

# Bloomberg Businessweek

April 23, 2018 ● ASIA EDITION

DO YOU KNOW PALANTIR?

Because Palantir  
knows you 44

# Integration, Globalization and a Better World

**President Xi reiterates China's commitment to further opening up at the Boao forum** By Yuan Yuan

China will continue to open up its economy and expand cooperation with its economic partners in the future, said Chinese President Xi Jinping in his keynote speech at the opening ceremony of the Boao Forum for Asia (BFA) Annual Conference 2018 on April 10.

Addressing more than 2,000 politicians, scholars and business and media leaders from over 60 countries and regions at the four-day event in South China's tropical Hainan Province, Xi began his speech by reviewing China's successful experience over the past four decades since the adoption of economic reforms in 1978.

Xi described how the Chinese people have unleashed and enhanced productivity in China through hard work and an unyielding spirit.

"Today, the Chinese people can say with great pride that reform and opening up, China's second revolution, if you like, has not only profoundly changed the country, but also greatly influenced the whole world," Xi said.

## New measures

China will continue to increase openness and expand economic cooperation, Xi declared. A series of major measures will be undertaken to broaden market access, create a more attractive investment environment, strengthen the protection of intellectual property rights (IPR) and expand imports.

China will significantly lower import tariffs for vehicles and reduce import tariffs for

some other products this year, Xi revealed in his speech.

Several other measures will be launched this year to significantly broaden market access, to accelerate the opening up of the insurance industry, and to ease restrictions on the establishment of foreign financial institutions in China and allow expansion of their business scope, while more areas of cooperation between Chinese and foreign financial markets will also be opened.

Instead of primarily relying on favorable policies for foreign investors as in the past, Xi said that China will improve the country's investment environment in order to attract foreign investment.

"We will enhance alignment with international economic and trading rules, increase transparency, strengthen property rights protection, uphold the rule of law, encourage competition and oppose monopoly," Xi said.

Meanwhile, China is reinstating the State Intellectual Property Office this year to step up law enforcement, deploy relevant laws and significantly raise the penalty for offenders as a major deterrent.

"We encourage normal technological exchanges and cooperation between Chinese and foreign enterprises, and protect the lawful IPR owned by foreign enterprises in China," Xi said.

Speaking of the first China International Import Expo, to be held in Shanghai this November, Xi described the event as not just another expo in the ordinary sense,

but as a major policy initiative and part of China's commitment to opening up its market.

## Worldwide implications

Xi's speech on the role of reforms in boosting the development of China over the past four decades resonated with participants and analysts.

"China has grown into the world's second-largest economy, the largest industrial producer, the largest trader of goods and the holder of the largest foreign-exchange reserves," said Gu Xueming, President of the Chinese Academy of International Trade and Economic Cooperation of China's Ministry of Commerce. "It could not have reached these heights without the reform and opening-up process. Meanwhile, we have lifted 700 million people out of poverty. All of these achievements are not easily attained."

China has achieved remarkable progress by adopting a policy of reform and opening up, and it stands as a successful case of developing an open economy. China's development has also contributed to the overall progress of the world, said Xu Xiujun, a professor with the Chinese Academy of Social Sciences. "An open China will exert a more central role in promoting the regional integration of Asia and the globalization of the world," he said.

Aravind Yelery, Assistant Director of the Delhi-based Institute of Chinese Studies, applauded Xi's address. Yelery believes



Chinese President Xi Jinping delivers the keynote speech at the opening ceremony of the Boao Forum for Asia Annual Conference 2018 in Boao, in South China's Hainan Province, on April 10.

that a more open China will bring opportunities to Indian businesses investing in China. "India has been looking for initiatives and opportunities for ways to engage with China, and the policy of opening up further is definitely good news," Yelery said.

"Xi's speech shows that China proceeds toward action in a very deliberate and active way," said Allan Gabor, President of Merck China, who has been living in China for 20 years; this year, it was his eighth time at the BFA. "For those of us in the business community, the speech provides a lot of transparency and stability. It is

very important to us," he added.

"President Xi's speech underscored China's strong support for economic globalization, trade liberalization and connectivity," Jon R. Taylor, a professor of political science at the University of St. Thomas, told *Beijing Review*.

### Greater connectivity

Apart from emphasizing China's will to further open up, Xi also reflected on the achievements of the Belt and Road Initiative in his speech. "The Belt and Road Initiative may be China's idea, but

its opportunities and outcomes are going to benefit the world," Xi said, adding that China has no geopolitical ambitions, seeks no exclusionary blocs and imposes no business deals on others.

He also pointed out that as the Belt and Road is a new initiative, it is natural that there might be different views on cooperation. "As long as the involved parties embrace the principle of extensive consultation, joint contribution and shared benefits, we can definitely enhance cooperation and resolve any differences," Xi said.

"This way, we can make the Belt and Road Initiative the broadest platform for international cooperation, in keeping with the trend of economic globalization and to the greater benefit of all our peoples," Xi said.

"Cooperation is essential to global economic development," said Xu Hongcai, Deputy Chief Economist of the China Center for International Economic Exchanges. "The world economy is projected to grow 3.9 percent year on year in 2018, compared to 3.6 percent last year. However, it is still below the average growth rate prior to the 2008 financial crisis."

"The Belt and Road Initiative is important for all the countries that are attached to it," Gabor said. "China is a very important country for the world. The better China does, the better the world does."

"The initiative is one of the instruments to implement the vision of a shared future for mankind," said Giulio De Metrio, Chief Operating Officer of SEA, Italy's major airport operator. "It is a way of bringing more prosperity to neighboring countries. A good neighbor for China is also a good neighbor for Europe."

Ban Ki-moon, former U.N. Secretary General and newly elected Chairman of the Board of Directors of the BFA, underlined the need to promote the socio-economic and sustainable advancement of all the peoples of the world, particularly those in developing countries. "I think President Xi has already laid out a very good vision and mechanism with the Belt and Road Initiative, which is supported by the Asian Infrastructure Investment Bank," he said. ■

(Reporting from Boao, Hainan Province, with contributions from Hou Weili and Liu Ting)



■ IN BRIEF

10 ● Sensitivity training at Starbucks ● Gay pride hits China's web ● London realty's falling down

■ REMARKS

12 **Margaret Thatcher and the future of Chinese finance**

■ VIEW

14 At least Mike Pompeo has the president's trust. That's more than Rex Tillerson could say

**1** BUSINESS

17 Delays are nothing new at Tesla. But now investors are getting nervous

19 Bringing more women, and fewer retired white guys, into the boardroom

20 Moncler discovers there's more to life than thousand-dollar ski parkas

**2** TECHNOLOGY

22 Amazon's other Jeff on AI, robots, and Trump

24 All those "terms and conditions" you never read are being challenged

25 Microbes from Indigo may grow healthier plants—and replace pesticides

**3** FINANCE

29 The true value of a Bitcoin: \$20. Or \$1 million. Or zero

31 So many retail spaces are going vacant, to be replaced by... well, not much

32 Finding a bank in Iran is easy. Finding one that will lend isn't

**4** ECONOMICS

19 **"Prior to the merger, frankly, they were just a bunch of garbage men"**

35 China can't shake suspicions that its growth numbers are rigged

36 A change in leadership probably won't change a lot in Cuba

38 Dating apps for the elite may exacerbate economic inequality

**5** POLITICS

40 If Macron can fix France, saving Europe might be next

42 Can Trump appointees say "you're fired!" to administrative law judges?

# FEATURES

44 Palantir mines your secrets and weaponizes them

52 There's gold in creating a bright, stable red

58 Tech émigrés are ditching their H-1Bs for Canada



Jeff Wilke



Miguel Díaz-Canel



Amanda Bradford



Peter Thiel

# PURSUIITS



63 Sri Lanka trades tea farming for tourism

68 Rumors of your favorite foods' demise are greatly exaggerated



70 The Critic: An economist argues against one person, one vote

71 The One: Aarke's minimalist water carbonator

72 Game Changer: Raj Kapoor of Lyft sees self-driving cars saving the world

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/bloombergbusinessweek/  
Twitter  
@BW  
Instagram  
@bloombergbusinessweek



Cover: Alex Wong/Getty Images



Bloomberg Businessweek (USPS 080 900) April 23, 2018 (ISSN 0007-7135) A Issue no. 4566 Published weekly, except one week in January, February, April, June, July, September, and December, by Bloomberg L.P. Periodicals postage paid at New York, N.Y., and at additional mailing offices. Executive, Editorial, Circulation, and Advertising Offices: Bloomberg Businessweek, 731 Lexington Avenue, New York, NY 10022. POSTMASTER: Send address changes to Bloomberg Businessweek, P.O. Box 7238, Domestic Airport Post Office, Pasay City, 1300 Metro Manila, Philippines. Businessweekasia.subs@quadrantsubs.com QST#1008327064. Registered for GST as Bloomberg L.P. GST #12829 9898 RT0001. Copyright 2018 Bloomberg L.P. All rights reserved. Title registered in the U.S. Patent Office. Single Copy Sales: Call 800 298-9867 or e-mail: busweek@bmrmsinc.com. Educational Permissions: Copyright Clearance Center at info@copyright.com. Printed at Times Printers Singapore. CPPAP NUMBER 0414N68630. MCI (P) 806/12/2017. KDN Number: PPS1893/04/2017(025631)

CANADA: MARK SOMMERFELD FOR BLOOMBERG BUSINESSWEEK; THIEL: CHIP SOMODEVILLA/GETTY IMAGES; WILKE: IAN BATES FOR BLOOMBERG BUSINESSWEEK; BRADFORD: COURTESY THE LEAGUE

## Americas

● The IRS offered Americans an extra day to do their taxes after an error caused its website to tell e-filers that it would be down for a "planned outage" from tax day, April 17, through the year 9999

● "I don't get confused."



UN Ambassador Nikki Haley responded to Larry Kudlow, director of the National Economic Council, who said she was suffering from "momentary confusion" when she promised new sanctions against Russia. Kudlow later apologized.

● Telefónica hired investment bankers to handle an IPO of its Argentine unit. The debt-laden Spanish wireless carrier is hoping to raise as much as

**\$1b**

in the offering, which is planned for next year.

● Barbara Bush, the wife of one president and mother of another, died on April 17 at 92.

While generally declining to discuss policy, she was a force in supporting literacy and civil rights. And she liked to walk her dog in her bathrobe.

● An independent auditor for MoviePass said it had "substantial doubt" that the popular subscription service could stay in business. MoviePass, which lets members see an unlimited number of films for \$10 a month, posted a 2017 loss of

**\$151m**

● Puerto Rico experienced yet another island-wide blackout on April 18.

AEE, the island's electric utility, tweeted that it would need 24 to 36 hours to restore service. Rhodium Group reports that Hurricane Maria has cost Puerto Ricans more customer-hours than the rest of the U.S. lost from all causes in the past five years.



● Protesters gathered on April 15 at a Philadelphia Starbucks where, days before, two black men were arrested while waiting for a friend. CEO Kevin Johnson, calling the arrests "reprehensible," will shut all 8,000 Starbucks-owned U.S. stores for four hours on May 29 to give employees racial-bias training.

## Europe

● French oil giant Total, which is stocking up on traditional utility providers, agreed to pay \$1.7 billion for a majority stake in Direct Energie. The deal brings 2.6 million customers; Total aims to provide power to 7 million homes and businesses.

● Britain joined the U.S. in alerting citizens of Russian cyberattacks on April 16. The rare joint missive said Russian operatives had seized control of routers to support spy activity, while urging households to change passwords.

● Shire agreed to sell its cancer drug business to France's Servier for **\$2.4b**

The deal could cool interest from Japan's Takeda Pharmaceutical, which had been weighing an offer for the Dublin-based company to bolster its own oncology business.

# Asia

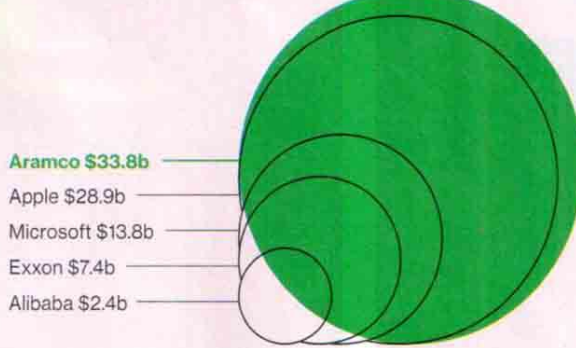
● London home prices posted their first annual drop since 2009, as Brexit spooked potential buyers and sent some to the Continent. The decline of

# 1%

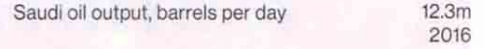
contrasts with gains in rural parts of England.

● Saudi Aramco, the state-run energy giant whose financial reports were recently seen by Bloomberg News, is more profitable than some of the world's largest companies. If oil prices keep rising, its margins could grow.

First-half 2017 net income



Saudi oil output, barrels per day



Brent crude price per barrel



● Advertising giant WPP began searching for a new CEO after Martin Sorrell abruptly stepped down.

A driving force behind the industry's frenzied consolidation, he was being investigated for personal misconduct, an allegation he's denied.

● North Korea's Kim Jong Un secretly met with CIA Director Mike Pompeo to discuss terms for a summit with President Trump. Meanwhile, U.S. troops practiced an emergency evacuation of American citizens in South Korea.

● Sixteen major designers wrapped up Saudi Arabia's first fashion week, putting Riyadh on the sartorial circuit alongside Milan, New York, and Paris.



A design by Mashael AlRajhi

● China promised to loosen rules for foreign companies making planes, drones, and electric cars within its borders.

Specifically, it will slowly ease requirements that General Motors, Volkswagen, and other companies partner with local manufacturers.

● A spell of good weather should take solar power production in Germany to a weekly peak of 25.6 megawatts, Bloomberg analysts say—close to the record of 27.8MW reached in May 2017. Wind power was also forecast to reach a record just a few days before Earth Day. Data for January showed that electricity from wind turbines in the country had increased 90 percent from a year earlier.

● Chinese microblogging site Sina Weibo, in pursuit of a "sunny and harmonious community environment," said it would remove posts with violent, pornographic, and homosexual themes. Bombarded with hashtags such as #lamgay or #lamgaynotapervert, it promptly reversed the decision to delete gay content.

# Africa

● George Weah, president of Liberia, ordered a probe of Exxon's 2013 deal for coastal drilling rights. A report by Global Witness alleged in March that the sellers had acquired those rights illegally. Exxon has yet to comment on the probe but says it complied with all applicable antigrift laws.



● Uganda lawmakers are weighing a tax on social media use of 200 shillings, or 5¢, a day.

Champions of the legislation say it will boost productivity.

● CinemaCon, the movie industry's largest trade show, opens on April 23 in Las Vegas

● Automakers Ford, General Motors, and Fiat Chrysler report first-quarter earnings

● Coca-Cola holds its annual shareholders meeting on April 25 in Atlanta

# What If Tesla Runs Out

● Persistent delays at the electric car maker have investors thinking about the once unthinkable

Incrementalism doesn't make for the best sales pitch, especially in Silicon Valley. That certainly wasn't how Tesla Motors—now just Tesla Inc.—was sold to investors. When Elon Musk, the company's chief executive officer, published his "Secret Tesla Motors Master Plan" in 2006, he made it clear that the upstart electric vehicle maker's sporty Roadster—described by one impressed reviewer as a "carbon-fiber mosquito"—was just the beginning:

"The strategy of Tesla is to enter at the high end of the market, where customers are prepared to pay a premium.... I can say that the second model will be a sporty four door family car at roughly half the \$89k price point of the Tesla Roadster and the third model will be even more affordable," Musk wrote.

Investors bought it, but things didn't happen quite that way. The next two vehicles, the Models S

and X, were also big-ticket luxury rides with sticker prices that could easily exceed \$100,000 for a fully tricked-out vehicle. Even so, Tesla hasn't reported a single annual net profit since it went public in 2010. Not that it seems to have mattered, as the company's \$50 billion market cap attests.

Now, though, Tesla's first real attempt at a mass(ish)-market car, the Model 3, is mired in what Musk calls "production hell." Output just scraped over 2,000 a week by the end of March, far short of both the company's original and revised guidance to investors. This seems to have hit a nerve, with the stock having bungee-jumped from about \$350 to \$250 and then to \$290 or so in just the past month.

Already facing concerns about its cash burn because of the billions of dollars invested in preparation for the Model 3, Tesla stabilized things by reiterating it would get production up to 5,000 cars a week this summer and thereby avoid having to tap public markets for more money. Musk has since apparently increased that target to 6,000 a week, according to a leaked email that surfaced on April 17. But what happens if it misses that one, too?

Scan enough tweets about Tesla (not advisable), and you might conclude the answer is binary: ►

April 23, 2018

Edited by  
James E. Ellis,  
Dimitra Kessenides,  
and David Rocks

Businessweek.com



Tesla's difficulties attracted a potential acquirer. While a suitor might find value in the brand and the data from Tesla's drivers, it's fanciful to assume a potential buyer would pay upward of \$50 billion for the company. It also seems unlikely Tesla could alternatively scale back to being a niche, high-end manufacturer à la Ferrari, even if it wanted to. The company already has built a footprint, balance sheet, and culture around being a world-scale disruptor.

To be fair, judging by the scramble of many incumbent automakers to plug in, Tesla already has achieved the disruption bit of its master plan.

The big problem is that the commercial bit—to sell expensive cars and use the money from that to build successively cheaper ones—hasn't worked out as well.

That has put Tesla on a funding treadmill, and the pitch has expanded accordingly. It's worked remarkably well for eight years. But belief is the most intangible of assets. Don't count on it holding up if Tesla has a hellish summer. —Liam Denning, *Bloomberg Gadfly*

**THE BOTTOM LINE** To meet forecasts, production of Tesla's Model 3 will have to rise tenfold by the fourth quarter of 2018 compared with the year's first quarter. That has investors worried.

# New Kids on the Board

● Companies are putting less experienced executives in boardrooms in favor of more diversity



For most of the past decade, Cheryl Miller has spent her days trying to put more cars on America's roads—first as the treasurer and now as the chief financial officer of AutoNation Inc., the largest auto retailer in the U.S. And for the past year she's been working on behalf of another of the country's biggest companies, Tyson Foods Inc., as one of the newest members of its board of directors.

When she was appointed in late 2016, at age 44, Miller, one of several female directors in the meat and poultry company's 83-year history, had never served on a corporate board. A growing number of companies, including Tyson, Republic Services, Foot Locker, and Best Buy, are eschewing traditional board candidates—retired chief executive officers, who are overwhelmingly older white men—and opting for diverse members, many of them first-timers with no experience.

In 2017, 45 percent of appointees to the boards of S&P 500 companies were novice directors, the most since recruiter Spencer Stuart started keeping tabs in 2006. Last year also was the first time a majority of the incoming directors were women or minority candidates. “Two years ago, they would have said, ‘Oh, it would be great to have diversity, but we really want a CEO,’” says Julie Daum, who leads Spencer Stuart's North American board practice. “Now it feels like the female will occasionally beat out the CEO.”

Tyson's board started searching for new candidates about three years ago, after the company's \$7.8 billion purchase of rival meat producer Hillshire Brands. Since then, two other younger first-time directors have joined the board, both white men: Jeff Schomburger, 56, global sales officer at Procter & Gamble Co., in late 2016, and Dean Banks, 44, who heads the X unit of Google parent Alphabet Inc., in late 2017. “I've seen a richer outcome from having a whole lot of voices around the table trying to have the best conversation possible,” says John Tyson, chairman of the company.

Waste management company Republic Services Inc. has been looking for diverse directors since 2011, after a 2008 merger with Allied Waste Industries left it with an all-male board, including one black man. “Change meant bringing people into the waste business who had other experiences,” says CEO Don Slager. “Prior to the merger, frankly, they were just a bunch of garbage men.” ▶

● New independent directors  
■ First-time  
□ Non-first-time

