

Bloomberg Businessweek

May 14, 2018 ● ASIA EDITION

HOW TO MAKE \$1 BILLION



場次 RACE 2	連贏賠率	QUINELLA ODDS	6分鐘開路 MINS. TO RACE
2	120	11	40
3	16	25	73
4	61	123	14
5	24	87	1
6	166	149	249
7	193	212	289
8	344	397	181
9	193	380	2
10	266	190	41
11	13	22	76
12	42	86	13
1	36	128	3
2	89	64	144
3	55	81	171
4	169	247	58
5	92	232	4
6	95	96	205
7	24	26	77
8	74	84	17
9	29	174	5
10	247	393	540
11	140	128	94
12	98	226	21
1	46	180	6
2	7	8	9
3	10	11	12
4	7	8	9
5	10	11	12

連贏投注總額 QUINELLA POOL TOTAL \$ 12,934,481

場次 RACE 2	位置Q賠率	QUINELLA PLACE ODDS
2	30	4.2
3	14	5.8
4	8.2	24
5	20	43
6	5.9	8.5
7	29	1
8	47	43
9	74	55
10	55	87
11	96	97
12	46	48
1	96	2
2	76	57
3	15	4.8
4	7.6	24
5	14	30
6	5.0	12
7	44	3
8	28	19
9	40	18
10	24	51
11	51	62
12	18	30
1	75	4
2	26	28
3	57	8.1
4	8.4	24
5	22	26
6	5.9	9.7
7	51	5
8	63	108
9	144	37
10	34	25
11	27	57
12	7.3	12
1	43	6
2	7	8
3	9	10
4	11	12

注總額 QUINELLA PLACE POOL TOTAL \$ 15,012,641



BETTING

ON HORSES



◀ Andrés Manuel López Obrador, aka AMLO, at a campaign stop in Mexico City

FEATURES

- 50 **The People Call Him AMLO**
López Obrador, likely to be Mexico's next president, is a populist, but no Trump
- 56 **A World Without Ads**
Most of us see sales pitches everywhere. One online community doesn't
- 60 **How to Make \$1 Billion Betting On Horses**
Bill Benter devised a foolproof algorithm for the racetrack

■ IN BRIEF	11	Executive shuffle at Facebook; Nestlé and Starbucks
■ AGENDA	12	Next week in Jerusalem; will Tencent's profit shrink?
■ THE BLOOMBERG VIEW	12	A better fix for the EU's data-protection crisis
■ REMARKS	14	Amazon's golden opportunity to boost diversity
1 BUSINESS	18	Abu Dhabi wants to expand beyond crude—way beyond
	22	Corporate bullies could be the next workplace pariahs
2 TECHNOLOGY	24	Facebook bans terrorist pages, but they keep returning
	26	Space is getting crowded. Transponders can help
	28	How Flipkart flipped—and won \$16 billion from Walmart
	29	Yesterday's shipping container is today's TerraFarm
3 PERSONAL FINANCE	31	Risk parity, the complex new way to diversify
	33	Annuities are pricey, difficult, and underutilized
	34	The bull market shows signs of exhaustion
	36	PayPal, Apple Pay, and other phone buttons slug it out
4 ECONOMICS	38	Indicators flash red, but we're not overheating (yet)
	40	As Western companies abandon Iran, China steps up
	41	Brazil needs money, but privatization is a tough sell
5 POLITICS	45	The Democrats' un-Tea Party-like bid to win back power
	47	James Comey on Trump vs. his old grocery store boss
	49	Women in Congress could see huge strides in 2018
■ PURSUITS	71	Now's the time to plan next year's Caribbean retreat
	76	Can Dominica become the first climate-resilient nation?
	78	Critic: Baha Mar is open, and business is booming
	79	The One: Shiseido's sunscreen laughs at water
	80	Game Changer: Bill Drayton's squad of world fixers



47 James Comey on Trump vs. his old grocery store boss
49 Women in Congress could see huge strides in 2018

CORRECTION

The graphic for "Can Laws Make Us Equal?" (Features, May 7) suggested that Australia doesn't mandate paid parental leave. The country's 2010 Parental Leave Act mandates leave and pay for the primary caregiver.

How to Contact
Bloomberg
Businessweek

Editorial
212 617-8120
Ad Sales
212 617-2900
731 Lexington Ave.,
New York, NY 10022
Email
bwreader
@bloomberg.net
Fax
212 617-9065
Subscription Customer
Service URL
businessweekmag
.com/service
Reprints/Permissions
800 290-5460 x100
or email
businessweekreprints
@theygsgroup.com

Letters to the Editor
can be sent by email,
fax, or regular mail.
They should include
the sender's address,
phone number(s),
and email address if
available. Connections
with the subject of
the letter should be
disclosed. We reserve
the right to edit for
sense, style, and space.

Follow us on
social media

Facebook
facebook.com/
bloomberg
businessweek/
Twitter
@BW
Instagram
@bloomberg
businessweek



Cover:
Photograph by
Xyza Bacani
for Bloomberg
Businessweek

● Nestlé agreed to spend more than \$7 billion on rights to sell Starbucks products globally.

● Facebook reorganized its executive ranks on May 8, putting its product chief officially in charge of Instagram and WhatsApp, and announced the creation of a blockchain unit.

The Swiss conglomerate hopes the deal will fuel sales, now growing at their slowest rate in two decades. Starbucks will use the cash to buy back shares.



● A fissure opened in the Leilani Estates area of Pahoehoe, Hawaii, on May 5. The eruption of the Kilauea volcano has displaced more than a thousand people so far.

● “Oh, ‘We need a woman for a board.’ Oh, it is like, ‘We need a plant on the table.’”

Designer and fashion magnate Diane von Furstenberg spoke at Bloomberg’s Business of Equality Summit on May 8 about the way women are viewed in corporate settings. “I mean, women are not an accessory,” she added.

● As it courts investors for a planned IPO, Chinese smartphone maker Xiaomi lowered its target stock market value from \$100 billion to a range of \$70 billion to \$80 billion. Even at the reduced level, Xiaomi, which doesn’t yet sell phones in the U.S., would have a higher price-to-sales ratio than Apple.

● Takeda Pharmaceutical won a long battle to buy Shire, an expert at making drugs for rare diseases, for **\$62b**. If shareholders sign off, it would be the largest foreign acquisition by a Japanese company.

● A shell company created by Trump lawyer Michael Cohen received \$4.43 million from Novartis, AT&T, and other businesses, as well as from a company associated with Viktor Vekselberg, a Russian oligarch with connections to Vladimir Putin. The shell company was used to pay \$130,000 to porn star Stephanie Clifford, aka Stormy Daniels.



● President Trump pledged to withdraw the U.S. from the multilateral Iran nuclear deal, despite warnings from European allies. The U.S. simultaneously restarted sanctions that had been halted by the agreement. Some will go back into effect in August and the rest in November.

● Malaysia Prime Minister Najib Razak’s party lost its parliamentary majority after six decades in power.

An alliance led by former premier Mahathir Mohamad bested the United Malays National Organisation on May 9. Najib, who didn’t immediately comment, had been defiant going into the election despite having been caught up in a corruption scandal.

● French officials warned that Air France-KLM may not survive a protracted wage negotiation with its pilots. The carrier has canceled 1 in 5 flights since walkouts began in February, and CEO Jean-Marc Janailiac resigned on May 4.



- Argentina asked the IMF for a \$30 billion line of credit in an effort to stop a slide in the country’s currency.
- Wireless giant Vodafone said it would buy \$23 billion in European assets from cable company Liberty Global.
- Nigeria shut down three cough-syrup factories after a probe found workers selling the medicine to addicts.
- California regulators approved a measure to mandate solar panels on new homes starting in 2020.

HAWAII: U.S. GEOLOGICAL SURVEY; MICHELLE BIRING; ANDREY RUDANOV/BLOOMBERG; KLM; THIERRY TRONHOLM/CORBIS; AIR FRANCE; CHRISTOPHE MORIN/BLOOMBERG



▶ Next Week in Jerusalem

The new U.S. embassy in Jerusalem opens on May 14. In response to the embassy's relocation from Tel Aviv, the Palestinian National Authority has ceased participating in U.S.-brokered peace talks with Israel. President Trump, who won't be in attendance, said he's "very proud of" the move.

▶ Germany publishes preliminary first-quarter GDP figures on May 15. The data are expected to show the euro area's linchpin economy cooling.

▶ U.K. Prime Minister Theresa May will discuss her proposed EU "customs partnership" after delaying for a week to rally cabinet support.

▶ Investors will be watching Tencent Holdings' May 16 earnings report for evidence of continued shrinkage in its profit margin.

▶ The U.S. Army Corps of Engineers pulls out of Puerto Rico on May 18, leaving the island's battered electric authority to keep rebuilding on its own.

▶ The top economic adviser to Chinese President Xi Jinping, Liu He, will visit the White House to continue trade negotiations.

▶ The Cannes Film Festival continues through May 19 with a fresh emphasis on gender equality and a jury led by actor Cate Blanchett.

■ THE BLOOMBERG VIEW

The Wrong Way on Data

● Europe's new online rules are expensive, burdensome, and all too likely to impede innovation

The European Union is embarking on an expansive effort to give people more control over their data online. The 260-plus pages of the General Data Protection Regulation are well-intentioned yet largely wrongheaded as they articulate dozens of goals in the service of "a strong and more coherent data protection framework."

Meeting these ambitions will be the job of companies—wherever they're located—that process the data of EU citizens. Among other things, companies will need to obtain consent, explain how data will be used, allow people to see what's been swooped up, and permit them, at any moment, to withdraw their consent or to demand that their data be deleted.

Given the backlash against data collection—and support for the GDPR's stated goals—this approach might seem reasonable. But look more closely, and the drawbacks are glaring.

Most obvious are the costs. By one estimate, multinationals will spend \$7.8 billion preparing for the GDPR. Surely Facebook Inc. and Google can afford such costs, you might say. Yet this, too, is a problem: The GDPR is likely to advantage big tech companies at the expense of smaller ones. Few small businesses will be able to fully comply with these rules, while many of them will suffer from having less effective advertising.

Europe's dearth of notable startups will hardly improve.

Worse, the rules could impede innovation. Blockchain companies could be shut out entirely. Cloud computing may become much more complicated. Artificial intelligence could in many cases be incompatible with the GDPR's mandates.

While this is more or less by design, there will also be unintended consequences. Although the GDPR aims to improve data security, its privacy rules may compromise a crucial tool used by security researchers, thereby increasing spam, phishing attacks, and malware. Its compliance costs could inhibit cybersecurity investment. Its emphasis on obtaining consent for data collection is, in practice, likely to mean endless "click to proceed" boxes that leave customers little more informed—and significantly more irritated—than before.

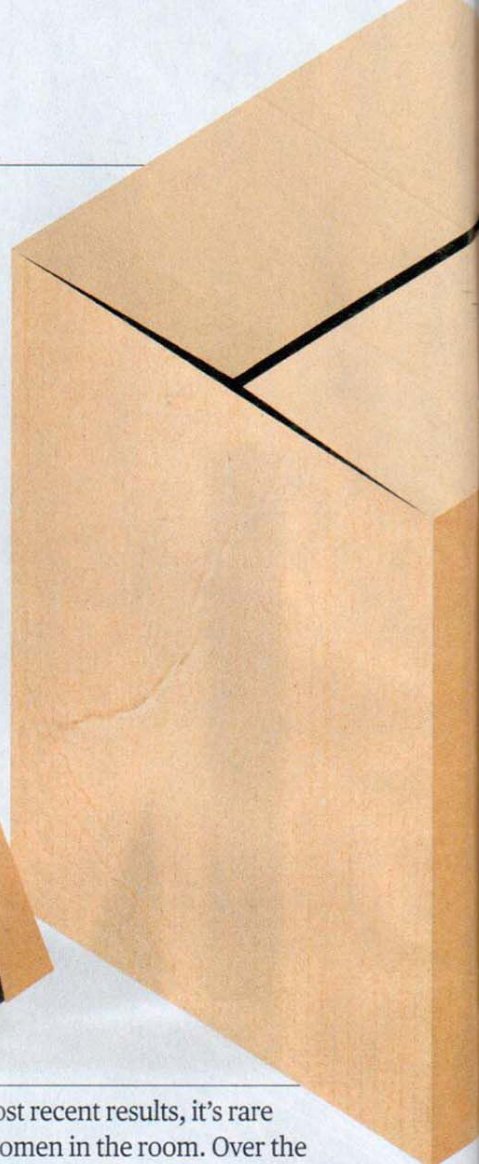
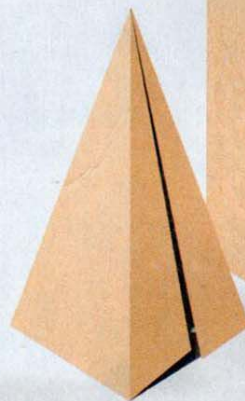
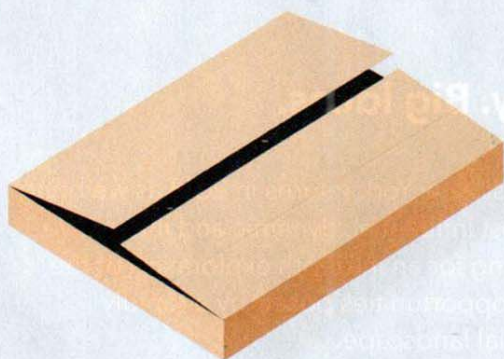
The EU deserves credit for attempting to resolve a real problem. European law enshrines a right to privacy. Yet the digital economy depends on invasive data collection. The GDPR reveals a worldwide tension: People have come to expect free online services as well as unencumbered privacy. Unfortunately, they can't have both.

No solution can be universal. But in general, the goals should be transparent pricing and more competition. The GDPR's requirement that personal information be "portable"—that a user can take her data from one service to another that treats it more responsibly—is on the right track. It would be even better to encourage companies to explicitly charge for privacy, which would give users a better sense of what their data are worth and ensure their consent is more informed. **B**

For more commentary, go to bloomberg.com/opinion

REMARKS

Can Amazon Deliver Diversity?



14

● Wherever it puts HQ2, the company can make workplace history

● By Emily Chang, Jeff Green, and Janet Paskin

By the end of the year, Amazon.com Inc. will announce the location of its second headquarters. It's hard to understate the local impact of 50,000 new jobs, and Amazon knows it: It's staging a months-long reality show of a selection process to see which city can offer the best package of financial incentives, real estate, and livability, alongside other requirements.

The search for a second home gives Amazon something else: an unprecedented opportunity to deal with a problem besetting all of big tech—a stunning lack of diversity. And Amazon is one of the bigger sinners. Men make up 73 percent of its professional employees and 78 percent of senior executives and managers, according to data the company reports to the government. Of the 10 people who report directly to Chief Executive Officer Jeff Bezos, all are white, and only one—Beth Galetti, the head of human resources—is a woman. The board of directors is also resisting shareholder pressure to improve gender balance.

Amazon doesn't make public the gender breakdown of workers in technical roles, but anecdotal evidence suggests they skew just as male as the leadership. At weekly Amazon Web Services meetings, where some 200 employees come

ready to present their most recent results, it's rare to have more than five women in the room. Over the years, workers at Seattle headquarters have complained to the Washington State Department of Labor and Industries that there aren't enough men's bathrooms.

Restroom lines aside, the imbalance isn't good for any company. The business case for diversity has been made ad nauseam, and most companies—Amazon included—at least pay lip service to the idea that diversity helps the bottom line. But even the most dedicated companies say that changing workforce demographics will take years, maybe decades.

Amazon, however, can radically change the makeup of its workforce in a much shorter time. As it prepares to hire thousands of new employees, the company could pledge to ensure that half of the workers at HQ2 are women, and that people of color are represented in line with the local population. Amazon has proven it can dramatically reshape whole, seemingly disconnected industries. Surely it could hire more women.

"There's no reason not to. The talent is there, technically and nontechnically," says Kristi Coulter, who left the company in February after 12 years in various roles. The trick is convincing Bezos it matters. "If he cared, he'd have a team of advisers that looked more like our customer base. If he cared, he would be doing something really ballsy and bold that you and I would never dream up in a million years."

Academic literature has for years documented diversity's business benefits. Companies with diverse leadership teams post better sales and financial returns. They're likelier to win new markets, introduce products, and innovate. The effects

1

BUSINESS

CONTENTS

● Nike tells its corporate bullies: Just don't do it

Abu Dhabi Looks Beyond Oil

18

► Sultan Al Jaber,
CEO of Abu Dhabi
National Oil Co.

May 14, 2018

Edited by
James E. Ellis
Businessweek.com

On Facebook, Terror Is Everywhere



● Searches quickly turned up evidence of extremist recruiting in plain sight

In the past month, Mark Zuckerberg has boasted to Congress and investors that Facebook Inc.'s artificial intelligence programs are turning the tide against extremism on his site. "One thing that I'm proud of is our AI tools that help us take down ISIS and al-Qaeda-related terror content, with 99 percent of that content being removed before any person flags it to us," the chief executive said on April's earnings call. Facebook executives repeated that number onstage at early May's annual developer conference. But it applies only to posts by those two groups. Many others seem able to recruit more or less as they please from the site's audience of 2.2 billion.

At least a dozen U.S.-designated terror groups maintain a presence on Facebook, a review by *Bloomberg Businessweek* shows. That includes Hamas and Hezbollah in the Middle East, Boko Haram in West Africa, and the Revolutionary Armed Forces of Colombia (FARC). The terror groups are rallying

supporters with everything from gruesome photos of death caused by their enemies to quotidian news about social services they offer. Several can be found simply by typing their names into Facebook's search bar in English or, in some cases, in Arabic or Spanish. Some of the groups proudly link to their Facebook pages on their home websites, too.

"There is no place for terrorists or content that promotes terrorism on Facebook, and we remove it as soon as we become aware of it," the company said in a statement. "We know we can do more, and we've been making major investments." Facebook appeared to shut down several pages after being asked about them, including those for Al-Aqsa Martyrs Brigade and Hamas's Al-Qassam Brigades.

Hezbollah's Al-Manar TV, a "specially designated global terrorist entity" banned in the U.S., has flaunted its Facebook use, regularly reposting stories from Hezbollah pages that Facebook has shut down. In March, Al-Manar bragged that Hezbollah staff quickly set up a new election page after Facebook took one down. "Resistance supporters refollowed it, which stresses that the Resistance voice can never be silenced," an English-language version of the story said.

May 14, 2018

Edited by
Jeff Muskus
and Julie Alnwick

Businessweek.com

● A new breed of annuity could help fill the U.S. retirement gap

● After an awesome earnings season, why is the bull staggering?

● The battle for mobile-payment supremacy

Make Investing Complicated Again

● Maybe diversification is too easy. Wall Street's new pitch is risk parity

Wealthfront Inc., an online money manager, attracted a following in Silicon Valley and expanded its assets under management to \$10 billion by offering a simple proposition. Instead of telling clients which stocks to buy or which supposedly brilliant money manager to pick, Wealthfront charges a low fee to help people spread their assets among exchange-traded funds that passively track the market. It adjusts that allocation to stocks, bonds, and other

assets according to a client's tolerance for risk.

Customers loved Wealthfront's passive investments. In February, however, the company added something new. The Wealthfront Risk Parity Fund is automatically included in accounts with more than \$100,000 in taxable assets unless the client opts out. The fund is supposed to follow an approach taken by hedge fund manager Ray Dalio of Bridgewater Associates. Only a portion of clients' money would be invested in it, the rest going into more traditional fare such as low-cost Vanguard funds. Rather than cheering at the opportunity to invest like an exclusive hedge fund, some Wealthfront clients expressed puzzlement about an unusual strategy with added expenses. "I'm not bailing on Wealthfront yet, but I am opting out of Risk Parity until someone can ►



May 14, 2018

Edited by
Pat Regnier

Businessweek.com

Is the U.S. Economy

● Some indicators are flashing red, but there's still a little slack in the system

Want ads for truck drivers to haul crude oil in Texas are touting salaries as high as \$150,000 a year. Some nurses are getting \$25,000 signing bonuses. The U.S. unemployment rate just fell to 3.9 percent, one tick away from its lowest since the 1960s. And on May 8 the Bureau of Labor Statistics reported there are 6.5 million unfilled jobs in the U.S., the most on record. Some employers say they're feeling the squeeze. "Rising labor costs remain the primary contributing factor to our margin erosion," Chatham Lodging Trust, a company in West Palm Beach (Fla.) that owns more than 130 hotels either by itself or in joint ventures, said on May 1.

Is the U.S. economy overheating? Yes and no. There are plenty of inflationary bottlenecks, and not only in the labor market. Backlogs of orders are the highest since 2004, according to the Institute for Supply Management. Transportation costs have jumped in part because of driver shortages. Strong U.S. oil and gas production has helped push up the prices of essential inputs such as steel pipe and specialty sands used in fracking.

On the other hand, the bottlenecks aren't yet

causing high inflation across the economy, which would require the Federal Reserve to speed up its interest rate hikes. The U.S. central bank passed up the opportunity to raise the federal funds rate at its May 1-2 meeting while noting that the rate of inflation has "moved close" to the bank's 2 percent target. "In my judgment, the Fed is ready to accelerate [rate hikes] if they need to, but they're not getting ahead, which I think is appropriate," says Josh Wright, chief economist at ICIMS Inc., which makes software to find and hire talent.

Some of the factors driving up the U.S. inflation rate—in particular, the jump in crude oil prices to about \$70 a barrel from less than \$50 a year ago—have external causes and don't reflect overheating in the domestic economy. Rising commodity prices caused in part by new steel tariffs cost General Motors Co. and Fiat Chrysler Automobiles NV at least \$200 million each in the first quarter. Tariffs have also helped drive lumber prices to a record. Other external factors are the high price of imported alumina for aluminum smelters and the weather-related runup in prices of vanilla from Madagascar and cocoa from Ivory Coast and Ghana.

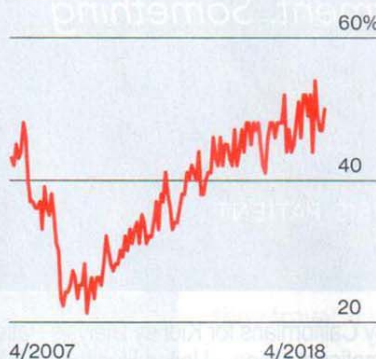
The U.S. economy performed below capacity for so long that it can be hard for managers to remember how to operate without lots of spare resources. Half of the surveyed members of the National Federation of Independent Business say there are

Bottlenecks Are Emerging...

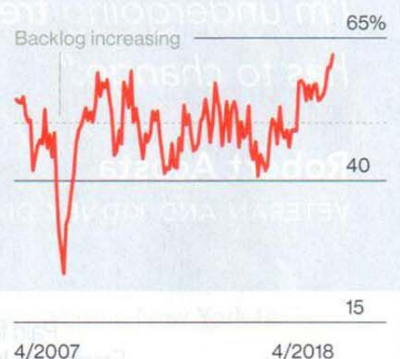
The **unemployment rate** has been lower than this just once since 1970.



The **share of small-business owners reporting few or no qualified job applicants** has climbed.



A measure of the **backlog of orders** is at its highest point in 14 years.



May 14, 2018

Edited by
Cristina Lindblad

Businessweek.com

How Left Is Left Enough?

● The Democratic Party gets more progressive without tearing itself apart

During the first years of the Obama presidency, the Republican Party found itself out of power in Washington—and went to war with itself. Right-wing insurgents, mobilized under the Tea Party banner, brought out the knives against fellow Republicans deemed insufficiently conservative, particularly in party primaries and often with disastrous effect. Angry voters nominated a succession of hard-right candidates who took down more electable incumbents, inhibiting the party’s efforts to win back the Senate for six years even as it won control of the House in 2010.

Democrats, likewise shut out of power in the early years of the Trump presidency, face a similarly rebellious activist flank that risks pulling their party to an unelectable extreme by defeating

Establishment-friendly candidates. But so far the left-wing “resistance” hasn’t sparked an intraparty civil war so much as a genteel coffee-table discussion. During the first big wave of primaries this month, Democratic centrists did something their GOP counterparts often couldn’t during the Obama years: They survived. Instead of nominating radical outsiders, voters mostly went with moderate incumbents. Putting off any significant discussion about what the party truly stands for is just fine for House Minority Leader Nancy Pelosi, who on May 8 said at an event in Washington, “Just win baby.”

That evening, two of the Senate’s most conservative Democrats—West Virginia’s Joe Manchin and Indiana’s Joe Donnelly—coasted to renomination. Manchin crushed his liberal challenger by 40 points, while Donnelly ran unopposed. Both have angered the left by casting numerous votes in favor of Trump’s agenda. In the last year, Democrats nominated other moderates, such as Jon Ossoff (who lost a Georgia House race), Conor Lamb (who won in Pennsylvania’s House special election), and Doug Jones, who pulled off an ►

May 14, 2018

Edited by Matthew Phillips and Jillian Goodman

Businessweek.com