh said. He said his companies are working with U.S. and Japanese regulators. He made a distinction between autonomous vehicles and driverless cars, pointing to automobiles in the short term that will

perform functions automatically while still requiring a driver at the wheel.

The U.S. National Highway Traffic Safety Administration earlier this month released a report highlighting possible conflicts between driverless cars and existing auto-safety

rules, such as requirements for human feet to tap brakes.

At the same time, the agency is working to develop standardized rule recommendations for states on autonomous vehicles.

John Krafcik, head of the self-driving car project at Alphabet Inc.'s Google unit, on Tuesday reiterated support for efforts to combat concerns over a patchwork of state rules that could complicate a driverless-car rollout. California, for instance, has proposed requiring special drivers' licenses for autonomous vehicles and subjecting them to specific tests.

"It's an auto maker's biggest nightmare that you have one standard in California, a different standard in Wyoming and a different standard in Tennessee," said Jim Lentz, Toyota Motor Corp.'s North American chief.

INDIA

Continued from the prior page

The competition widened diners' choices, analysts say, leaving the first movers struggling to retain the cachet for customers who once aspired to dine in their outlets.

"What used to be a playground for five big global brands has now become a playground for 10 big brands and hundreds of smaller players," said Unnat Varma, who heads Pizza Hut in India. India's increasingly sophisticated and demanding consumers blame the big fast-food players for failing to keep pace with changing tastes. For much of the last decade, sampling McDonald's fare was an exciting new experience. Consumers say these days their outlets and menu items look dated compared with the new

competition. "Earlier when we thought burgers, we thought McDonald's," said 27-year-old Suchi Sabhrwal, who assists an interior designer. "Now there are so many cooler options."

McDonald's share in India's fast-food chain market slid from 38% in 2009 to 26% in 2014, according to Euromonitor. Pizza Hut's share in the pizza chain market slumped to 18% from 31%.

Sales growth has tapered off, too. In 2013, Yum's sales in India grew 20%; last year, sales dropped by 5%. Westlife, which runs more than 200 McDonald's outlets in western and southern India, reported sales at 7.64 billion rupees last year. That represents 3% annual growth, down from 26% in 2013.

The chains have big expansion plans for India and need to act swiftly to avoid Yum's

fate in China, where a 2012 food-safety scandal combined with a shift in diners' preferences and intense competition to erode much of the brand's novelty, analysts say. Last year, the company decided to spin off its Yum China business into a separate, publicly traded franchisee.

Yum says it is restructuring the way it manages its outlets in India to revive growth. The India division shut down 235 restaurants in the last two years, and last year it finished consolidating most of its franchised outlets under one franchisee. It currently has around 800 stores in the country.

Other fast-food chains are revamping their menu and upgrading the look of their restaurants. Besides the re-designed Maharaja Mac, McDonald's has introduced new products to spice up its menu, including an ice cream dish with chili flakes. It has

also brought its McCafe coffee shops to India.

Mr. Kaul, of Jubilant Foodworks, says Domino's is trying "every trick in the book."

To target cost-conscious consumers Domino's offers big discounts, and to add variety for the veteran pizza consumer, it hired a Michelin-starred Indian chef to design pizzas.

Pizza Hut is currently offering a mini chickpea pizza for under \$1 and said it is considering inviting diners into the kitchens to create their own pizzas.

The market leaders are hoping they can get back on track to fast expansion. Mr. Jatia plans to double his McDonald's store count to about 400 in the next three to five years, while Domino's plans to erect 150 new stores every year over the same period. Yum hopes to take its store count to 2,000 by 2020.

ADVERTISEMENT

The Mart

TRAVEL

Save Up To 60%

First & Business

INTERNATIONAL

Major Airlines, Corporate Travel

Never Fly Coach Again!

www.cooktravel.net

(800) 435-8776

Businesses For Sale.

Advertise in The Mart.

Call +44 (0) 207 572 2123

THE WALL STREET JOURNAL

PHOTOGRAPHY

Indonesia Addresses Car-App Controversy

BY SARA SCHONHARDT AND ANITA RACHMAN

JAKARTA, Indonesia—The Indonesian government offered ride-sharing companies **GrabTaxi Holdings Pte. Ltd.** and **Uber Technologies Inc.** a path to officially operate in the country after parts of Jakarta were shut down by thousands of taxi drivers on Tuesday protesting the popular services.

In a meeting Wednesday to find a solution to the escalating dispute, the acting director-general for land transportation, Sugihardjo, said the ride-hailing services would be allowed to operate in cooperation with registered rental-car companies or taxi services.

"They have to cooperate with official, registered public-transportation companies," said Mr. Sugihardjo.

The companies, both of which attended the meeting, said they would cooperate with the government by working with partners that have business and operational permits for rental transportation. All

parties are still discussing the details and length of the transition period.

Uber has already formed a partnership with a car-rental cooperative and is compiling the paperwork to register as a legal entity. Drivers of GrabCar, the car-hailing service of GrabTaxi, formed a cooperative last week. Mr. Sugihardjo said the services could operate normally until their licenses are approved, but would be prevented from adding more cars or drivers.

Traffic was back to normal on Wednesday, though taxis appeared in shorter supply than usual. **Blue Bird Tbk**, Indonesia's largest taxi operator with a 43% market share, offered free rides for over a 24-hour period—that began Wednesday—to soothe customers affected by Tuesday's shortages.

The popularity of ride-hailing apps has soared in traffic-choked Jakarta, where the ride-sharing services are cheaper than traditional taxis. The taxi industry has complained that the ride-hailing services aren't

subjected to the same costs and regulations as their established businesses.

The organizers of Tuesday's protests, which drew around 12,000 drivers, said they should be more tightly regulated or banned.

Details of how the services will operate still need to be negotiated. But the head of the Jakarta Organization of Land Transportation Owners, which arranged the protest, said he was pleased the government had organized Wednesday's discussions, and said no new protests were planned.

The latest protests come as cities around the world adapt to new app-based technologies. Protests have erupted around the world from China to France to Mexico and have led to regulatory limits in some places.

Drivers say their livelihoods and salaries are being squeezed by the likes of Uber and Grab. Some protesters said they weren't against the apps, they wanted the government to ensure everyone plays by the same rules.



The MIT Atlas robot 'Helios'—built by Boston Dynamics—was prepped for a 2015 competition.

PATRICK T. FALLON/REUTERS

GOOGLE

Continued from page B1

Boston Dynamics group was for sale, but he suggested the unit didn't join X because it is unwilling to abandon its humanoid robots.

"The ethos they have and the ethos we have weren't super-compatible," Mr. Teller said. "They are some of the most talented roboticists in the world, but in order to be here...you have to sign up for our way of doing things."

Several X teams use robots—such as self-driving cars and delivery drones—but Mr. Teller said those devices are means to solving larger transportation or logistics problems.

Bloomberg previously reported Alphabet's plans to sell Boston Dynamics, a 24-year-old Waltham, Mass., company that began as a spinoff from the Massachusetts Institute of Technology.

Videos of Boston Dynamics' robots based on humans and animals have attracted more than 100 million views on YouTube.

The people familiar with the matter said Alphabet executives wanted Boston Dynamics to focus on a product that could make money within a few years. When Boston Dynamics executives resisted, Alphabet decided to pursue a sale, the people said.

Boston Dynamics didn't respond to requests for comment.

Colin Angle, chief executive of consumer-robot firm iRobot Corp., said Boston Dynamics was a poor fit for Alphabet because its robots' distinguishing feature—their ability to walk on two or four legs—is primarily useful to the military. But Google said it wouldn't sell Boston Dynamics robots for military purposes.

Last year, the company pulled the devices from a high-profile robotics challenge run by the U.S. Defense Department.

"Legged robots are valuable in some niche situations, like traversing through jungles and up the sides of mountains—things that the military is interested in," but most companies aren't, Mr. Angle noted. "The idea that legged robots

are key to a practical robot industry is a false notion. What they are is incredibly cool and incredibly difficult" to build.

Mr. Rubin's departure from Google in 2014 hurt the internal standing of the robotics group. He told the New York Times in late 2013 that the robotics program had "a 10-year vision."

Google executives had envisioned robots that cared for the elderly and loaded groceries into self-driving cars, but that shifted during the past two years.

Mr. Rubin declined to comment for this article.

Mr. Rubin "left this asset without a clear mission and without someone of his reputation and vision to pull what effectively was [seven] different academically oriented robotics companies into something that would create a meaningful revenue source for Google," Mr. Angle said.

After he left, "then came some amount of soul searching...and there wasn't a clear path forward."

—Yoko Kubota contributed to this article.

UBER

Continued from page B1

the said rider accounts." Uber is seeking damages of 496 million rupees (\$7.4 million) to compensate it for lost revenue and the fees it pays drivers for canceled trips.

In the suit, Uber also claims Ola agents impersonate Uber managers and send text messages to Uber drivers telling them to shut off the app during peak hours, saying it has a bug that needs fixing.

The company alleges the actions are creating a shortage of cars and that the high numbers of cancellations are af-

fecting the earnings of drivers, leading 20,000 of them to move to Ola.

Driver Rashid Khan, who uses the Uber platform, said he has received ride requests in Delhi that are canceled and then rebooked every few minutes, clogging up his app. It got so bad on a recent day that he just turned off his phone.

Mr. Khan also said he has received text messages that purport to be from Ola, saying "the company you work for is eating up all your money without you even realizing it."

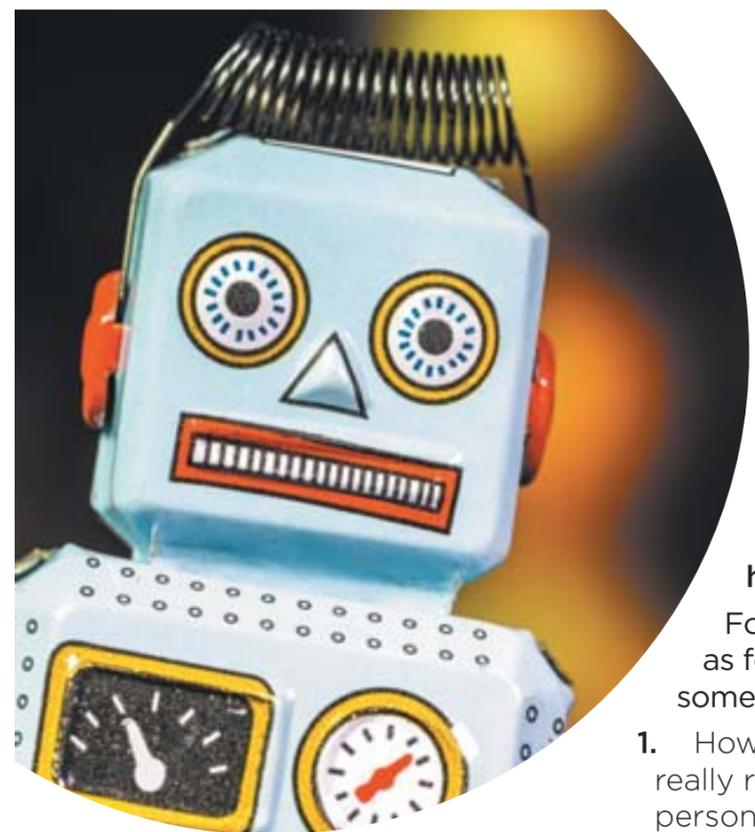
Ola denied sending text messages or making calls to Uber drivers.

In its statement, Ola said it

believes Uber is retaliating for a criminal contempt-of-court petition filed by Ola that alleges the U.S.-based company is flouting an order to curb the use of diesel vehicles in Delhi.

The Delhi High Court ordered Uber to no longer add drivers with diesel cars to its platform in Delhi. Ola alleges Uber has ignored that order. Uber has said previously it is moving to meet the court's order and ensure only vehicles running on natural gas operate in the city.

The president and general manager of Uber's Indian operations face a fine of 2,000 rupee and as many as six months in prison if they are found in contempt.



If you're reading the Wall Street Journal you are probably either successful by most people's standards or well on your way to it.

But do you feel successful?

Research regularly concludes that how we spend our time contributes more to happiness and fulfillment than what we own or earn.

The expert lifestyle managers at the award-winning Ten Concierge can help create more balance in your life by taking on your personal to-do list and providing recommendations, upgrades and access 24/7.



Lifestyle concierge
Intelligent support from Ten



Are you too busy to feel successful?

Take our quick test to see how you rate and how Ten could help.

For every question score as follows: always = 5, sometimes = 3, never = 1

1. How often do you feel really relaxed knowing your personal to-do list is taken care of?
2. When you eat out are you delighted by the food and the experience?
3. Are your holidays brilliantly planned?
4. Do you properly celebrate the important people in your life?
5. Are your weekends and evenings free from chores?
6. When you stay in hotels do you typically get offered upgrades and extra benefits 'on the house'?
7. Do you have time to secure face value tickets for concerts, shows and sporting events the day they go on sale?

8. Do you have trusted contacts in every global city, who help you make the most of your visit?

Rate your score

8-19 Sounds like you need to create more time for yourself and those important to you. Try a Ten membership to see if that allows you to delegate and relax more.

20-29 Room to improve but some positive signs too. Try a Ten membership to experience how the service could help take you from 'OK' to really getting the most from your life.

30-40 You seem to be on track for living the good life.

Congratulations! Are you already a Ten member?

Try us free for a month to see the difference we can make using promotional code **NEWS04**

www.tenconcierge.com
+44 2030 564919

BUSINESS NEWS

AstraZeneca Hits Growth Setback

By DENISE ROLAND

LONDON—AstraZeneca PLC said its prescription blood thinner Brilinta was no more effective than aspirin at preventing major heart problems in stroke patients, denting the company's growth ambitions for one of its key drugs.

The U.K.-based drugmaker had hoped the large clinical trial would open up a new slice of the blood-thinner market for Brilinta, which is already approved for treating patients recovering from a heart attack.

AstraZeneca said that while patients who took Brilinta in the 90 days after an initial stroke were slightly less likely to have a heart attack, a further stroke or to die, the trend wasn't strong enough to show statistical significance.

The disappointing result puts pressure on the company's ambition to increase sales of Brilinta to \$3.5 billion by 2023, an important plank in its overall target of nearly doubling revenue to \$45 billion in the same period.

Analysts already considered AstraZeneca's targets bullish. On average, they expect Brilinta to bring in roughly \$1.9 billion in revenue by 2020, and few expect sales of more than \$2.5 billion by 2023.

Ludovic Helfgott, head of As-

traZeneca's Brilinta franchise, said while the stroke-patient outcome was a "disappointment," the company has "many other reservoirs of potential growth" for the drug. He added the results didn't reduce the company's long-term sales expectations for Brilinta. Analyst expectations for additional sales related to stroke treatment were modest, about \$500 million, owing to the availability of generics to ward off blood clotting in stroke patients.

The company is plowing heavy investment into a large clinical-trial program involving 80,000 patients with various ailments in an effort to expand Brilinta's use beyond the group for which it was first approved: those who had recently suffered a heart attack.

It has already recorded one success, in showing that Brilinta effectively reduced the risk of serious heart problems in patients with a history of heart attack, and not just those who had suffered one in the previous year. It is also testing the drug in patients with diabetes and peripheral arterial disease, a condition in which narrow vessels restrict blood flow to the limbs.

Results for those trials are expected later this year and in the first half of 2017, respectively.

Pinterest Sets Sights Abroad

By YOREE KOH

In a bid to attract Internet users world-wide, image-discovery site Pinterest Inc. has learned a few valuable lessons. Among them: The French don't want to see the Americanized recipes of beloved classic dishes such as the cassoulet, but they aren't averse to non-Parisian fashion.

Such fickle tastes are complicating Pinterest's expansion overseas, a critical effort to justify the six-year-old startup's \$11 billion valuation and eventually appeal to public-market investors.

While there are no near-term plans for an IPO, the San Francisco-based company—with more than 500 employees and overseas offices in London, Paris, Berlin, Tokyo and São Paulo, Brazil—would need to have a strong global presence to be competitive.

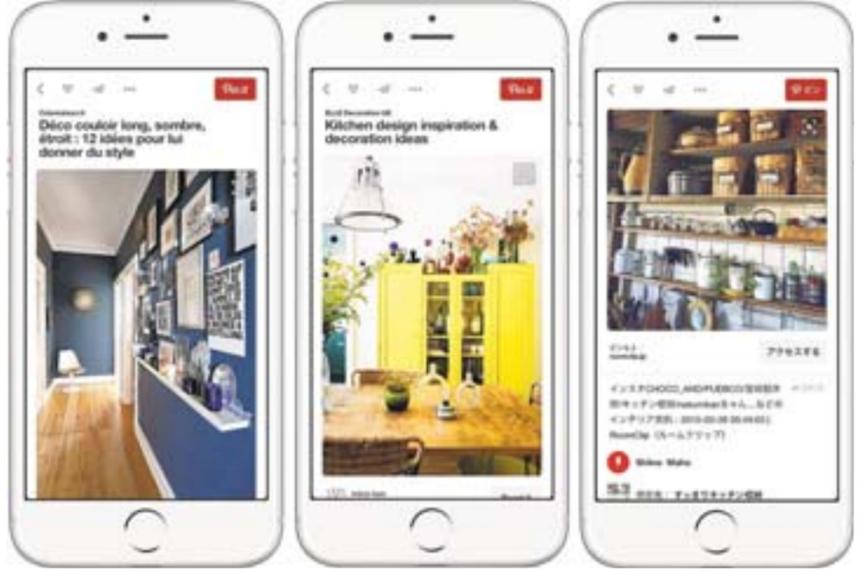
At weekly meetings with employees, Chief Executive Ben Silbermann has emphasized the need to grow internationally, according to people close to the company. While Pinterest has made strides, the task has proved more challenging than expected, these people say.

People mostly go to Pinterest to discover new ideas on topics such as fashion, home décor and weddings. They can browse through the 50 billion images, or "pins," on the site and mobile app and save them to self-titled "boards."

Pinterest must discern a person's inclinations quickly to show them the most suitable images. The company, however, has underestimated the diversity of international users' tastes, so in the past several months it has sought to make the site decidedly less American.

"How do we make sure the product feels very local for every user in every market around the world?" Jack Chou, Pinterest's head of product, asked in a recent interview. "That's a really hard challenge."

As a result, Pinterest said it has spent much of the past



The most popular home-decor pins in France, the U.K. and Japan during the last six months.

year researching what kind of content works best overseas. Now, they must implement what they have learned so users become more engaged.

Pinterest, like other highly valued startups, is under mounting pressure to deliver on ambitious promises amid a slump in technology stocks that has cooled investor sentiment. When Pinterest raised \$553 million in funding a year ago, it projected \$3 billion in revenue for 2018, according to an offering document reviewed by The Wall Street Journal. That would require ad sales to more than triple in each of the next three years.

In 2015, Pinterest generated about \$100 million in revenue by showing ads to its roughly 55 million active monthly U.S. users, according to a person familiar with the matter.

Much of the anticipated revenue will need to come from abroad, but Pinterest has yet to start targeting ads to international users. Before it does, the company said it must attract a larger non-U.S. audience. Only about 45% of its more than 100 million monthly users are international. Pinterest is ex-

pecting to have international users account for more than 50% of its overall audience within the first half of 2016, according to a person familiar with the matter. Facebook Inc. and Twitter Inc., peers that investors inevitably will compare with Pinterest, each had at least 70% international users at the same stage and today have at least 80%.

Pinterest bills itself as the place to discover ideas, but overseas that often means scrolling through images more suited for Americans—a main complaint for international users, according to the company. For example, food recipes used cups and ounces, not metric units common in Europe and Asia, and featured ingredients that aren't readily available overseas. Recipes using slow cookers are popular in the U.S., but not in the U.K., where Crock-Pots aren't a kitchen staple.

Even Pinterest's own lingo has gotten lost in translation. Pinterest's "pins" and "boards" are based on the concept of physically pinning notes and clippings to cork boards. But in Brazil, where those aren't popular, users don't understand the reference. Instead, it calls

to mind another, more common usage of "pin" in Brazilian Portuguese, for an item used to fasten a diaper, said Ricardo Sangion, Pinterest's country manager in Brazil.

When Pinterest began expanding overseas two years ago, the company emphasized user outreach. Local staff contacted bloggers and lifestyle experts who could lure large followings. People joined the site, but didn't stick around. Manon Gardetto, a 22-year-old university student in France was among them. She signed up for Pinterest two years ago seeking ideas to decorate her apartment, but soon quit. "It's very complicated. I don't have time to take in all the information."

Pinterest said it has doubled international users in the past year to about 45 million, but despite the gains, the percentage of Pinterest users in Brazil, France, Germany and Japan remains in the single digits, according to people familiar with the matter. The to-do list remains long. Pinterest must balance practical ideas, such as showing baby strollers available in users' countries, with aspirational images of dream homes around the world.



The drugmaker aims to nearly double sales to \$45 billion by 2023.

CHRIS RATCLIFFE/BLOOMBERG NEWS

If you can't find six more

B F J W O A R T O N X N E H V
Y M S I Z C B E A S I F I U V
F R Z B O H I F N N F N A L B
S C J R F Q S T P M F T E T G
B O F I O U C A R I S F O K F
N H R P O D R J C F O T E H V
O C U I B V U T M I C A Y G
U Q J F O I F T O D Y C E C Y
A R K I T C M B F I Q N K F A
G S E O A V D H E I P A W T O
R I S I F I Y A O N Y M E C V
T S X B T C M B F I Q N K G U
A R K O Y B A S E L I I I F A

this ad isn't for you.

Introducing WSJ Pro Financial Regulation — a premium, professional membership that puts the insight of The Wall Street Journal and the unrivaled data and resources of Dow Jones at your fingertips. From exclusive news and analysis on financial regulation and its impact, to networking events and email alerts — WSJ Pro Financial Regulation gives you the tools you need to excel. Use our insight to your advantage.

Sign up for a complimentary 14-day trial today
Go to wsj.com/pro/finreg



Business Watch

AIRLINE INDUSTRY Top Trade Group Hits Parts Suppliers

The airline industry's biggest trade group on Wednesday said it has filed a complaint with the European Commission as part of the regulator's review into alleged anticompetitive practices by suppliers of aircraft parts.

The European Commission, the European Union's executive arm, last year began examining "competitive conditions" in the market for maintenance of engines and large commercial airplane parts. A formal probe hasn't been launched.

The EU's antitrust regulator has sought input from airline stakeholders and suppliers over possible market irregularities before deciding how to proceed.

"There are relatively few equipment vendors and our members are frustrated that there is little flexibility in negotiations for aftermarket services," said Tony Tyler, general director of the International Air Transport Association.

Airlines complain that their profit margins are far smaller than their suppliers. Airlines last

year delivered a 4.6% profit margin, the IATA said, compared with double-digit margins for many suppliers.

Mr. Tyler said "our aim is to help rebalance the relationship so that airlines and [equipment makers] can work together as true business partners in a normal commercial relationship."
—Robert Wall

GENERAL MILLS Cost Cutting Offsets Slump in Sales

Cost cutting helped General Mills Inc. book a higher profit in its latest quarter, but the Cheerios maker is still struggling with weak U.S. demand for its cereal and yogurt.

The Minneapolis-based company's sales declined 8% to \$4 billion for the three months ended Feb. 28, trimmed by the sale of its Green Giant vegetable business and foreign-exchange headwinds that lowered the value of overseas revenue. But the company's effort to close factories and reduce corporate spending helped lift profit 5.4% to \$361.7 million, beating analysts' expectations.

The 150-year-old food company says restoring growth for its U.S. cereal sales is a priority. Consumers are eating less of the processed oats and grains for breakfast, switching to higher-protein, portable meals like Greek yogurt and breakfast sandwiches.

General Mills reported fiscal third-quarter earnings of \$361.7

million, or 59 cents a share, up from \$343.2 million, or 56 cents, a year earlier. Excluding certain items, adjusted earnings fell to 65 cents a share from 70 cents.
—Annie Gasparro

VIRGIN ATLANTIC AIRWAYS Pretax Profit Benefits From Fuel Hedges

Virgin Atlantic Airways Ltd. chalked up a second year of operating profit last year after a succession of yearly losses, aided by a lower fuel bill and a restructuring in which the carrier founded by billionaire Richard Branson has focused on flights to the U.S.

Virgin Atlantic, 49%-owned by Delta Air Lines Inc., said Wednesday that pretax profit, before so-called one-time items, increased to £22.5 million (\$32 million) from £12.4 million in 2014 when the carrier ended a three-year run of losses.

The airline based in Crawley, England, said the decline in fuel costs drove a £198 million reduction in operating costs, excluding currency fluctuations, on revenue of £2.78 billion. The airline carried 5.9 million passengers last year.

Chief Financial Officer Shai Weiss said fuel costs are likely to fall further this year as the airline's fuel hedges unwind, which left the carrier paying more than spot rates in 2015. Airlines often hedge fuel consumption using financial instruments to have certainty over their costs.
—Robert Wall



Virgin Atlantic's pretax profit rose to £22.5 million (\$32 million) from £12.4 million in 2014.

LOUIS VASTRO/REUTERS

MONEY & INVESTING

Nasdaq Sees Red Over a Few Laggards
MARKETS | B7

David Nish Adds Heft To HSBC's Board
BANKING | B8

© 2016 Dow Jones & Company. All Rights Reserved.

THE WALL STREET JOURNAL.

Thursday - Monday, March 24 - 28, 2016 | B5

As of 4p.m. ET EUR/GBP 0.7921 ▲ 0.33% YEN/DLR ¥112.74 ▲ 0.33% GOLD 1223.70 ▼ 1.96% OIL 39.79 ▼ 4.00% 3-MONTH LIBOR 0.63010% 10-YR TREAS ▲ 18/32 yield 1.873%

Banks Wary of Russia Sale

U.S., Europe lenders warned about helping sell bonds; funds could run afoul of sanctions

By Christopher Whittall and Andrey Ostroukh

The Russian government is struggling to find major global banks to help it sell \$3 billion of sovereign bonds, putting into question Moscow's return to capital markets after a nearly three-year absence. Many European banks have

ruled themselves out of participating in a bond sale, unwilling to upset U.S. and European authorities, who have imposed sanctions on a range of Russian companies and individuals. The U.S. government already has warned off some top U.S. banks.

That leaves Russia mainly reliant on local and Chinese banks to get the deal done. But these banks may not have the international reach to sell Moscow's first foreign deal since sanctions were imposed following Russia's annexation of Crimea in 2014. Russian of-

ficials have said that European banks are crucial for the sale. Russia had invited banks from the U.S., Europe and China to pitch for the potential deal.

The sanctions don't explicitly prohibit banks from handling bond sales for the Russian government or investors from buying these securities. But the U.S. and the European Union are concerned that Moscow could funnel money raised to sanctioned companies, and they have let banks know that, people familiar with the matter said.

Some investors also are wary of buying a potential bond deal for the same reason.

"Nobody wants to do something that could be seen to be outside the spirit of the sanctions," said Paul McNamara, a fund manager at GAM Holding AG.

European banks also are concerned about angering the U.S., which in recent years has levied billions of dollars of fines against European lenders, including BNP Paribas SA and HSBC Holdings PLC, for breaching sanctions.

Please see BONDS page B7

Wall Street Firms Face New Rules On Executive Pay

By Donna Borak

WASHINGTON—Wall Street executives face new rules on their compensation as regulators prepare to release a tougher version of a proposal to rein in executive pay in April, according to people familiar with the matter.

Under the revised rule, companies would be required to hang on to a significant portion of an executive's bonus longer than the three-year window many banks have already adopted, though not as long as the European standard of 10 years, one person familiar with the matter said. Regulators are still working out the exact number of years.

The idea is for the company to be able to "claw back," or revoke, that part of the bonus if it turns out years later that the executive's actions hurt the firm.

The proportion of a bonus that companies would have to defer paying executives under the new version of the rule is unclear, though the original

proposal from March 2011 specified as much as 50%. Regulators are also likely to be more specific on the instances in which executives might have to forfeit their bonuses entirely in the event of a material loss at the firm.

Curbing executive pay is one of the remaining key issues left unresolved that were envisioned in the Dodd-Frank regulatory-overhaul law, passed in 2010 in the wake of the financial crisis.

The effort to complete the rule got a fresh push this month as President Barack Obama met with financial regulators at the White House, urging them to prioritize wringing up rules that govern executive compensation during his remaining time in office. New rules ought to ensure that those working for financial firms are "less incentivized to take big, reckless risks" that could wind up harming the financial system, Mr. Obama said after the meeting.

Please see PAY page B8



Some strong sales were reported at Tuesday's VIP preview of Art Basel in Asia at the Hong Kong Convention and Exhibition Center.

Art Basel Show in Asia Puts Anxiety on Display

By Wei Gu

HONG KONG—Art Basel in Asia, one of the world's largest art fairs, is bracing for the effects of a slowing Chinese economy that has made buyers more cautious and galleries less willing to take risks.

As the three-day art fair gets under way for public viewing Thursday, galleries, artists and art investors are monitoring how much pieces will fetch and how quickly they will move.

In the backdrop of this year's art fair is an uncertain outlook for the Chinese stock market, which is still struggling to recover from meltdowns last summer and earlier this year. Some art investors also had money invested in those markets, and weak market sentiment has curbed their appetite for arts and restrained their buying power, dealers and galleries said.

Art sellers expect to take the biggest hit in the middle-price range—US\$50,000 to

US\$150,000, based on some dealers' estimates—by artists whose work hasn't rocketed into the top money rankings. Investors are saving their firepower for art either by top names, which are expected to hold their value even in tough markets, or fresh pieces by new artists that could turn into big successes.

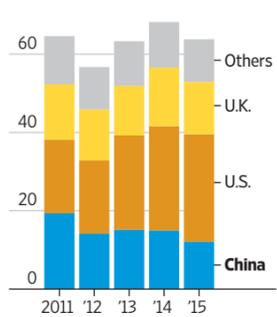
"The art market is polarized," said Adrian Cheng, Hong Kong property tycoon and founder of K11 Art Foun-

Please see ART page B7

Fading Away

China's piece of the global art market is shrinking.

Global transaction value \$80 billion



Source: the European Fine Art Foundation

THE WALL STREET JOURNAL.

Extradition of U.K. Trader Can Proceed

By Bernard Goyder and Tim Cave

LONDON—Navinder Sarao, the British trader who allegedly contributed to the 2010 stock-market "flash crash," lost a court battle Wednesday to avoid extradition to the U.S.

A U.K. judge ruled that Mr. Sarao, 36 years old, should be sent to the U.S. to face criminal charges for alleged wire fraud and commodities manipulation. That ruling will now be appealed, said Richard Egan, a lawyer for Mr. Sarao.

The U.S. sought Mr. Sarao's extradition after alleging last year that he used an illegal trading strategy known as spoofing—a type of market manipulation that is illegal in the U.S. and U.K. and involves placing orders with the intent to cancel them. The U.S. alleges that Mr. Sarao's actions contributed to the so-called flash crash that saw stocks fall sharply on May 6, 2010. He faces criminal charges filed by



Navinder Sarao

the Justice Department and a civil case by the U.S. Commodity Futures Trading Commission.

Before his April arrest, Mr. Sarao collected at least \$40 million from his trades, according to the U.S. complaints against him. To store the growing wealth, Mr. Sarao set up a network of offshore companies, the U.S. complaints say.

Judge Quentin Purdy said in

Please see SARAO page B8

Ackman Tries to Calm Investors on Valeant

By David Benoit

William Ackman was feeling the heat.

It was this past Friday, and the shareholder activist's fund was already down about 26% on the year and 47% from its August highs. His Pershing Square Capital Management LP's investment in Valeant Pharmaceuticals International Inc. had gone from a golden bet to his worst-ever loser, down 90% in seven months amid a seemingly ceaseless string of bad news. He had just dropped \$1 billion in one day on the stock and roughly \$3 billion since he placed the bet last year.

Mr. Ackman was one of the few investors who maintained faith in Valeant. His own investors were asking why.

He spent Friday taking calls from his backers, said a person familiar with the matter. One investor, particularly concerned, pressed him that other funds that managed its assets were selling and wanted to know how he was protecting their money if

he wasn't just getting out.

Mr. Ackman said he knew how to fix Valeant.

Over the weekend, he played a central role as Valeant moved to assuage investors following a series of board meetings, according to people familiar with the matter. Mr. Ackman himself joined the board. Chief Executive Michael Pearson would leave, saying he regretted the controversy but believed in the company. An internal board review was nearing its end and hadn't found additional financial trouble. The Monday news release was more detailed than prior communications from the company, bearing fingerprints of Mr. Ackman, who had been urging better disclosure.

The stock got a reprieve, rising 18% in two days, including a 10% jump to \$31.89 Tuesday.

But Mr. Ackman is far from in the clear. Fixing Valeant will be easier said than done and it remains to be seen how he will do it. Few big funds have suffered a slide like Pershing Square has in the past six months.

Pershing's Pain

Net asset value of Pershing Square Holdings since its IPO.

\$30 a share



Source: the company

THE WALL STREET JOURNAL.

His funds would have to gain roughly 70% before he can collect lucrative performance fees from most investors. That is a hole it could take him years to dig out of.

Still, Mr. Ackman has protection most hedge funds lack: He has been engaged on a career-long project to build Pershing Square into a fortress that in theory gives him both time—and capital—to outlast a nasty downturn.

When hedge funds face performance issues, investors ask

Please see ACKMAN page B7

GameStop Can Stay in Game

By Dan Gallagher

The videogame business has gotten more complex in recent years, as has GameStop.

In the fiscal year ended Jan. 30, GameStop actually reduced its overall retail videogame store count by

125 locations, but expanded by 553 stores its Technology Brands segment that sells mobile phones and other electronics. The latter is critical to efforts to wean the retailer from the legacy videogame business that—with each passing year—sees more action move online.

Still, GameStop's electronics segment made up only about 6% of total sales for the nine months ended Oct. 31. GameStop still needs gamers to come to its stores for the foreseeable future.

That gets more challenging in the digital age, though GameStop isn't exactly Tower Records redux. Annual sales have mostly stayed just



GameStop shares have fallen.

above the \$9 billion mark since 2010. GameStop's fiscal fourth-quarter results due Thursday should hew to that trend, as indicated by figures preannounced in connection with a debt offering earlier this month.

The company said sales for the quarter would be in the range of \$3.5 billion to \$3.55 billion, with earnings per share of \$2.19 to \$2.25. That compares with sales of \$3.5 billion and earnings of

\$2.23 per share in the same period a year earlier.

And the coming months could provide opportunity. Virtual-reality headsets are coming to the market, and there are rumors Nintendo may launch a new console.

Such products could draw in shoppers, though VR sales will likely be limited by initially high prices. And while downloads take up a growing share of new game launches, big titles still spark disc sales around the holidays. That could buy time as the company continues its pivot toward a more diversified business.

Meanwhile, the stock is down by one-quarter over the past year, and at seven times forward earnings, it is the cheapest among retailers that compete with it and also the videogame-publishers who supply it. Granted, there is little GameStop can do to stop or slow the shift to downloads. But it has the time, and room, to find a new way to play the game.

Email: tape@wsj.com

MARKETS DIGEST

Nikkei 225 Index

17000.98 ▼47.57, or 0.28%
 High, low, open and close for each trading day of the past three months.



STOXX 600 Index

340.07 ▼0.23, or 0.07%
 High, low, open and close for each trading day of the past three months.



S&P 500 Index

2036.71 ▼13.09, or 0.64%
 High, low, open and close for each trading day of the past three months.



International Stock Indexes

Region/Country	Index	Close	Latest NetChg	% chg	Low	52-Week Range	High	YTD % chg
World	The Global Dow	2296.58	-20.72	-0.89	2033.03	2033.03 - 2643.78	2643.78	-1.7
	MSCI EAFE	1642.64	-12.15	-0.73	1471.88	1471.88 - 1956.39	1956.39	-4.3
	MSCI EM USD	820.28	-10.23	-1.23	691.21	691.21 - 1067.74	1067.74	3.3
Americas	DJ Americas	487.06	-4.43	-0.90	433.38	433.38 - 525.25	525.25	-0.05
Brazil	Sao Paulo Bovespa	49606.01	-1404.19	-2.75	37046.07	37046.07 - 58574.79	58574.79	14.4
Canada	S&P/TSX Comp	13379.73	-113.76	-0.84	11531.22	11531.22 - 15524.75	15524.75	2.8
Mexico	IPC All-Share	45621.02	-11.26	-0.02	39256.58	39256.58 - 46129.66	46129.66	6.2
Chile	Santiago IPSA	3097.40	-39.83	-1.27	2730.24	2730.24 - 3361.36	3361.36	5.2
U.S.	DJIA	17502.59	-79.98	-0.45	15370.33	15370.33 - 18351.36	18351.36	0.4
	Nasdaq Composite	4768.86	-52.80	-1.10	4209.76	4209.76 - 5231.94	5231.94	-4.8
	S&P 500	2036.71	-13.09	-0.64	1810.10	1810.10 - 2134.72	2134.72	-0.4
	CBOE Volatility	14.89	0.72	5.08	10.88	10.88 - 53.29	53.29	-18.2
EMEA	Stoxx Europe 600	340.07	-0.23	-0.07	303.58	303.58 - 414.06	414.06	-7.0
	Stoxx Europe 50	2823.35	-0.65	-0.02	2556.96	2556.96 - 3602.76	3602.76	-8.9
Austria	ATX	2267.61	-24.68	-1.08	1929.73	1929.73 - 2695.57	2695.57	-5.4
Belgium	Bel-20	3428.53	3.61	0.11	3117.61	3117.61 - 3910.33	3910.33	-7.3
France	CAC 40	4423.98	-7.99	-0.18	3892.46	3892.46 - 5283.71	5283.71	-4.6
Germany	DAX	10022.93	32.93	0.33	8699.29	8699.29 - 12390.75	12390.75	-6.7
Greece	ATG	551.31	7.01	1.29	420.82	420.82 - 857.92	857.92	-12.7
Hungary	BUX	25697.58	-181.03	-0.70	19452.93	19452.93 - 26386.87	26386.87	7.4
Israel	Tel Aviv	1485.90	-2.45	-0.16	1383.34	1383.34 - 1728.89	1728.89	-2.8
Italy	FTSE MIB	18462.88	-235.94	-1.26	15773.00	15773.00 - 24157.39	24157.39	-13.8
Netherlands	AEX	443.36	0.24	0.05	378.53	378.53 - 510.55	510.55	0.3
Poland	WIG	47748.48	-418.30	-0.87	41747.01	41747.01 - 57460.44	57460.44	2.8
Russia	RTS Index	865.40	-23.62	-2.66	607.14	607.14 - 1092.52	1092.52	14.3
Spain	IBEX 35	8927.10	-64.90	-0.72	7746.30	7746.30 - 11884.60	11884.60	-6.5
Sweden	SX All Share	481.45	-2.43	-0.50	432.78	432.78 - 564.90	564.90	-4.7
Switzerland	Swiss Market	7894.36	41.29	0.53	7425.05	7425.05 - 9537.90	9537.90	-10.5
South Africa	Johannesburg All Share	52569.55	-823.31	-1.54	45975.78	45975.78 - 53555.12	53555.12	3.7
Turkey	BIST 100	80383.69	-1382.45	-1.69	68230.47	68230.47 - 88651.88	88651.88	12.1
U.K.	FTSE 100	6199.11	6.37	0.10	5499.51	5499.51 - 7122.74	7122.74	-0.7
Asia-Pacific	DJ Asia-Pacific TSM	1355.22	-11.95	-0.87	1188.42	1188.42 - 1621.10	1621.10	-2.5
Australia	S&P/ASX 200	5142.30	-24.30	-0.47	4765.30	4765.30 - 5982.70	5982.70	-2.9
China	Shanghai Composite	3009.96	10.60	0.35	2655.66	2655.66 - 5166.35	5166.35	-15.0
Hong Kong	Hang Seng	20615.23	-51.52	-0.25	18319.58	18319.58 - 28442.75	28442.75	-5.9
India	S&P BSE Sensex	25337.56	7.07	0.03	22951.83	22951.83 - 29044.44	29044.44	-3.0
Japan	Nikkei Stock Avg	17800.98	-47.57	-0.28	14952.61	14952.61 - 20868.03	20868.03	-10.7
Singapore	Straits Times	2881.98	1.33	0.05	2532.70	2532.70 - 3539.95	3539.95	-0.3
South Korea	Kospi	1995.12	-1.69	-0.08	1829.81	1829.81 - 2173.41	2173.41	1.7
Taiwan	Weighted	8766.09	-19.59	-0.22	7410.34	7410.34 - 9973.12	9973.12	5.1

Source: SIX Financial Information; WSJ Market Data Group

Currencies



Country/currency	Wed in US\$	per US\$	YTD Chg (%)
Americas			
Argentina peso-a	0.0692	14.4510	11.7
Brazil real	0.2723	3.6730	-7.3
Canada dollar	0.7584	1.3187	-4.7
Chile peso	0.001477	677.10	-4.4
Colombia peso	0.0003259	3068.75	-3.3
Ecuador US dollar-f	1	1	unch
Mexico peso-a	0.0569	17.5642	2.1
Peru sol	0.2924	3.4203	0.2
Uruguay peso-e	0.0311	32.140	7.5
Venezuela bolivar	0.158603	6.31	unch
Asia-Pacific			
Australia dollar	0.7535	1.3271	-0.3
China yuan	0.1537	6.5059	0.2
Hong Kong dollar	0.1290	7.7549	0.05
India rupee	0.0150	66.8525	1.0
Indonesia rupiah	0.0000757	13217	-4.5
Japan yen	0.0008870	112.74	-6.3
Kazakhstan tenge	0.002893	345.72	2.1
Macau pataca	0.1251	7.9937	-0.1
Malaysia ringgit-c	0.2492	4.0125	-2.8
New Zealand dollar	0.6694	1.4939	6.1
Pakistan rupee	0.0095	104.820	-0.1
Philippines peso	0.0215	46.422	-0.9
Singapore dollar	0.7314	1.3672	-3.6
South Korea won	0.0008571	1166.66	-0.8
Sri Lanka rupee	0.0068287	146.44	1.5
Taiwan dollar	0.03076	32.508	-1.2
Thailand baht	0.02836	35.260	-2.1
Europe			
Bulgaria lev	0.5715	1.7497	-2.8
Croatia kuna	0.1482	6.749	-3.7
Euro zone euro	1.1171	0.8952	-2.8
Czech Rep. koruna-b	0.0413	24.211	-2.7
Denmark krone	0.1499	6.6732	-2.9
Hungary forint	0.003565	280.48	-3.4
Iceland krona	0.007952	125.75	-3.4
Norway krone	0.1178	8.4925	-4.0
Poland zloty	0.2620	3.8164	-2.7
Russia ruble-d	0.01464	68.319	-5.0
Sweden krona	0.1208	8.2755	-2.0
Switzerland franc	1.0266	0.9741	-2.8
Turkey lira	0.3474	2.8782	-1.4
Ukraine hryvnia	0.0381	26.2765	9.5
U.K. pound	1.4102	0.7091	4.5
Middle East/Africa			
Bahrain dinar	2.6524	0.3770	-0.02
Egypt pound-a	0.1127	8.8770	13.4
Israel shekel	0.2606	3.8367	-1.4
Kuwait dinar	3.3147	0.3017	-0.6
Oman rial	2.5983	0.3849	-0.02
Qatar rial	0.2746	3.642	-0.02
Saudi Arabia riyal	0.2661	3.7500	-0.1
South Africa rand	0.0651	15.3593	-0.8
WSJ Dollar Index	87.83	0.52	0.60

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Latest Spread Over Treasuries, in basis points	Month Ago	Year ago	Previous	Month ago	Year ago
5.500	Australia 2	2.015	116.3	108.8	106.7	121.9	1.981	1.821
4.250	10	2.662	78.7	67.0	70.6	48.7	2.614	2.430
3.500	Belgium 2	-0.446	-129.8	-132.2	-118.2	-71.8	-0.429	-0.428
0.800	10	0.453	-142.2	-148.4	-121.2	-154.3	0.460	0.513
4.250	France 2	-0.428	-128.0	-130.4	-117.7	-70.9	-0.411	-0.423
0.500	10	0.552	-132.3	-138.8	-118.5	-142.4	0.556	0.540
0.500	Germany 2	-0.448	-130.0	-136.1	-126.4	-79.4	-0.468	-0.510
0.500	10	0.195	-168.0	-173.0	-153.8	-171.5	0.214	0.187
4.500	Italy 2	0.003	-84.9	-90.1	-69.8	-34.6	-0.008	0.056
2.000	10	1.292	-58.3	-69.2	-18.8	-64.1	1.252	1.537
0.100	Japan 2	-0.224	-107.6	-111.0	-95.0	-55.4	-0.217	-0.196
0.100	10	-0.105	-198.1	-204.4	-172.2	-160.1	-0.100	0.003
0.500	Netherlands 2	-0.501	-135.2	-137.2	-124.6	-74.6	-0.480	-0.492
0.250	10	0.286	-158.9	-164.5	-140.3	-159.9	0.299	0.321
4.350	Portugal 2	0.238	-61.4	-62.2	-33.7	-47.1	0.271	0.417
2.875	10	2.754	87.9	79.6	152.5	-17.2	2.740	3.249
4.500	Spain 2	0.011	-84.1	-87.0	-72.2	-40.9	0.022	0.032
2.150	10	1.459	-41.7	-50.2	-9.1	-65.6	1.442	1.633
3.750	Sweden 2	-0.654	-150.6	-153.5	-134.5	-89.1	-0.642	-0.591
2.500	10	0.515	-136.1	-141.3	-119.5	-149.9	0.531	0.530
1.250	U.K. 2	0.465	-38.7	-41.6	-40.7	-5.3	0.477	0.347
2.000	10	1.452	-42.3	-48.6	-29.0	-37.7	1.458	1.434
0.750	U.S. 2	0.852	...	...	...	...	0.893	0.754
1.625	10	1.875	...	...	...	...	1.944	1.724

Commodities

Prices of futures contracts with the most open interest 3:30 p.m. New York time

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; CME: Chicago Mercantile Exchange; ICE-US: ICE Futures U.S.; MDEX: Bursa Malaysia Derivatives Berhad; TCE: Tokyo Commodity Exchange; COMEX: Commodity Exchange; LME: London Metal Exchange; NYMEX: New York Mercantile Exchange; ICE-EU: ICE Futures Europe. Data as of 3/22/2016

Commodity	Exchange	Last price	Net	One-Day Change Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	369.00	-1.00	-0.27%	378.25	354.25
Soybeans (cents/bu.)	CBOT	906.50	-3.75	-0.41%	914.00	856.00
Wheat (cents/bu.)	CBOT	463.75	-3.00	-0.64%	493.50	442.25
Live cattle (cents/lb)	CME	124.800	-1.350	-1.07%	131.350	118.775
Cocoa (\$/ton)	ICE-US	2,958	-77	-2.54%	3,215	2,738
Coffee (cents/lb.)	ICE-US	131.25	-3.40	-2.53%	136.40	113.35
Sugar (cents/lb.)	ICE-US	16.75</				

MONEY & INVESTING

U.S. Stocks Extend Losses

By SAUMYA VAISHAMPAYAN AND RIVA GOLD

U.S. stocks fell for a second session, further crimping a rally that had carried major indexes to their highest levels since December.

Even with the two-day pullback, the Dow industrials and S&P 500 have advanced more than 11% since their 2016 lows on Feb. 11.

"It has been a fairly significant rebound," said Jim Duniagan, chief investment officer at **PNC Wealth Management**. "The picture has improved from an economic backdrop

standpoint... but not enough necessarily to suggest that we can propel the rally from here."

The size of daily swings has diminished and trading volume has declined in recent sessions. The S&P 500 notched its eighth session in a row of a less-than 1% move, its longest such streak since August.

Investors say they are now looking for economic data or earnings to spark the next move in stocks. That catalyst isn't expected to come in the next few days. Few major economic or corporate events are scheduled this week, while several markets will be closed on Friday for the Good Friday holiday.

In 4 p.m. trading Wednesday, the Dow Jones Industrial Average lost 79.98 points, or 0.5%, to finish at 17502.59. The S&P 500 slipped 0.6% and the Nasdaq Composite fell 1.1%. Stocks pulled back Tuesday, snapping the Dow's seven-day winning streak, but the losses were muted.

Energy stocks led the S&P 500 lower, falling 2.1% as oil prices declined. U.S. crude oil tumbled 4% to \$39.79 a barrel as U.S. government data confirmed a large addition to crude stockpiles, adding to the global glut of crude oil.

The dollar continued to gain against the euro and yen, recovering from last week's sharp selloff. The strength of

the dollar in recent quarters has dragged on earnings for U.S. companies that sell a chunk of goods or services overseas.

The euro fell 0.3% against the dollar to \$1.1184, while the dollar edged higher against the yen to ¥112.39. The British pound, which fell sharply on Tuesday, extended its declines against the dollar. Sterling fell 0.7% to \$1.4115.

The Stoxx Europe 600 gave up earlier gains to end slightly lower, slipping 0.1% to close at 340.07.

Markets in Asia mostly edged lower. Japan's Nikkei Stock Average fell 0.3%, while shares in Australia fell 0.5% as commodity prices weakened.

What a Drag

The Nasdaq Composite Index is trailing its peers this year, thanks to declines in Amazon and biotech stocks.

Impact on Nasdaq year to date through Monday

Company	% Change
Amazon.com	-19%
Regeneron Pharmaceuticals	-5.8
Celgene	-4.9
Alexion Pharmaceuticals	-4.5
Microsoft	-4.3
Gilead Sciences	-4.1
Express Scripts Holding	-4.1
Amgen	-3.8
Biogen	-3.7
Vertex Pharmaceuticals	-3.4

Source: Birinyi Associates

THE WALL STREET JOURNAL

Nasdaq Sees Red Over a Few Laggards

By AARON KURILOFF

The stock-market rally has left the Nasdaq behind.

While the Dow Jones Industrial Average and the S&P 500 had recovered from drops earlier this year, the Nasdaq Composite Index still is in the red. The index chipped away at its deficit with a 0.3% gain Tuesday, as the Dow industrials and S&P edged lower, but the Nasdaq remained down 3.7% in 2016 and was off 1% late Wednesday.

The Dow and S&P 500 were up 0.9% and 0.3%, respectively, this year through Tuesday.

The decline in the tech-oriented index is another example of how investors have shied away from risk amid uncertainty about global growth and the state of the U.S. economy. The Nasdaq outperformed its peers on the way up after the financial crisis. But the areas that helped it surge have lagged behind this year, raising concerns about whether the broader U.S. stock-market rally has the fuel to keep going.

More than half of the Nasdaq's decline this year can be attributed to 10 companies of the composite's roughly 2,600 market-cap-weighted components, according to data from stock-market research firm Birinyi Associates.

Amazon.com Inc. is responsible for almost one-fifth of the decline, thanks to a 17% drop in 2016. Last year, strong gains from a handful of the Nasdaq's largest components, including Amazon, helped lift the index above the S&P 500 and Dow industrials. The company trades at 443 times the last 12 months of earnings as of Monday, according to FactSet.

Amazon, which rose 1.2% on Tuesday and was up 1.5% late Wednesday, has been an investor favorite in recent years along with big tech firms, including Facebook Inc., Netflix Inc. and Google parent Alphabet Inc. Of those four, only

Facebook is up this year. Microsoft Corp.'s 2.5% decline also has weighed on the Nasdaq, according to Birinyi.

Marking another reversal, seven of the 10 biggest drags on the index are biotech or health-care stocks. Biotech stocks have attracted investors with the potential for outside gains that can follow research breakthroughs, with the Nasdaq Biotechnology Index posting double-digit-percentage increases the past seven years.

But biotechs also are prone to sharp pullbacks. One came in late 2015, after presidential candidate Hillary Clinton tweeted about "price gouging" in the industry and released a proposal for controlling drug costs, which has become a topic in the campaign. The index, which rose 2.6% Tuesday, hasn't reached the same levels since.

The Nasdaq Biotechnology Index is down 22% this year. Regeneron Pharmaceuticals Inc. and Alexion Pharmaceuticals Inc. both have fallen more than 28%. Biogen Inc. and Celgene Corp. are down more than 14%.

Some investors said the situation could provide some buying opportunities.

Craig Sterling, head of equity research at Pioneer Investments, which manages about \$235 billion in global assets, said some health-care stocks have gotten "crazy cheap," despite a weak short-term outlook. Mr. Sterling said he is "looking hard" at adding to health-care positions.

The Nasdaq Biotechnology Index was trading at 16.9 times the last 12 months of earnings as of Monday, cheaper than the S&P 500's 18.3 price/earnings ratio and down from its average of 25.2 since 2011, according to FactSet.

"The market has gone through a period this year with people asking, 'What is this really worth?' But these are all good businesses," Mr. Sterling said.

ART

Continued from page B5
dation, which promotes young contemporary artists and public art education. "People are going back to 'blue chips,' and they are buying entry-price-point works to which they feel emotionally attached."

The middle-range squeeze is also being seen globally. The ultra high-end—works priced at \$10 million or more—was the only market segment that increased in 2015, according to the European Fine Art Foundation. Nearly 60% of all auction sales last year came from works that sold for more than US\$1 million. Works that sold for more than US\$18 million represented 28% of the total value generated from sales in 2015.

At Tuesday's preview, the fair looked busy, though collectors said some of the best works were still available after two hours of showing. In the past two years, it wasn't unusual for top works to be snapped up right away at the VIP preview. Adeline Ooi, Asia director of Art Basel, described herself as "healthily paranoid" about prices at this year's event.

"I expect for the worst and hope for the best," Ms. Ooi said ahead of the show.

The organizer said on Wednesday that some galleries have reported strong sales.

Art Basel in Asia features some of the world's leading modern and contemporary art galleries showcasing paintings, sculptures and digital art such as videos by more than 4,000 artists at the Hong Kong Convention and Exhibition Center.

One of the highlights of the show is an 12-foot-tall bronze spider by the late French-American artist Louise Bourgeois. Another spider by Ms. Bourgeois sold for \$28.2 million at an auction last fall, marking the highest sale price



In the backdrop of this year's Art Basel fair is an uncertain outlook for the Chinese stock market.

secured by a female postwar artist. The show also features works by well-known artists such as Tracey Emin, who appeared at the VIP launch. Other artists attending the show included Takashi Murakami, Deshu Qiu, Zhang Xiaogang and Cai Guoqiang. It also drew actor Leonardo DiCaprio.

The concern hanging over this year's event coincides with China dropping a notch in the global art market. Last year, China ceded its position as the world's second-biggest art market based on art market turnover to the U.K., according to a report by the European Fine Art Foundation. The U.S. remains the world's largest art market.

China's total art sales fell 23% in 2015, the biggest yearly percentage fall since 2012, to \$11.8 billion, the report said.

Works by Chinese artists

could also take another hit.

Based on experts surveyed by London-based art research firm ArtTactic, 45% believe sales of Chinese contemporary art will come down in 2016. In 2015, only 16% expected the market to fall.

Alexandre Errera, founder of Artshare.com, an online-sales platform for contemporary Chinese art, attributes some of the decline to investors becoming more mature as collectors.

Mr. Errera pointed to Beijing artist Wang Guangle, known for paintings composed of colorful layers inspired by the traditional burial practices in his hometown in Fujian province. He sold a painting for 5.4 million Hong Kong dollars (\$696,600) in 2014, but recent auction prices for the artist are now averaging about HK\$1.2 million, Mr. Errera said.

"Before, collectors would pay a hefty price to acquire a name, before looking at the quality of the particular piece," he said. "Now, collectors are much more discerning and selective."

Individual art prices have been adjusted down in some cases, and galleries are more careful about pricing, said Henrietta Tsui, founder and co-president of Hong Kong Art Gallery Association. When preparing for Art Basel, she took an artist's last two or three years of sales records and worked with the artist to decide what the price should be this year.

"Chinese artists are finally becoming more realistic," said Ms. Tsui, who is also founder of Ora-Ora Collections and Investments. "Those artists who haven't made themselves into art history but demand high art prices will be gone."

ACKMAN

Continued from page B5
ing for their money back can amount to a run on the bank. At Pershing Square, which manages some \$12 billion, roughly half of the money can't be pulled.

The biggest chunk of that is in a vehicle that went public in October 2014 and has about \$4 billion. Last summer, the fund sold \$1 billion in bonds. Employee money counts for another \$1 billion.

Of the remaining assets, most investors are locked into agreements that allow them to only take an eighth of their money each quarter. That would mean roughly 6.25% of the total assets, at worst, could be yanked per quarter.

And indeed, so far investors haven't fled. By a February deadline, about 17% of the money that could be withdrawn was, amounting to roughly 2% of all assets, the people said. Mr. Ackman long ago recognized his concentrated portfolio—typically around 10 stocks—means he needs a structure that will protect him from being forced out of business by short-term stock moves. Mr. Ackman's first hedge fund, Gotham Partners, closed amid investor redemptions.

Pershing Square launched in 2004 and by 2007, Mr. Ackman was talking about going public. The financial crisis got in the way, but in late 2012, he launched Pershing Square Holdings Ltd. with a plan to take it public. It performed well until Valeant started plunging.

Mr. Ackman has certainly lost



William Ackman

high-profile wagers before.

J.C. Penney Co. and Target Co. struggled as he targeted them, and he is on the wrong side of a nearly four-year fight with Herbalife Ltd. Those losses have hampered his reputation among some on Wall Street and inside boardrooms where he seeks to wield influence.

Still, Pershing Square has won far more than it has lost. He has also struck with some sour bets for years and in many cases turned them into big wins, including one against bond insurer MBIA Inc. and another on mall owner General Growth Properties Inc. Through 2015, Pershing Square returned 567% since its start in 2004, more than four times the S&P 500's gain in that time, according to an investor presentation.

Jonathan Grabel, chief investment officer of Public Employees Retirement Association of New Mexico, said Mr. Ackman hasn't "gone safe" as he has grown, one reason Mr. Grabel is sticking with him even amid concerns about recent performance.

"He's stayed true to being an activist and having a very concentrated portfolio," Mr. Grabel said. "I give him a lot of credit for having the conviction and courage."

Until and unless he can turn around Pershing Square's performance, it isn't clear how Mr. Ackman will be able to mount many of the splashy activist campaigns for which he has become known. His plans, in part, hinge on the market coming around to his views on the investments.

Apart from turning around Valeant, the firm has a portfolio filled with challenges.

Mr. Ackman continues to battle Herbalife, a nutritional-shake maker he has said for years is a pyramid scheme. It will collapse this year, he has said, though the stock continues to trade well above his break-even point. Herbalife denies his charges and accuses Mr. Ackman of market manipulation.

At Canadian Pacific Railway Ltd., where Pershing Square mounted a board fight in 2012, the CEO it installed, Hunter Harrison, is pushing a hitherto unwelcome attempt to merge with either Norfolk Southern Corp. or CSX Corp.

Shares of Platform Specialty Products Corp., the chemical company whose biggest holder is Pershing Square, have plunged.

But Valeant is job No. 1. Monday, his first day officially on the board, Mr. Ackman held a town hall at Valeant headquarters with Mr. Pearson and Chairman Robert Ingram. Mr. Ackman told employees he believed Valeant held assets worth far more than the stock price.

BONDS

Continued from page B5

BNP Paribas, **Credit Suisse Group AG**, **Deutsche Bank AG**, **HSBC** and **UBS Group AG** have decided not to underwrite Russia's bonds, according to people familiar with the matter.

U.S. lenders **Bank of America Corp.**, **Citigroup Inc.**, **Goldman Sachs Group Inc.**, **J.P. Morgan Chase & Co.**, **Morgan Stanley** and **Wells Fargo & Co.** also are steering clear, according to people familiar with the matter.

Some European lenders haven't ruled out doing the deal, including Italy's **UniCredit SpA** and France's **Société Générale SA**, according to people familiar with the matter.

Svetlana Nikitina, an adviser to Russian Finance Minister Anton Siluanov, said earlier this month that about half of the 28 banks it asked to pitch for the deal have responded to the offer.

The banks in talks with Russia are asking that the bond not be denominated in

dollars, one Moscow-based banker close to the deal said. That could crimp the total amount of money Moscow could raise, investors say.

If the bond were denominated in dollars, its settlement would have to go through the U.S., which could present problems for banks working on the deal, this person said.

A decision on which banks will be hired is expected by the end of this week or early next week, according to a Russian government official.

As well as Russian banks, Chinese banks will be among the main organizers of the deal, but Moscow would like Europeans to take part, the government official and the Moscow-based banker said.

Chinese banks are beefing up overseas in a reflection of the country's bigger international clout, but have yet to make major inroads into European and U.S. capital markets.

One of China's four largest state-run banks declined to participate out of concern it didn't have sufficient distribution capabilities in Europe to handle the sale and wasn't sure such a deal would pass

muster in Beijing, according to a Europe-based banker at the firm.

For investors, one potential concern is that it might be hard to sell the bonds on the secondary market without major trading houses standing ready to match buyers and sellers of these securities.

Still, some potential buyers aren't deterred by sanctions.

"We're free to do whatever we want. The Russian Federation is not a sanctioned entity," said Edwin Gutierrez, head of emerging-market sovereign debt at Aberdeen Asset Management.

That said, even if buying Russian bonds is possible, it isn't necessarily an easy sell. Mr. Gutierrez says he doesn't see much value in Russian bonds following a sharp rally last year.

Russia's real gross domestic product fell 3.7% in 2015 and is expected to drop further this year.

Facing shortfalls in the budget, the Finance Ministry has cut spending and is now seeking to borrow abroad.

—James T. Areddy contributed to this article.

Advertisement **INTERNATIONAL INVESTMENT FUNDS**

[Search by company, category or country at europe.WSJ.com/funds]

FUND NAME	NAV				-%RETURN-				
	GF	AT	LB	DATE	CR	NAV	YTD	12-MO	2-YR
■ Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866 Fax No: 65-6835-8865, Website: www.cam.com.sg , Email: cam@cam.com.sg <small>CAM-GIF Limited 01 01 MUIS 03/18 USD 29245.32 4.6 -9.3 -7.0</small>									

Data as shown is for information purposes only. No offer is being made by Morningstar, Ltd. or this publication. Funds shown aren't registered with the U.S. Securities and Exchange Commission and aren't available for sale to United States citizens and/or residents except as noted. Prices are in local currencies. All performance figures are calculated using the most recent prices available.

For information about listing your funds, please contact: **Freda Fung tel: +852 2831 2504; email: freda.fung@wsj.com**

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: heard@wsj.com

Credit Suisse Needs More Control

Turns out running an investment bank is complicated after all.

Tidjane Thiam took charge of Credit Suisse last summer full of confidence that he would get his head around the business and bring fresh thinking to hunt out growth and better returns.

Now, he has been humbled by nasty surprises both inside and outside the bank. He has been forced to revise a strategy launched only five months ago. Further cost cuts and a more radical restructuring of its investment bank should help it recover from last year's losses. But Mr. Thiam has suffered a loss in reputational terms, too, which may take longer to fix.

The big shocks were in securitized products and credit trading. These were identified in October's strategy launch as areas that didn't have links with the core wealth-management business and that also used up too much capital.

However, they were kept intact because they still looked like they made good

Imitation Game

Risk-weighted assets



*Converted to dollars at Dec. 31, 2012 rates
Sources: the companies; Bloomberg News (photo)
THE WALL STREET JOURNAL.



Credit Suisse Group Chief Executive Tidjane Thiam

money. That was wrong. Since the start of last year's final quarter, Credit Suisse has taken write-downs of nearly \$1 billion, mainly in distressed credit and securitized pools of risky loans.

Mr. Thiam said that when the strategy was announced last October he didn't know just how much of this stuff Credit Suisse had on its books. That is worrying.

Much more will now be cut from the markets busi-

ness. The new \$60 billion target for risk-weighted assets in global investment banking is 30% lower than October's goal and compares to the \$158 billion on Credit Suisse's books when Mr. Thiam took over.

To be fair, the bank's plans also were rocked by markets: activity for everyone has crumpled in the past six months. At Credit Suisse, the business of raising new equity for clients in 2016 so far

is running at less than half the revenue levels of the same period last year.

Meanwhile, riskier lending for takeovers or to private-equity investors, which is one of Credit Suisse's historic strengths and one of its main hopes for profitable growth, has done barely one-quarter of the business it had done this time last year.

In response, the bank is increasing its cost-cutting targets over the next three years by 50%, will sell businesses worth 1 billion francs (\$1.03 billion) this year and will hold back planned investment spending.

There is more restructuring pain to come, but in the longer term that should make it more likely the group can make a return that beats its cost of equity. Credit Suisse still needs to find strong growth in Asian and international wealth-management profits to get there. Investors need to be shown that Mr. Thiam really has control of this bank if they are to buy into his ambition.

—Paul J. Davies

OVERHEARD

Why buy the cow when you have the milk? **Wal-Mart Stores** has turned that business axiom on its head.

The world's largest retailer announced last week that it would build its own dairy-processing plant in Indiana to provide private-label milk to approximately 600 stores.

Violating another bit of wisdom—that one shouldn't cry over spilled milk—holders of **Dean Foods** lopped nearly 14% off of its value on Monday and Tuesday. It is, after all, the largest supplier of liquid milk in the country. That includes millions of private-label gallons to retailers such as Wal-Mart. Dean issued a statement Tuesday saying that it would lose a mere 100 million gallons of "very low-margin" business starting in late 2017 with an immaterial impact on results.

Perhaps 4% of its milk volume really isn't a big deal if it isn't the start of a trend. Still, investors are right to be miffed: Dean waited until the stock got creamed to issue its reassuring statement.

CIT Still in Shadow of John Thain

CIT Group is emerging from the strategic fog that enveloped it under its previous leadership. But its course still isn't entirely clear.

The midsize lender on Wednesday unveiled a revamped strategy under new chief Ellen Alemany.

She kicked off an analyst call by acknowledging the firm's share-price performance has been "unacceptable."

Still, there were no fresh strategic moves announced. CIT will follow through with a previously announced plan to sell or spin off its air-leasing unit, and will cut costs aggressively in a bid to improve profitability.

The tenure of previous chief John Thain was controversial. Under him, CIT acquired OneWest Bank, which ballooned its balance sheet and pushed it over the threshold to be considered a systemically important financial institution. This meant accepting much more regulatory scrutiny, including the Federal Reserve's annual "stress tests."

Ms. Alemany said Wednesday that even after separating out the air-leasing unit, CIT will have more than \$50 billion in assets, meaning it still will be considered systemically important.

"We recognize this is not an optimal position," she said. She focused on fine-tuning the existing business, saying CIT will try to hit a 10% return on tangible common equity by 2018.

Cost cutting is fine, but it isn't a silver bullet. To meaningfully boost the stock, along with a valuation that is around just 0.6 times book value, bolder strategic moves are needed.

—Aaron Back

How Astra Is Making Tough Work Out of a Tough Year

Things aren't going **AstraZeneca's** way. The U.K. pharmaceuticals company said Wednesday that its cardiovascular drug Brilinta hadn't shown significant benefits in stroke patients, compared with using aspirin. That comes less than a month after a key oncology drug also posted disappointing results in treating a rare cancer, mesothelioma.

Neither is a disaster for Astra: The stock rose slightly Wednesday. But it still ups the pressure this year.

The Brilinta trial was the latest in a series designed to take the blood thinner from \$619 million in sales last

Out of Sorts

AstraZeneca's share-price performance in London



Source: FactSet

THE WALL STREET JOURNAL.

year to Astra's target of \$3.5 billion by 2023. Expanding Brilinta's use from patients with acute coronary syndrome and a history of heart attacks to stroke would have opened up 31% of the total

potential market in terms of patients to Brilinta from 20% currently, Astra has previously said.

That sounds significant. But a positive outcome had uncertain commercial benefits, given the presence of a well-established, cheap standard of care. Other new indications hadn't upped Brilinta's pace of market-share gains, argues Barclays; another trial in peripheral arterial disease due later this year, which could open up 40% of the market, looks more important.

This year was never going to be a picnic for Astra. It is battling to support earnings per share as drugs lose pat-

ent protection, while investing in the oncology pipeline that is the company's big hope.

But the failures matter in two ways. They are a reminder of the frailties of Astra's base business and its ever-greater reliance on pipeline success. Consensus forecasts for Brilinta put peak sales at about \$2.5 billion, well shy of Astra's target. In reality, the results that matter—in oncology—aren't expected until late 2016 and next year. While waiting, Astra already is seeing long-shot options for early success, such as fast-to-market filing in cancer monotherapy, close down as

rivals in oncology make progress.

Moreover, these disappointments are only likely to stoke angst about AstraZeneca's likelihood of hitting its \$45 billion 2023 revenue target, unveiled in the heat of the Pfizer bid defense in 2014. Investors recently have questioned why management pay isn't more directly linked to the target. The longer Astra's stock, at £39.41 (\$56), languishes well below Pfizer's £55-a-share bid price, the tougher the questions will get. Astra's stock was and still is a waiting game. Minor mishaps can still fray investors' patience.

—Helen Thomas

MONEY & INVESTING

Nish to Join HSBC Board

By MARGOT PATRICK

LONDON—HSBC Holdings PLC said Wednesday that former Standard Life PLC Chief Executive David Nish will become a director in May, adding extra heft to the bank's board as it undergoes planned leadership changes.

Mr. Nish, 55 years old, left Standard Life last summer after being CEO for six years. A chartered accountant, Mr. Nish worked for PricewaterhouseCoopers for 16 years before becoming finance director at Scottish Power PLC and then at Standard Life. HSBC Chairman Douglas Flint said Mr. Nish would bring "considerable relevant experience" to the role, and that the reshaping of Standard Life under Mr. Nish has similarities to HSBC's own restructuring to improve returns.

HSBC is cutting costs and shedding units including its bank in Brazil to free up capital for further investment in



HSBC plans leadership moves.

mainland China and other parts of Asia, under a plan led by CEO Stuart Gulliver. Leadership changes are afoot at the bank, though, which could mean further changes to strategy in the years ahead. Mr. Nish is best known for having changed Standard Life from an insurance company into an asset manager.

Mr. Flint, HSBC's former finance director who became chairman at the end of 2010, is set to be replaced next year. In a letter to shareholders last week, Mr. Flint said the search for his successor is under way and that the next chairman will then start looking for a new CEO "in due course."

Mr. Gulliver previously said he planned to stay in his role at least through the end of next year. He became CEO in January 2011 after a power struggle that elevated Mr. Flint to chairman. For decades, HSBC CEOs traditionally moved into the chairman role but this time around the bank has said its next chairman will come from outside its executive ranks. Several long-serving board directors have left. New directors include Henri de Castries, the outgoing CEO of AXA SA who joined HSBC's board on March 1 and is being tipped as a possible successor to Mr. Flint.

PAY

Continued from page B5

As regulators finalize the new version of the rule, they are discussing not just giving it more teeth than the original 2011 proposal, but also forcing Wall Street to go beyond current compensation practices. Those have evolved over the past five years to align with the concepts of the original plan, even though it was never implemented.

In addition to extending the deferral window for parts of bonuses, regulators want to broaden the pool of bank employees subject to the new rules by expanding the definition of "risk taker" to include benchmarks such as the size of the assets traded by an employee.

The new version of the rule is likely to codify for the first time as government policy a requirement that companies "claw back" some of their top officials' incentive pay if they have to reinstate financial results. That provision wasn't in the 2011 proposal, but has become a common practice on Wall Street in recent years.

Completing the rule would expand efforts by the government to oversee executive pay. Last year, the Securities and Exchange Commission voted to approve the so-called pay-ratio rule to require companies to disclose the gap between the compensation of their chief executives and rank-and-file employees.

At issue for regulators with the rule on Wall Street pay is how to balance risk with re-

ward in compensation arrangements that will apply to a cross section of banks, investment advisers, broker-dealers, credit unions and executives at mortgage-finance companies Fannie Mae and Freddie Mac. The rule will apply to all such firms with \$50 billion or more in assets. Smaller firms with at least \$1 billion in assets would be subject to less stringent rules and would be required to submit annual reports to their respective regulators.

Regulators want to broaden the pool of bank employees subject to new rules.

In the absence of a completed rule, bank regulators issued their own supervisory guidance in June 2010 and conducted a review of the largest banks to curtail risk-taking and ensure compensation programs are more risk-sensitive.

The financial-services industry says the 2010 guidance and its own voluntary actions have helped to fill the regulatory gap.

The fear now is that regulators will move the goal posts even further in this coming revision, while simultaneously codifying rules the industry sees as onerous. Already, the industry says it has seen a flight of talent from the banking sector, with people leaving more traditional banking jobs for areas where compensation has gone untouched.

The industry will have time

to comment on the new proposal. Before the rule becomes binding, it will need the green light from each of the six regulators involved: the Federal Reserve, the Federal Deposit Insurance Corp., the SEC, the National Credit Union Association, the Federal Housing Finance Agency and the Office of the Comptroller of the Currency.

The issue has been aired during the 2016 presidential campaign, with Democratic front-runner Hillary Clinton marking incentive compensation part of her strategy to deter "short-termism," proposing to strengthen clawback provisions and provide shareholders the opportunity to vote on executive-pay packages.

"The law requires the regulators to address this obvious systemic risk," said Dennis Kelleher, president of Better Markets, a liberal organization focused on financial overhauls. "There is really no defensible reason that five years later it has not been done."

People in the industry argue regulators and banks have been working since the financial crisis to enhance compensation practices and incorporate ways to mitigate risk—a process they say is working and should be encouraged.

"A regulation that established specific requirements could actually freeze best practices where they are today, which we have seen happen in other areas of compensation regulation and would be unfortunate and counterproductive," said Marc Trevino, a managing partner at law firm Sullivan & Cromwell.

Finance Watch

GOLDMAN SACHS GROUP

Company Places Partner on Leave

Goldman Sachs Group Inc. put its head of U.S. inflation trading on leave as it reviews the way certain trades were booked, according to people familiar with the matter.

Josh Schiffrin, who was named a partner in 2012, is still employed at the firm, the people said. He was placed on leave in January, some of the people said.

Goldman's compliance executives are seeking to determine whether Mr. Schiffrin's desk may have violated the firm's policies in booking certain inflation trades, in which government bonds and their derivatives are used as hedges, the people said. The review is ongoing, and it

is unclear what the firm's conclusions will be, the people said.

Mr. Schiffrin hasn't been seen on the trading floor in a few weeks, some of the people said.

Meanwhile, a trader who worked under Mr. Schiffrin, Igor Cashyn, has resigned, people familiar with the matter said. He declined to comment.

—Katy Burne and Justin Baer

U.K. REGULATION

Jailed Ex-Trader Is Ordered to Pay

A U.K. court ordered former bank trader Tom Hayes to hand over nearly £879,000 (\$1.2 million) to authorities for his role manipulating benchmark interest rates.

Mr. Hayes, serving an 11-year prison sentence after being convicted on eight counts of conspiracy to defraud last August, will face another three years tacked onto his sentence if he doesn't comply with the court order, a judge said Wednesday.

After several days of oral arguments last week, the judge, Jeremy Cooke, concluded that



Tom Hayes

Mr. Hayes should pay £878,806, which represents the estimated proceeds of his crimes during his five years working in Tokyo for UBS Group AG and Citigroup Inc.

The size of the confiscation order is smaller than Mr. Hayes, his family and lawyers had feared.

The U.K.'s Serious Fraud Office was pushing for the court to confiscate most of the money Mr. Hayes earned from 2006 through 2010, which amounted to well over £3 million.

—David Enrich

SARAO

Continued from page B5

his written judgment that the U.S. request is "a valid one," although he concluded that Mr. Sarao couldn't be singly blamed for the May 2010 market collapse. "The causes of the Flash Crash...are not a single action and cannot on any view be laid wholly or mostly at Navinder Sarao's door, although he was active on the day," Judge Purdy

wrote.

The judge's ruling only relates to the extradition request, however, and doesn't have any bearing on the potential U.S. cases.

"In any event this is only a single trading day in over 400 relied upon by the prosecution," Judge Purdy wrote.

Mr. Sarao's lawyers have argued that his actions didn't break any laws in the U.K. and noted in their evidence that U.K. authorities haven't started their own prosecution of Mr.

Sarao.

Mr. Sarao's case caught the imagination of the British public after former associates described the trader's low-key lifestyle and penchant for penny pinching despite his alleged riches. He was released on bail in August following four months in jail. Since his arrest, the trader has spoken in his defense only once, during a court hearing in May when he said he had done nothing wrong.

—Margot Patrick contributed to this article.