

Bloomberg Businessweek

May 7, 2018 ● ASIA EDITION

Too **Old**

Too **Young**

Too **Pretty**

Too **Ugly**

Too **White**

Too **Black**

Too **Queer**

Too **Straight**

Too **Bossy**

Too **Needy**

Too **Dumb**

Too **Smart**

Too **Poor**

Too **Rich**

Too **Manly**

Too **Girly**

Too **Weak**

Too **Strong**

The workplace is complicated. Want help?

The Business of Equality 43



◀ Clockwise from far left: Tina Tchen, Angel Onuoha, Kelly Dermody, Ray Ko



5

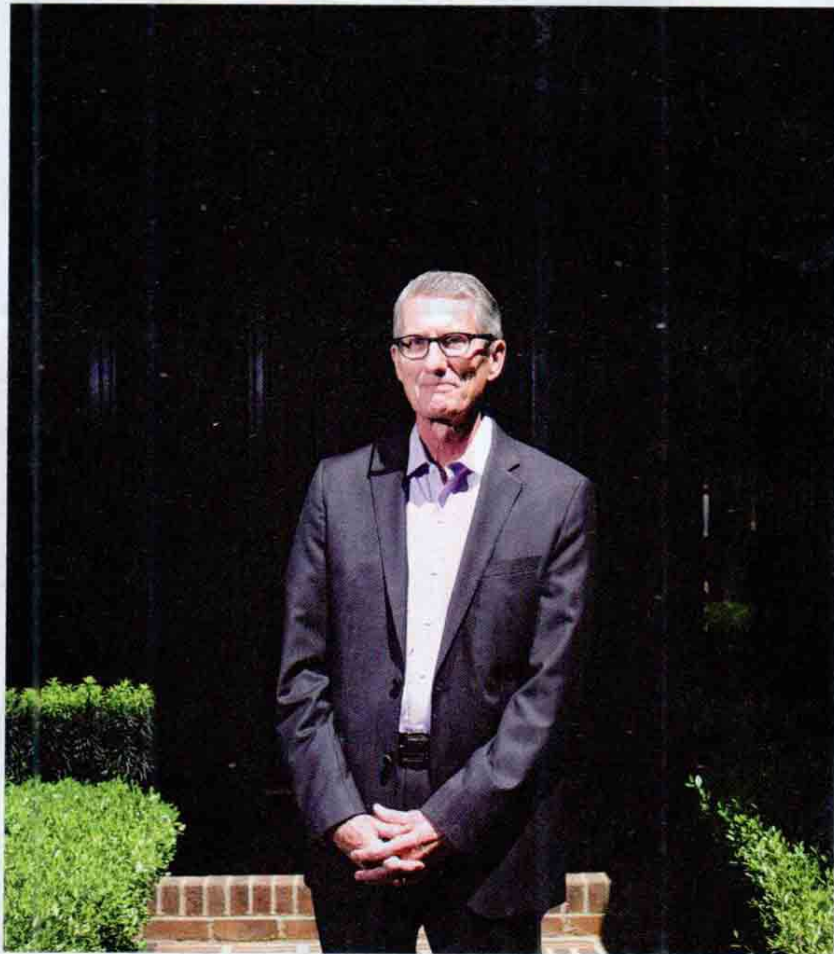
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The Business of Equality

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CORRECTION "An Ever-Expanding, Never-Ending, Time-Sucking Rabbit Hole of a Problem That Starts With YouTube" (Features, April 30) suggested that a company blog post told readers YouTube planned to appoint 10,000 moderators. The post made clear that the total included moderators for Google.

● Marathon Petroleum agreed to buy Andeavor for

\$23.3b

The combined companies would become America's largest oil refiner.



● Of the 100 or so Central Americans whose caravan arrived in Tijuana, Mexico, in late April, only 28 have been accepted for processing by the U.S. Typically, fewer than 1 in 4 Central Americans receive asylum.

● President Trump met with Nigerian President Muhammadu Buhari on April 30 at the White House. Among the topics the pair discussed was the sale of U.S. helicopters and other military equipment to the sub-Saharan nation.

Not discussed, according to Trump: his reported use of the word "shithole" to describe Nigeria earlier this year.

● T-Mobile US agreed to buy Sprint in a stock swap valuing the latter at

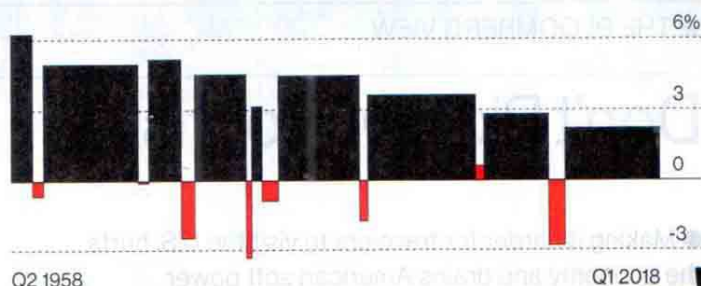
\$26b

The tieup, if approved, would combine the No. 3 and No. 4 U.S. carriers, creating a web of redundant stores and cell towers. ▷ 21

● Karyopharm Therapeutics may be closing in on a cancer breakthrough. The company said on April 30 that it would seek FDA approval for selinexor, a drug to treat multiple myeloma, later this year, after better-than-expected results in clinical trials. The company's shares surged 15 percent on the news.

● On May 1 the current economic expansion officially became the second-longest in U.S. history, at 105 months. But hold off on the Champagne: Averaging 2.2 percent, it's the weakest expansion since World War II.

Real U.S. GDP, quarter-over-quarter, annualized
Average by economic period: ■ Expansion ■ Recession



● Xerox CEO Jeff Jacobson, Chairman Robert Keegan, and five other board members agreed to step down under



pressure from Carl Icahn. The resignations will settle a lawsuit

by the activist investor to stop Fujifilm's planned \$6.1 billion takeover of the company.

● "We're in the money."

J Sainsbury CEO Mike Coupe was caught on a mic singing before a TV interview. The U.K.'s No. 2 grocer had just closed a deal to buy rival Asda, Walmart's British brand, for about £7.3 billion (\$10 billion).

● President Nicolás Maduro decreed an increase in Venezuela's monthly minimum wage, from 393,000 bolivars to 1,000,000 bolivars (\$14.96). The country is struggling to keep up with runaway inflation, which will soar to

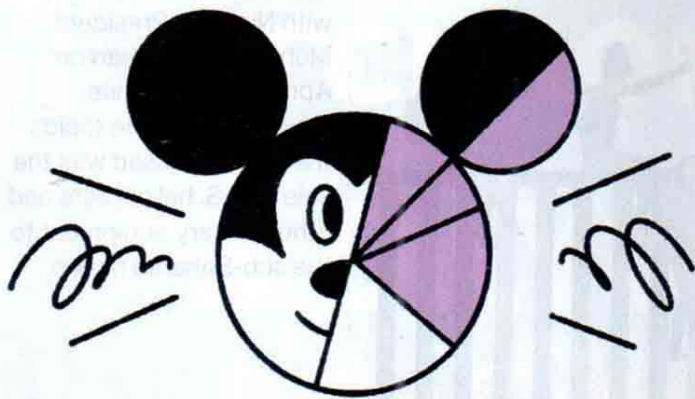
13,000% by yearend, the International Monetary Fund estimates.

● Gibson Brands filed for bankruptcy on May 1, after an ill-fated expansion into consumer electronics stretched the fabled guitar manufacturer's resources too thin.

The company's factories in Memphis, Nashville, and Bozeman, Mont., still crank out 170,000 guitars a year. "Lucy," the unique red guitar Eric Clapton gave George Harrison in 1968, is a Gibson Les Paul.



- Apple reported \$9.2 billion in second-quarter services revenue, proving it can survive lackluster iPhone sales.
- Trump lawyer Ty Cobb is being replaced by Emmet Flood, who represented Bill Clinton during his impeachment.
- Cardinal George Pell, the No. 3 Vatican official, will stand trial in Australia for allegedly sexually abusing children.
- Marine salvage expert Nick Sloane has a scheme to alleviate Cape Town's drought: hauling icebergs from Antarctica.



► Mickey Feels the Force

Walt Disney reports second-quarter earnings on May 8. Its movie business is boffo—*Star Wars: The Last Jedi* was the top-grossing film of 2017, and *Black Panther* made \$689 million in the first three months of 2018—but its TV channels are struggling as more viewers cut the cord.

► May 12 is the deadline for President Trump to recertify the Iran nuclear deal. Pessimism in Tehran has led to a slump in the value of the rial.

► The White House has delayed its decision on steel and aluminum tariffs for Canada, Mexico, and the EU until June 1.

► Google's developer conference, on May 8-10, is expected to focus on the company's digital assistant as well as the next version of Android.

► Japan, China, and South Korea will hold a trilateral summit in Tokyo on May 9. Topping the agenda: continued negotiations with North Korea.

► The U.S. Bureau of Labor Statistics will release April's consumer price index on May 10. Economists expect the Fed forecast of a pickup in inflation to bear out.

► Ford Motor will host its second completely virtual annual meeting on May 10. Taking shareholders totally online is unusual for a company its size.

■ THE BLOOMBERG VIEW

Don't Pick On Tourists!

● Making it harder for travelers to visit the U.S. hurts the economy and drains American soft power

Donald Trump has made clear his view that the U.S. doesn't need any more immigrants. The mystery is: Why would a veteran of the hospitality business be so inhospitable to tourists, traveling executives, students, and other visitors?

Consider the U.S. Department of State's ill-advised plan to impose new screening requirements on the roughly 14 million people who apply each year for a temporary visa. It would require every visa seeker to disclose five years' worth of social media profiles, travel histories, email addresses, phone numbers, and other information.

This would do nothing to make the U.S. more secure. Post-Sept. 11 vetting procedures have greatly reduced the risk of a terrorist getting a visa, and U.S. officials can request additional information from an applicant as needed. From 2002 to 2016, the rate for terrorists getting through was 1 in every 379 million visa or status approvals, according to one analysis. The overwhelming majority of American terrorists were born, raised, and radicalized domestically; those who weren't have mostly been extradited by law enforcement.

Meanwhile, temporary visitors are a wellspring of economic strength. In 2016 more than 70 million arrivals spent almost \$250 billion, supporting several million jobs and

generating 11 percent of exports. Foreign visitors spend far more than their domestic counterparts do: In Trump's hometown of New York City, they account for just one-fifth of visitors but spend four times as much as Americans.

What these foreigners take home with them is also critically important: firsthand exposure to all that makes America great—tourism is the most cost-effective way to amplify U.S. soft power. Sadly, Trump doesn't recognize this. His administration has repeatedly made life harder for visa seekers, who represent 40 percent of overseas visitors. (Citizens from 38 mostly wealthy countries can travel to the U.S. on the Visa Waiver Program.) In addition to his travel restrictions on a group of mostly Muslim countries, Trump has rescinded programs that made it easier for travelers to return—forcing Argentines and Brazilians, for instance, to revisit U.S. Consulates for interviews.

It's true that total international visits to the U.S. increased last year (except from the Middle East and Africa). Yet the U.S. share of the global travel market is declining. Whether for tourists, trade show attendees, or would-be students, the U.S. faces growing competition. During the 2016-17 school year, new foreign student enrollment dropped 3 percent—a decline that's projected to double this year. Trump's new requirements shrink the U.S. welcome mat by overloading visitors with bureaucracy and needlessly invading their privacy.

Worse yet, they target the foreigners for whom the U.S. should be a beacon—citizens from emerging markets, democracies seeking solidarity and inspiration, and would-be allies in the fight against terror. **B**

For more commentary, go to bloomberg.com/opinion

THE FA OF N



On April 28, I spent an interesting evening not sitting next to Donald Trump. Normally, the president comes to the annual White House Correspondents' Association dinner—and sits beside the editor-in-chief of the organization whose reporter is the association's chair. That honor would have been mine, but sadly Trump, for the second year in a row, declined, making clear his disdain for the established media.

I spent most of the evening looking down from the dais at the ranks of American journalism, gathered around their pennanted tables like a slightly drunken medieval army. A 2006 cover of the *Economist* came to mind.

It appeared shortly after I became that magazine's editor and used fonts from familiar mastheads to spell out, like a ransom demand, "Who killed the newspaper?" For better or worse, the cover rapidly became a staple of PowerPoints at journalism conferences, alongside predictions that "old media" would be swept away by newcomers like the *Huffington Post*, *BuzzFeed*, and *Business Insider*. The cover seemed prophetic, with papers giving up print production (the *Independent*), going into bankruptcy (*Los Angeles Times*' parent Tribune Publishing), or laying off journalists (everybody), as advertising disappeared to Google and Facebook. The year 2006 also saw the start of what, in effect, would become the largest newspaper on the planet: Twitter.

Thanks in part to the election of the world's most famous

tweeter, journalism's economic crisis has broadened into one of relevance and efficacy, centered on "fake news." The leader of the free world has no need for us, preferring instead to speak to his voters directly in 280-character bursts. Vladimir Putin takes open pleasure in hoodwinking us; if Robert Mueller is correct, Russia had as much influence on America's last election as the established media, at a cost of a little over \$1 million a month. Meanwhile liberal opinion howls about the quality press's failure to hold Trump to account and to prevent Brexit.

As if to prove the doubters right, the president's non-appearance at the WHCA dinner was soon overtaken by a media squabble about the performance of the person whom I did indeed sit next to: Michelle Wolf. The comic delivered a savage roasting of the president (and his staff) that even some Trump-haters think went too far. Trump tweeted his pleasure that the dinner had bombed, while some members of the press said Wolf's speech should have been vetted—an odd position for defenders of the First Amendment.

But is journalism really in such a parlous state? Look closer. News is an industry in transition, not in decline. It is reemerging as something more digital, more personalized, more automated, more paid for—and (eventually) less fake. In many ways history is repeating itself, with the main surprise being the survival of so many established names. And good journalism still does have the power to change lives.

FUTURE

subscribe

- Automated, personalized, mobile, paid for, and (eventually) less fake: Quality journalism is coming back

- By John Micklethwait

The quality press has staged a remarkable resurrection, thanks to the introduction of metered paywalls that charge regular readers but still leave their websites open to much larger audiences of occasional visitors who can see advertisements. The *New York Times*, which already has almost 2 million digital subscribers, is aiming for 10 million; about 100 million people still visit its website each month. The *Wall Street Journal*, the *Washington Post*, the *Financial Times*, and the *Economist* all make most of their money by charging people for their content; old advertising-first fiefdoms, like Condé Nast and the *Los Angeles Times*, are also now building paid circulation quickly. Even *Le Monde*—hardly most people’s idea of capitalism—is now apparently profitable, thanks to a paywall.

This week, we at Bloomberg joined the trend—with our own consumer subscription business. We already have perhaps the most profitable professional paywall, through the Bloomberg terminal; now we’re expanding a version of the *Businessweek* paywall we erected last year to cover all of Bloomberg.com. There are rumblings from Facebook and Google that they will start paying old media for content. Even the *Guardian*, the most fervent advocate of the idea of free news, now asks, very respectfully, for you to make a donation. Its begging letter has attracted 800,000 supporters.

The reason for this transition? It’s partly negative. No news provider has maintained much of a profit out of advertising,

no matter how big its audience. But there’s also a positive reason: Consumers will pay. Back in 2006 they were used to the web being free—with just a few outliers (including the *Economist*). But in the age of Netflix and Spotify, people are coming around to paying for content again. They live in a knowledge economy where ideas and information matter and where news is still relatively cheap: You can buy most of the products listed above for the price of a cappuccino a week.

Some who have benefited from this shift have come from the new economy—notably Jeff Bezos, who, when he bought the *Washington Post* in 2013, invested in good journalism and put up a paywall. Now, most of the cool new—and free—media brands of 2006 are rounding up subscribers in some way.

For those who care about journalistic independence, this is generally a good thing. Relying on readers for your income presents fewer ethical dilemmas to editors than chasing advertisers. It cannot be coincidental that coverage of Google and Facebook has sharpened now that newspapers no longer rely on them so much.

So problem solved? Not entirely. First, paywalls don’t work for everybody. There are still big holes in local journalism. In the U.S., many city papers cut back on investigative work and covering politics as they lost the monopoly on classified ads. Democracy may not be dying in darkness, but many parts of local government are badly lit. ▶

● Fast fashion's disposable clothing gets a second life

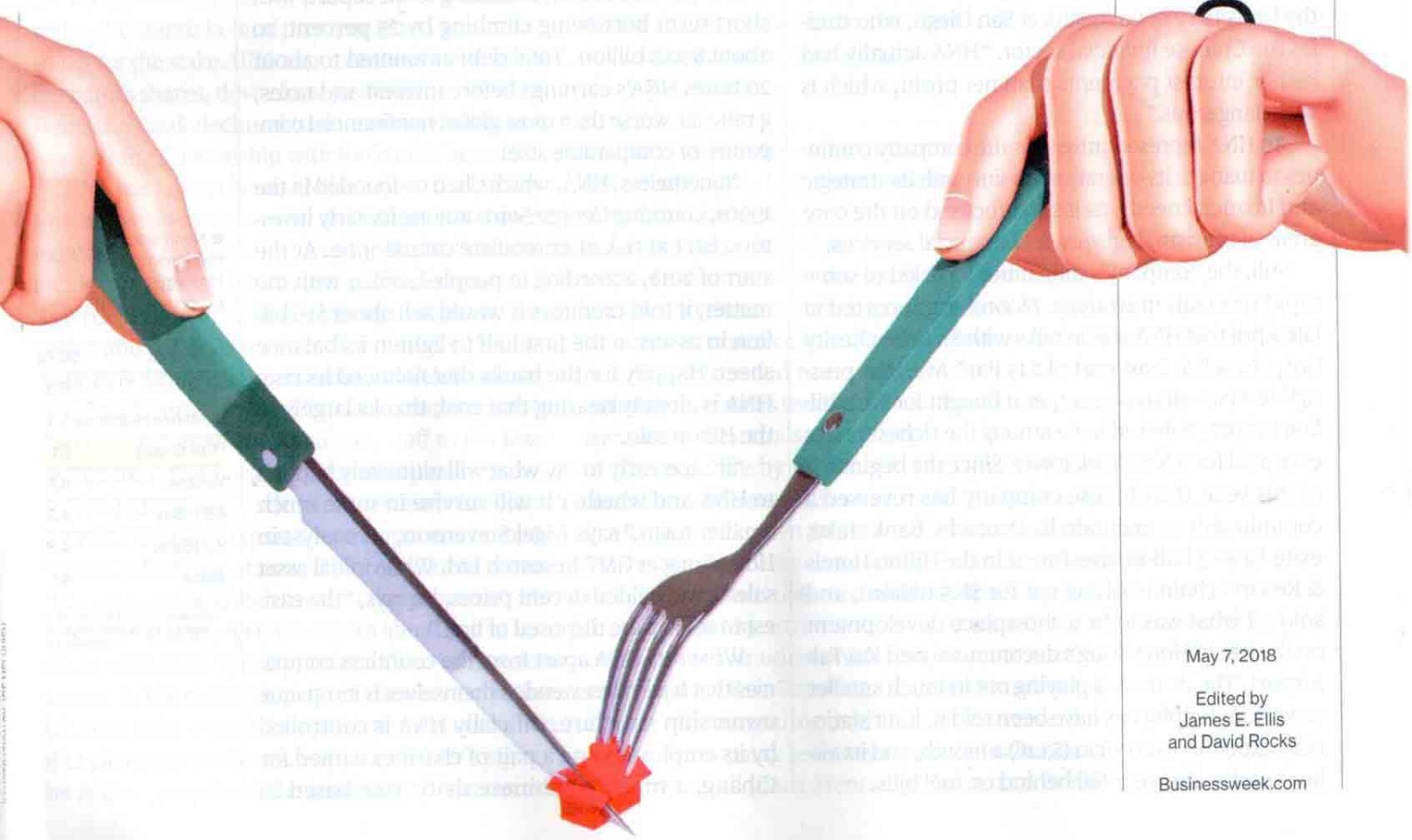
● Will Sprint and T-Mobile live happily ever after?

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BUSINESS

What Will Be Left of HNA?

After a global acquisition binge, the Chinese conglomerate found that its earnings didn't cover its hefty debt payments



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May 7, 2018

Edited by James E. Ellis and David Rocks

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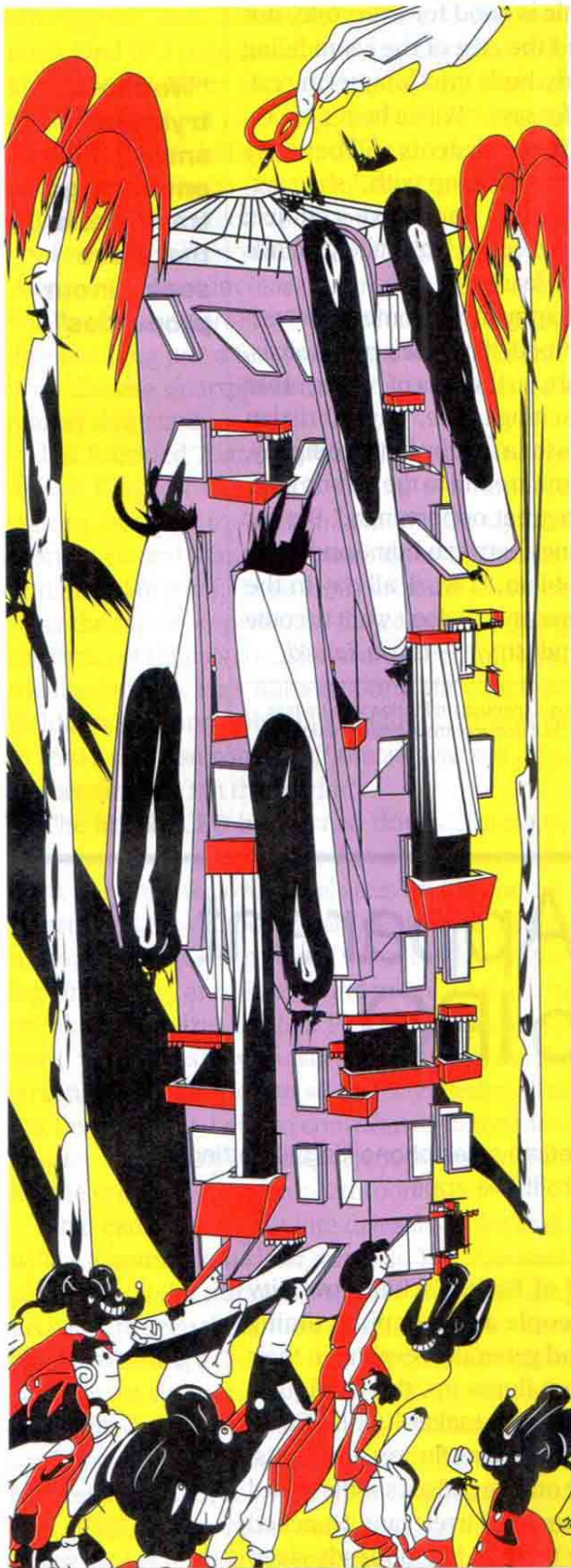
Surprise! You Live In a Giant Airbnb

● Residents were blindsided by the company's first building-level conversion

In December, Sheila Schuler and her husband, David, were ecstatic to rent a home at the Domain, a cluster of well-kept pastel apartments in Kissimmee, Fla. The gated community's palm trees and crystalline, cabana-lined pool felt like an oasis next to the nearby chaos of Walt Disney World, where Sheila works. Three months after signing a yearlong lease, the Schulers discovered Airbnb Inc. had co-opted their slice of paradise and that they would have to share their refuge with a potentially huge rotating cast of new faces. This summer the Domain will become the online booking giant's first branded apartment complex, renting to tourists for short stays much the same way a hotel does. "We've been blindsided," says David, who found out about the change from the building's unofficial Facebook page. "We didn't agree to live in a hotel."

It's easy to see why vacationers headed for Kissimmee, which welcomes about 10 million visitors a year, would book the Domain. Along with Disney, the building is moments away from Universal Studios and Jimmy Buffett's developing Margaritaville resort project, making it ideal for Airbnb's grand hybrid experiment. But when that influx of tourists is happening next door, people tend to balk. The Schulers are among a dozen residents frustrated with the 324-unit complex, some of whom spoke to Bloomberg on condition of anonymity for fear building management would retaliate.

Those who live at the Domain full time will be encouraged to sublet their spaces online when they're gone for extended periods, and Airbnb's guests will have access to amenities commonly found in hotels, including maid service, luggage storage, and digital keypads. Miami-based Newgard Development Group is overseeing the project through its Niido Powered by Airbnb brand. They, alongside the condo's managers, are pressuring residents into an "Airbnb time-share operation," says Domain renter Amanda Crane, who also works in the tourism industry. "I did ►



May 7, 2018

Edited by
Jeff Muskus
and Julie Alnwick

Businessweek.com

● Milk has become a risky business, turning farmers into hedgers

● Trump's man at the CFPB considers moving staffers to the basement

Beating

Goliath



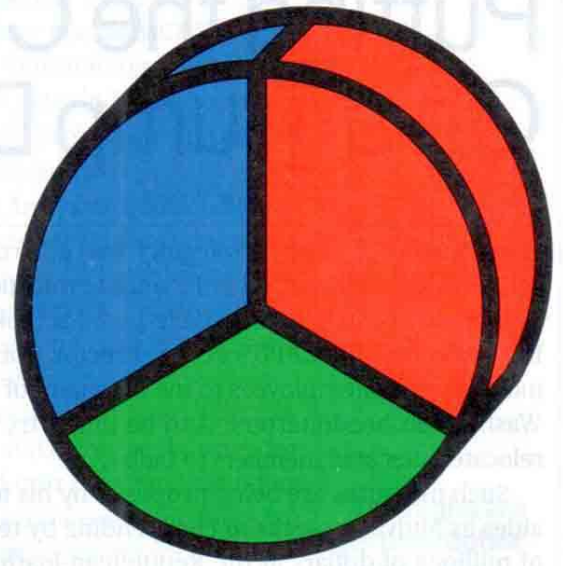
A small college's endowment manager outdoes Harvard with a simple weapon: Index funds

May 7, 2018

Edited by
Pat Regnier

Businessweek.com

How Markets Can Solve Inequality



● A new book argues that embracing markets more fully can lift up the poor

Proposed solutions for inequality are depressingly familiar. Liberals want to raise taxes; conservatives want to cut them; populists in the Trump mold want to exclude immigrants and restrict foreign trade. The centrist business community triangulates between stale agendas. Doesn't anybody have anything new to offer?

Actually, yes: One big new idea is to unleash the awesome power of markets and push them into parts of life where they have never operated before. And at the same time, to design mechanisms that harness markets' power to uplift the poor. The agenda is conservative in its means, because conservatives like markets, but liberal in its ends. It's like letting a tiger out of its cage and throwing a saddle on its back. And it just might be what the world needs now.

Taking markets more seriously is the thrust of a surprising book, *Radical Markets: Uprooting Capitalism and Democracy for a Just Society*, scheduled for publication on May 8. It's by Eric Posner, a University of Chicago Law School professor, and Glen Weyl, an economist and principal researcher at Microsoft Corp. They're smart and iconoclastic, and their book bursts with ideas like kernels of corn on a hot stove.

Certain ideas are dismissed as impossible or offensive until they're adopted, at which point they're mysteriously reclassified as obvious all

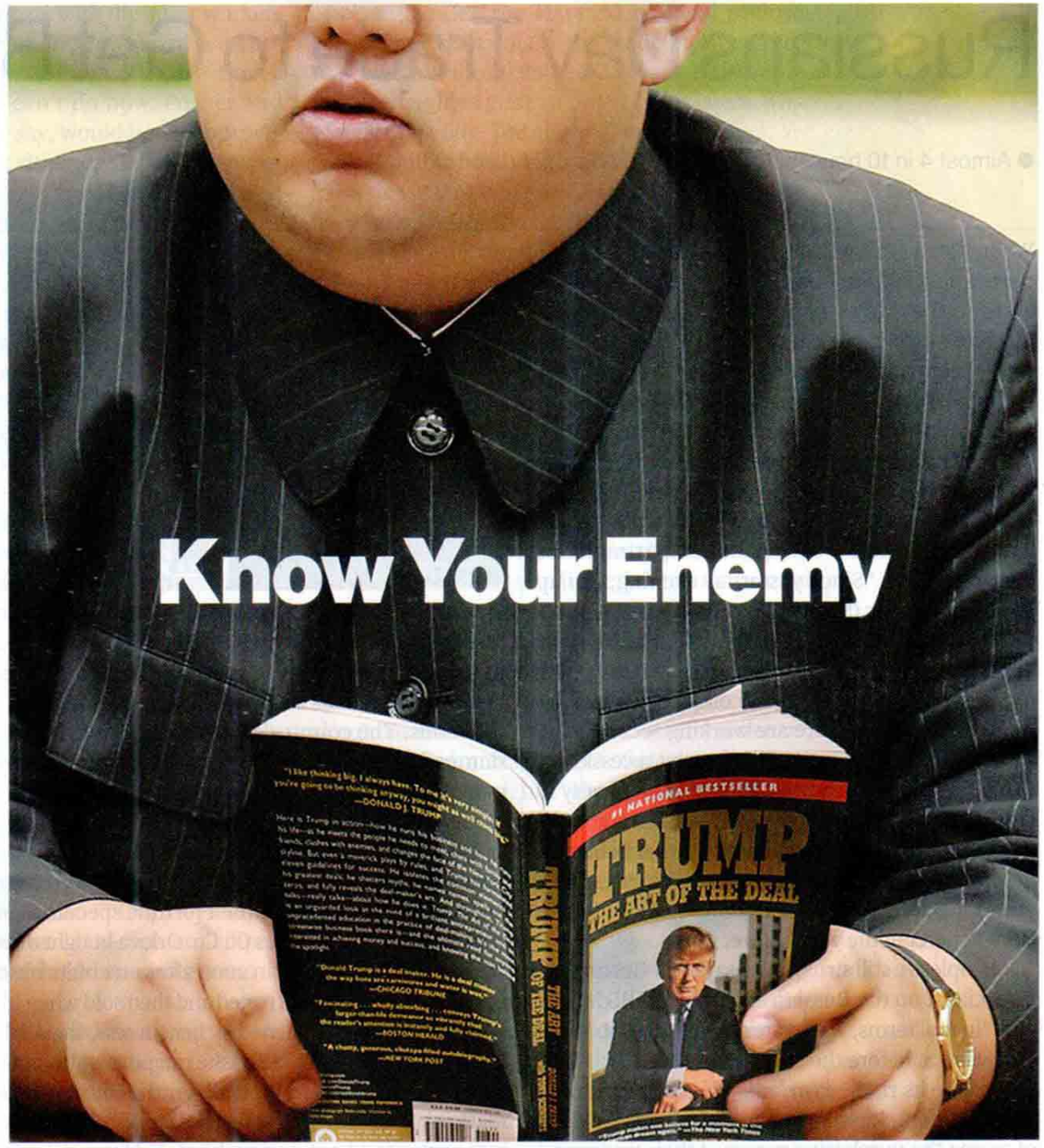
along. The ideas in *Radical Markets* are still very much in the first stage: impossible, offensive, or both. Weyl claims to be untroubled by that. "Students have a very different reaction than older people," he says. "Most of the older people are just dismissive. That reaction fuels the students' interest. When they hear an impassioned argument for a better future, they see it as a chance to rebel."

The authors' first counterintuitive idea is to let people decide how much they want to pay in property taxes by setting their own valuations for their property. Every kind of property, not just real estate. Why wouldn't people put extremely low valuations on their belongings to cut their tax bills? Because there's a catch: You are legally required to sell each item to whoever wants it, whenever they want it, at the price you claimed it's worth. That incentivizes honesty. To make sure people's keepsakes aren't snatched away from them, there could be an exclusion for heirlooms. (No fair calling your Picasso in the living room an heirloom.)

The upshot of such a system is that nobody would truly own anything. They'd effectively be renting their stuff for the amount of their annual tax bill. Echoing the radical leftist slogan "property is theft," the authors declare that "property is monopoly"—and they don't like monopolies.

Putting possessions essentially up for grabs would make infrastructure easier to build without resorting to seizing land by eminent domain. People whose properties are essential to a project would be required to sell at their published asking price. That's an enticement for business. For the poor and middle class, the *Radical Markets* approach would shift the tax burden onto

- Banks that changed their stances on guns get a stern GOP reaction
- Can tax reform tilt the midterms? Koch-backed activists are betting on it



Know Your Enemy

● It looks like Kim Jong Un has been taking a page from Trump's book

Donald Trump will soon sit down to the most consequential negotiation of his career if, as expected, he becomes the first U.S. president to meet a North Korean leader since the devastating war on the peninsula in the 1950s. Trump, of course, wrote a book on dealmaking, only this time nuclear war and peace will hang in the balance, rather than a real estate contract. And on the evidence so far, his sparring partner Kim Jong Un has mastered *The Art of the Deal*, too. In fact, frequent North Korea visitor

Dennis Rodman told TMZ he gave Kim a copy of the book for his birthday in 2017.

Trump offered 11 pieces of advice to budding negotiators in his 1987 book, and Kim seems to have put at least half of them to good use, starting with the first: Think Big. It was Kim who proposed a meeting with Trump earlier this year as he sought to de-escalate a spiral of threats and counterthreats over a series of nuclear and ballistic missile tests. What nobody knows, as new national security adviser John Bolton acknowledged on April 29 on CBS's *Face the Nation*, is whether Kim really means to put North Korea's complete, verifiable, and irreversible disarmament on the table. The language on denuclearization that Kim has used isn't new, and longtime observers of North