

Bloomberg Businessweek

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Sell-Off



Low-Key Regret



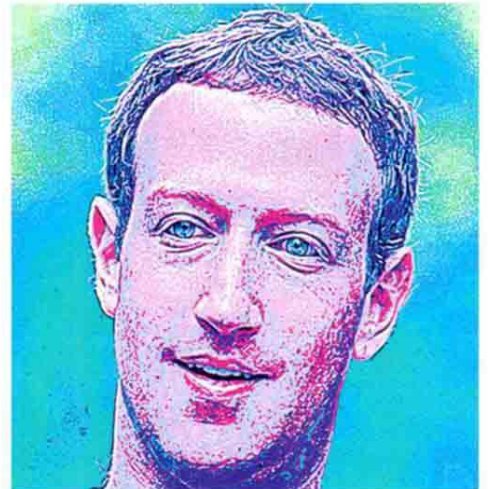
Facepalm



Apologia



Apologia Pro XT



Instagram Has a Facebook Problem

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Correction: "Noto's Big Job at SoFi" (Finance, April 2) misidentified a SoFi customer who attended a company event in New York City. His name is Imran Vithani.



Instagram Has a Facebook Problem

Cover: Photo Illustration by 731; photo: David Paul Morris/Bloomberg



LAS VEGAS: PHOTOGRAPH BY TERRY RATZLAFF FOR BLOOMBERG BUSINESSWEEK. OYSTERS: PHOTOGRAPH BY MARK PECHEMZEJAN FOR BLOOMBERG

Americas

● During his congressional testimony, Facebook founder Mark Zuckerberg saw his fortune grow by \$2.4 billion as his comments on the recent data breach buoyed the company's shares. ▷ 50



● Mexico's inflation rate slowed in March to 5 percent, the lowest level in a year.

In February the country's central bank raised interest rates a quarter of a percentage point, to 7.5 percent, in a bid to cool consumer prices.

● House Speaker Paul Ryan (R-Wis.) announced he won't run for reelection. Ryan made a mission of fighting the deficit; it's increased every year under his tenure, and by 2020 it's projected to top

\$1t

The same day, John Boehner, Ryan's predecessor as speaker, said he's joining the board of Acreage Holdings, a multistate cannabis business.

Europe

● The value of the ruble plunged as a fresh round of U.S. sanctions took effect.

The measures, targeting some of Russia's richest men and the businesses they run, led Switzerland's Glencore to declare *force majeure* on some aluminum contracts it has with Rusal, a company controlled by sanctions target Oleg Deripaska.

● Bank of America said it will stop lending to gunmakers that produce assault-style weapons for nonmilitary markets. It becomes the second major bank to rethink its relationship with gun manufacturers after the Parkland, Fla., massacre; in March, Citigroup said it would ban its retail customers from selling bump stocks.

● Nike bought Invertex, an Israeli software startup, for an undisclosed sum. Invertex is best known for developing body-scanning technology.



● The anonymous collector selling a Warhol *Double Elvis* and two Picassos at Christie's in May is, in fact, embattled gambling magnate Steve Wynn, say people familiar with the matter. Picasso's *Le Marin* (above) is valued at an estimated \$70 million. In March, Wynn also sold his remaining stake in Wynn Resorts.

● U.S. antitrust regulators gave Germany's Bayer the OK to buy Monsanto in a deal valued at

\$62.5b

The Department of Justice relented once Bayer agreed to sell some of its seed and pesticide assets to BASF.

● European Union antitrust investigators seized documents and computer records from the London offices of 21st Century Fox. The raid presents a new obstacle in Fox's long-delayed bid to take over British broadcaster Sky.

Asia

● Swiss drugmaker Novartis said it would purchase AveXis for **\$8.7b**

The Illinois-based company, which specializes in gene therapy, developed a treatment for spinal muscular atrophy, a disease that affects 1 in 6,000 to 10,000 children.

● The U.S., the U.K., and France weighed their response to Bashar al-Assad's alleged chemical attack in Syria.

The Organization for the Prohibition of Chemical Weapons, an international watchdog, prepared to send fact-finders to the country, as Russia vetoed a United Nations resolution to create a mechanism to examine the attacks, which killed at least 42 people.

● "History shows us that import restrictions hurt everyone, especially the poorer consumers."

Christine Lagarde, head of the International Monetary Fund, warned governments to shun protectionism in a speech in Hong Kong.



● Airbus will reconfigure its A330 widebodied jet to install napping pods in the cargo bay, the company said. As Airbus tries to fend off smaller rivals, it's angling to hang on to orders for ultralong routes.

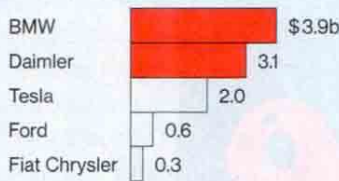
● A trade war between the U.S. and China could have unintended consequences for other nations. ▷ 10

① China has threatened to levy an additional 25 percent tariff on U.S.-produced cars. That would hurt neither GM nor Ford—they have joint-venture factories in China—but it will ding the German companies that produce most American-made cars sent to China.

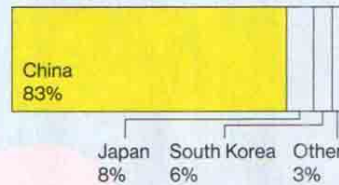
② The 25 percent U.S. duty on steel from China and other countries will hurt Australian mining companies such as BHP Billiton, whose iron ore business depends on China's steel mills. Those companies stand to lose if a trade war depresses steel demand.

● Ant Financial Services, the fintech business carved out of Alibaba, prepared to raise **\$10b** in a private funding round, Bloomberg News reported. The deal may value Ant at \$150 billion, more than any other startup.

Estimated 2018 revenue from cars built in the U.S. and sent to China



Destinations for Australian iron ore exports in 2016 and 2017



● Volkswagen decided to shake up its C-suite, ousting CEO Matthias Müller and replacing him with Herbert Diess (left), who built his career at BMW. Volkswagen is still embroiled in a criminal investigation into its diesel-emissions-cheating scandal.



with Herbert Diess (left), who built his career at BMW.

Africa

● Egypt's Madinet Nasr Housing is in talks to take over developer Sodic.

The combined company would have about \$2 billion in assets in and around Cairo. Shares of both companies rose on the news.

● Camp Mukjar, Darfur's last refugee camp, closed after being in operation for almost 11 years. Since December, more than 4,000 residents have returned to their native Chad.

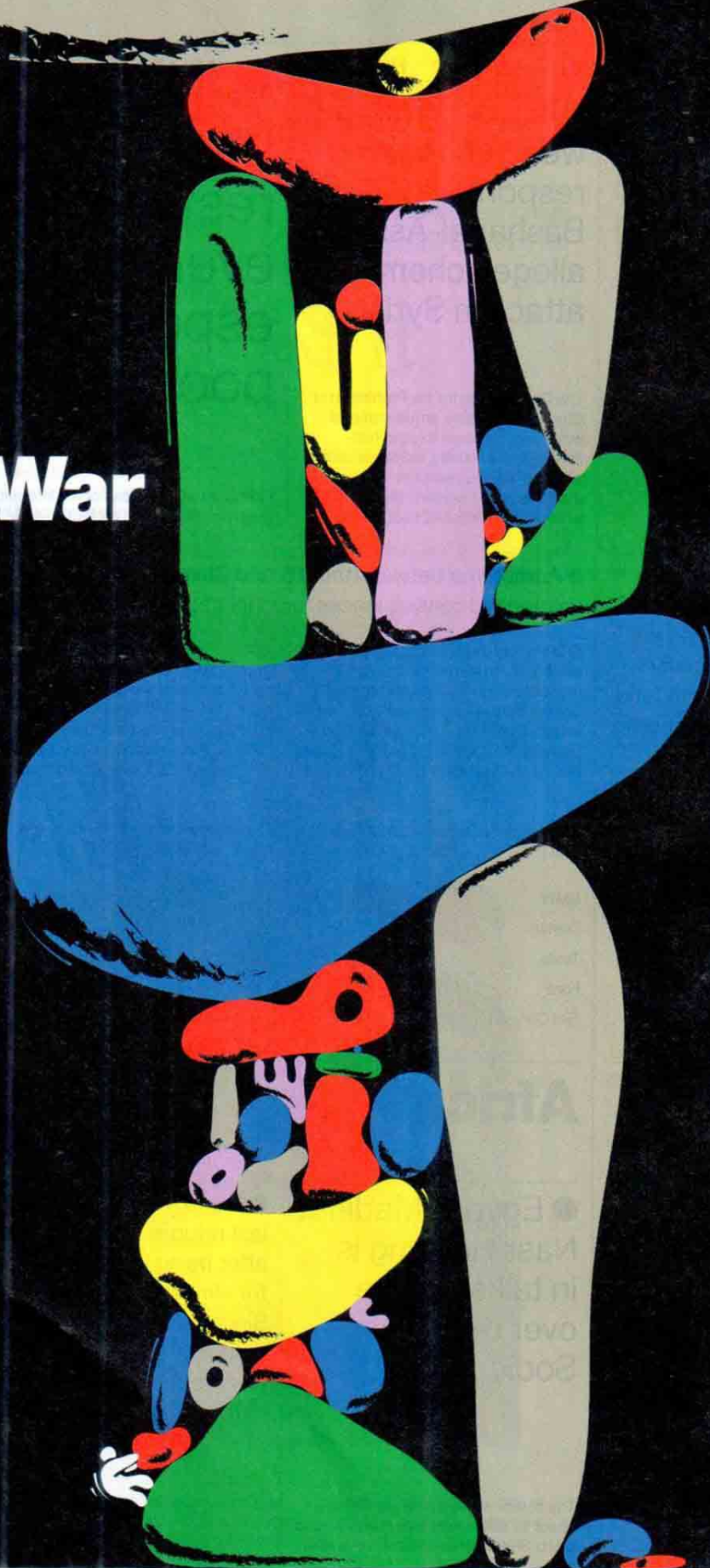


● On April 11 an Algerian military plane crashed shortly after takeoff, killing 257 people. It was the world's worst aviation disaster in almost four years.

Trade War Jenga

● The collateral damage in a U.S.-China fight could include Australia, Brazil, Guinea, Iran, Japan, Ukraine...

● By Peter Coy



◀ companies to give an edge to favored domestic ones in sectors such as tech and finance.

The question is what to do about it. On April 10, Trumpian toughness seemed like it might be paying off when Chinese President Xi Jinping pledged to cut tariffs on cars and further open the financial sector in his keynote address at the Boao Forum for Asia conference. But ratcheting up the pressure on China as publicly as Trump has done could backfire in the long run. China nurses a sense of national humiliation over the century of foreign domination that preceded the Chinese Communist Revolution in 1949. Bloomberg News reported on April 10 that Beijing has rejected a U.S. request to stop subsidizing industries related to its Made in China 2025 initiative.

While a trade war with the U.S. would be disastrous for China, national pride might impel Xi to fight on. The country has several levers remaining. It could block Qualcomm Technologies Inc.'s pending purchase of NXP Semiconductors N.V. as part of an effort to bolster Chinese chipmakers. It could keep life difficult for American financial institutions and other service providers, which collectively run a trade surplus with China. It could allow—or force—its currency to depreciate, which would make its products more competitive.

In extremis, it could stop selling the U.S. rare earth elements, which are used in high-tech magnets among other devices and are produced mainly by China.

The list of Chinese products that the U.S. wants to slap 25 percent tariffs on is bemusing: malaria diagnosis kits, human blood antiserum, chain saws, pump-action shotguns, railroad tracks, and turbo propellers, to name a few. "It's hard to pick up what the rhyme or reason is," says Dartmouth College economist Robert Johnson.

Derry, the CEO of the Institute for Supply Management, says he thinks Trump is playing chess with the Chinese. "It's to create maximum political pressure and get all these issues on the table," he says. Maybe. But American business leaders are getting nervous about the consequences of Trump's threats, intended or otherwise. Even the U.S. Chamber of Commerce, which has been cautious about inviting the president's wrath, posted an essay on its website by its chief economist, J.D. Foster, that included this phrase about the state of the U.S. economy, directed to no one in particular: "This is a rare moment. Enjoy it, and don't screw it up." **B** —With Keith Zhai, Tatiana Freitas, Gabrielle Coppola, and Toluse Olorunnipa

VIEW

To read Mohamed A. El-Erian on navigating volatility and Noah Smith on Bitcoin's lessons for market bubbles, go to Bloombergview.com

Macron's Battle To Put France Back on Track

● Rail strikes are a predictable response to labor reforms. The president should stand his ground

French President Emmanuel Macron's fight with public-sector rail workers will show how serious he is about economic reform. Unions are promising two days of disruption each week for the next three months unless he abandons his plan to expose the network to a whiff of economic reality. Macron should stand his ground.

A government-commissioned report published in February showed just how badly France's rail networks are failing. They receive €14 billion (\$17.3 billion) in

state subsidies each year but still run an annual deficit of €3 billion. Their debt is €45 billion and rising. Despite these outlays, service quality—already worse than in Germany and other European countries—is deteriorating.

Meanwhile, railway workers enjoy lifetime employment, automatic pay increases, free tickets for their families, and retirement at the age of 52. Macron wants to narrow these exorbitant privileges—only for new hires, by the way, not for the workforce as a whole. The unions are refusing to give way.

Employees at state-owned Air France-KLM, garbage collectors in the left-wing CGT union, teachers, nursery workers, and other civil servants have also been striking. Macron has loosened restrictions on hiring and firing, cut business taxes, and proposed wide-ranging changes in education, training, pensions, and other previously forbidden areas. Defeat on his rail proposals would embolden opposition and endanger this broader agenda.

The president has a mandate to stick to his guns. He won office vowing to reduce the bloated public sector, liberalize the labor market, and free the economy to create growth and jobs. His victory was a sign that sentiment in France is moving against organized labor's traditional perks. In office, he's consulted widely and been open—sometimes too open—to tactical compromise, appeasing the Left with gestures of economic nationalism and the Right with tough talk on immigration. The rail strikes are a moment not for more accommodation but for standing firm.

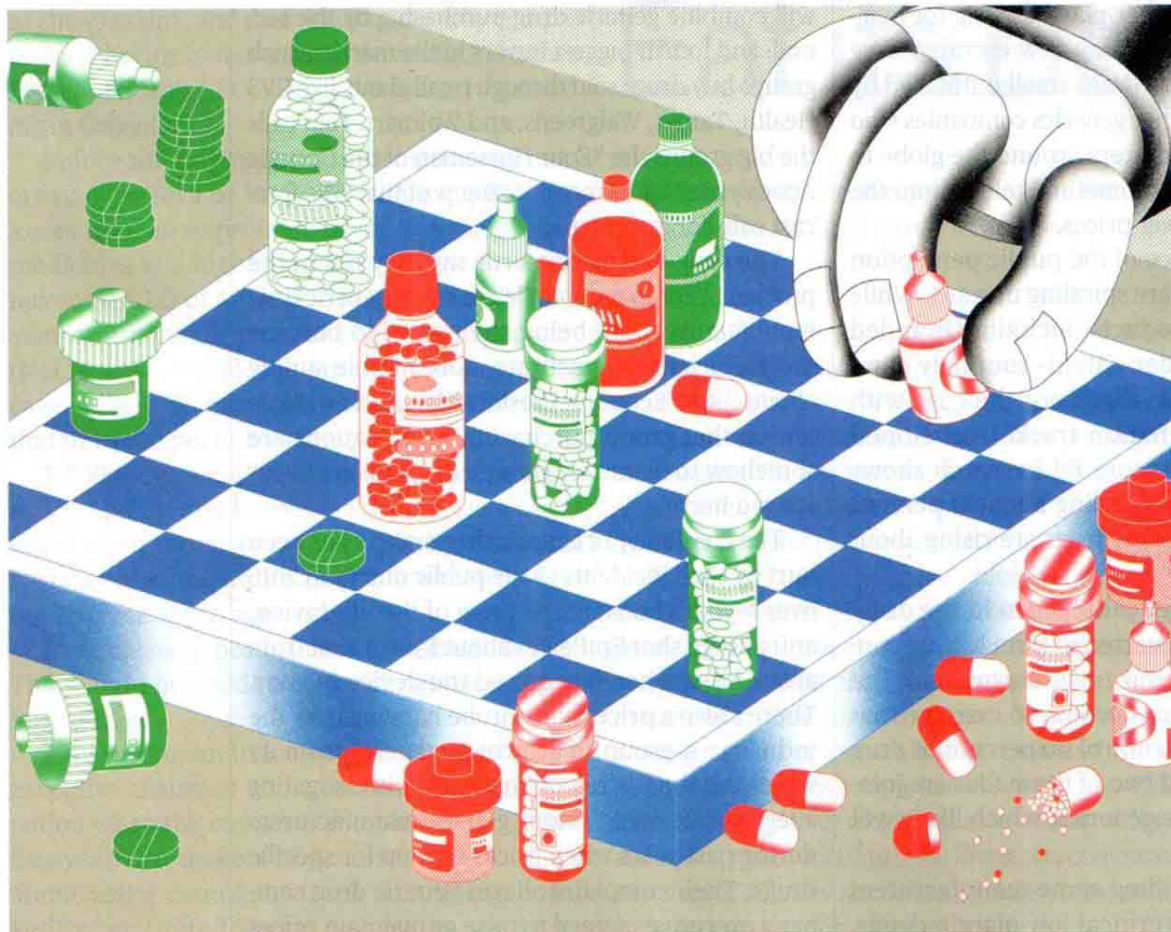
It's easy to forget that only about 8 percent of French workers are unionized. Public support has allowed organized labor to punch far above its weight. Today, the ground is shifting, and Macron needs to press his advantage. The president must convince the country as a whole that he's a better defender of its interests than the unions. **B**

Generics Makers Need a Different Strategy

Plunging prices have led manufacturers to stop producing some common but critical drugs

The mood at the annual generic drug industry confab in Orlando in February was especially somber. The discussion during one panel was all about plunging drug prices, consolidation among drug-buying groups, and the increasingly cutthroat nature of the business. A top executive

at Israel-based Teva Pharmaceutical Industries Ltd., the No. 1 supplier of generics in the U.S., which is laying off 14,000 employees and shuttering about half its 80 manufacturing plants, tried to lighten the mood with gallows humor: "Teva certainly has no challenges," said Brendan O'Grady, ▶



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Edited by
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