China Seeks Small Stakes in Online Companies, and More Power Over Them

By RAYMOND ZHONG and SUI-LEE WEE

HONG KONG — Some ambitious Chinese online media companies have won backing from a very powerful investor: the Chinese government itself.

Two small companies — a military news site called Tiexue and a news aggregator called Zaker — have recently offered stakes to affiliates of the Chinese government or the Communist Party, according to company documents and official media. The deals are part of a government drive to exercise oversight over media companies through special shares that grant their holders outsize influence over management and content.

The two firms are relatively small. And Chinese cyberspace regulators have been busy tightening controls in more forceful ways over the past few months ahead of an important Communist Party gathering set to begin next week.

But the deals struck with the two online news companies could be a sign of things to come. The news media in China is becoming more difficult to police as readers and outlets migrate online and onto social media. Experts said that if the deals work, the authorities could eventually ask for stakes at some of the country's largest and most innovative companies in order to solidify influence over their services.

The Chinese authorities traditionally have issued guidelines and outright orders to major internet companies about what they would like to see and not see online, said Mark Natkin, managing director of Marbridge Consulting, a tech advisory firm in Beijing.

"As these companies have grown both in size and influence," he said, "that model is no longer comfortable for the authorities."

The Wall Street Journal, citing anonymous sources, reported this week that Chinese internet regulators have discussed taking 1 percent stakes in Tencent Holdings, maker of the popular WeChat messaging service, and Youku Tudou, a video platform owned by the Alibaba Group, the e-commerce giant.

Both companies and China's top cyberspace regulator declined to comment.

In China as elsewhere, internet and social media platforms have become an increasingly popular source of news as smartphones have come to permeate every aspect of daily life. According to government statistics, more than four-fifths of China's more than 730 million internet users obtained some news online last year. More than 570 million people used news apps, up nearly one-fifth over the previous year.

TOMOHIRO OHSUMI/BLOOMBERG

The Chinese government says more than four-fifths of the country's 730 million internet users obtained news online last year.

But the information they get is heavily censored — and this year, it has been censored more still. The authorities have further curtailed online activity ahead of this month's Communist Party congress, which will probably lead to some leadership shuffling. Traditionally, Chinese officials have prized stability above all else ahead of such meetings.

In recent months, many virtual private networks, which allow users to vault China's Great Firewall to access blocked material, have been disrupted or shut down. Two popular sites hosting foreign television shows and movies were wiped clean. The clampdown even affected celebrity gossip blogs and entertainment-related social-media accounts, dozens of which were shuttered after a call from regulators in June to create a "healthy, uplifting environment for mainstream opinion."

The recent share deals could take Beijing's involvement in online media a step further.

The State Administration of Press, Publication, Radio, Film and Television, a powerful Chinese media regulator, recommended last year that the government take small but significant stakes in media companies. Called "special management shares," these would represent a stake of as little as 1 percent. Still, they would give Chinese officials seats on company boards and the right to review media content.

The Chinese government's stakes in Tiexue and Zaker are held through such shares, according to documents and the official news media.

Tiexue carries articles on military affairs and history, often nationalistic in tone. On a recent afternoon, the headlines on the Tiexue home page included "Danger Approaching! Japan's Oil Reserves Are the World's Largest!" and "Shocking Reversal! China Leads America by 20 Years in This Military Technology." (The latter pointed to an article about China's progress in quantum communications, a way of transmitting information securely, and in advanced weaponry.)

Regulatory filings from August indicate that People.cn, the online affiliate of the People's Daily newspaper, is paying $1.1 million for a 1.5 percent stake in Tiexue. People.cn can then recommend a board member and review Tiexue content, the filings said. The People's Daily is the official mouthpiece of the Communist Party.

A spokeswoman for Tiexue declined to comment.

Zaker, according to a January article in the official Chinese media, recently closed a funding round with a group of investors including Shenzhen Press Group, a state-owned media company in the southern city of Shenzhen. The article described the deal as a "trial" of the special management share structure, though it did not state how or whether Shenzhen Press Group would influence Zaker's management and content.

A Zaker representative declined to comment. Shenzhen Press Group could not be reached for comment.

Teng Bingsheng, a Shanghai-based professor at Cheung Kong Graduate School of Business, said a resurgence of economic nationalism in China is fueling concerns about the ownership of the country's technology companies, whose major shareholders sometimes include international private-equity firms.

"People look at their equity structure and they say, 'Wow, this is actually not a Chinese company because their largest shareholders are not Chinese,'" Mr. Teng said.

The government's stakes in tech firms may be small at first, he said. "But once the door is opened, eventually they may ask for more."

Kobe Steel's Scandal Widens to Include False Data From Subsidiaries

By JONATHAN SOBLE

TOKYO — A scandal about falsified quality data at Kobe Steel expanded on Friday, as the Japanese steel maker said nine subsidiaries, including several outside Japan, had either failed to carry out required product checks or lied about the results.

Including products sold by the subsidiaries, Kobe Steel said it now estimated that it had shipped substandard or potentially substandard materials to 500 customers, up from an initial estimate of 200.

"We are trying to understand how this could possibly happen at so many subsidiaries, including overseas," Kobe Steel's chief executive, Hiroya Kawasaki, said at a news conference.

Mr. Kawasaki repeated a promise to complete in two weeks an investigation into potential safety hazards related to the data falsification, and to deliver in a month the results of a broader examination of the company's failings, which now look systemic and global.

Kobe Steel supplies metal components to industries where safety is vital, including car, train and aircraft producers, and makers of electronics and other equipment. The company says it is working with its customers to determine if any of the affected material, mostly aluminum and copper, poses a safety risk.

The subsidiaries named on Friday were three in China, one each in Thailand and Malaysia and four based in Japan. They make products like copper piping and aluminum and steel wire.

Employees at the companies are supposed to test the products to ensure that they meet design standards specified in customer contracts. Kobe Steel said that in some cases the tests had not been carried out, and that in other cases employees had recorded fake results to make it seem as though the products met customers' standards when they did not.

Executives said the data manipulation had been deliberate.

Mr. Kawasaki said that Kobe Steel's international investigation was continuing, and that more cases of data falsification could emerge. The revelations so far have reverberated through supply chains and cast a shadow over Japan's reputation for precision manufacturing.

Ford Motor said late Thursday that the only use of Kobe Steel aluminum that it had established in its worldwide operations involved a hood for Ford Mondeo sedans produced in China. It said it did not know if the aluminum was substandard, but said it was not being used structurally, so safety was not at issue.

The scandal also touched Japan's embattled nuclear industry. Tokyo Electric Power, owner of the Fukushima Daiichi nuclear power plant, which experienced meltdowns after a tsunami struck in 2011, said Friday that it had sourced improperly certified copper piping from Kobe Steel.

Tokyo Electric said the piping, which it bought for use at its Fukushima Daini nuclear power station, near Fukushima Daiichi, had not been checked to ensure it met size requirements. But it said the piping had never been installed, and was in storage, and did not pose a safety threat.

Kobe Steel said on Sunday that employees had altered inspection certificates on aluminum and copper products from September 2016 to this past August, constituting about 4 percent of the company's output of those items during the period, but that it was examining other possible episodes of data falsification going back 10 years.

On Wednesday, Kobe Steel added two more products to the list of affected materials: powdered steel, which is used to create molded steel products like gears, and "target material," a specialty mix of metals used to produce DVDs, television screens and other electronics equipment.

Neal E. Boudette contributed reporting from Ann Arbor, Mich.

KIM KYUNG HOON/REUTERS

Kobe Steel's chief executive, Hiroya Kawasaki, left, at a news conference Friday, said his company's scandal could grow further still.

BASF to Buy Crop Units From Bayer For $7 Billion

By CHAD BRAY

LONDON — The German chemicals giant Bayer said on Friday that it had agreed to sell parts of its crop science business to BASF for about $7 billion.

The deal comes as Bayer looks to pave the way for regulatory approval of its $56 billion purchase of its American rival Monsanto, which it lined up last year.

European antitrust authorities opened an in-depth review of the Bayer-Monsanto agreement in August after finding that the concessions Bayer had offered were "insufficient" to resolve their doubts about the transaction.

The regulators said they would investigate whether the deal would restrict competitors' access to distributors and to farmers, particularly if the two companies were to bundle sales of pesticides and seeds. The European authorities have until Jan. 8 to issue a decision.

"We are taking an active approach to address potential regulatory concerns, with the goal of facilitating a successful close of the Monsanto transaction," Werner Baumann, the Bayer chairman, said in a news release. "At the same time, we are pleased

A transaction meant to secure Bayer's purchase of a rival.

that, in BASF, we have found a strong buyer for our businesses that will continue to serve the needs of growers and offer our employees long-term prospects."

BASF, a German maker of chemicals and crop protection products, said that it would pay 5.9 billion euros in cash for "significant parts" of Bayer's seed and herbicide businesses. The units had sales of €1.3 billion last year.

More than 1,800 Bayer employees in Germany, the United States and three other countries would transfer to BASF as part of the transaction.

BASF said it expected its transaction to close in the first quarter. That is contingent, however, on the Monsanto-Bayer deal closing, and European regulators are not expected to conclude that review before January.

"With this investment, we are seizing the opportunity to acquire highly attractive assets in key row crops and markets," Kurt Bock, the BASF chairman, said. "It will be a strategic complement to BASF's well-established and successful crop protection business as well as to our own activities in biotechnology."

The Bayer-Monsanto combination adds to rapid consolidation in the seed and agrochemical sector. In March, European authorities approved, with conditions, a plan that would merge Dow Chemical and DuPont and then split the combined company into three.

Less than a month later, the regulators approved the acquisition of the Swiss agribusiness company Syngenta by the China National Chemical Corporation, on the condition that ChemChina sell significant portions of its European pesticide and plant-growth business.

In Japan, Gay Employees Are Starting to Go 'From Invisible to Open'

From First Business Page

employer's efforts to be more inclusive, he is still the only one of the firm's roughly 5,000 employees who is openly gay.

Professor Suzuki said the prevailing attitude toward homosexuality in Japan had long been "indifference rather than hate." Where traditionalists in the United States have sought to root out gays, for example, with antisodomy laws, "in Japan, people just don't want to know," he said.

Vibrant gay clubs operate freely in big cities here, but it remains relatively rare for people to come out to their families, let alone their co-workers and bosses. While surveys show the public is evenly split on gay marriage, organized political campaigning on the issue is still marginal. The government, which is dominated by conservatives, has mostly steered clear of the issue. Gay marriage has received no serious political debate.

"As far as the law is concerned, homosexuality doesn't exist," Professor Suzuki said.

Acceptance of this "don't ask, don't tell" approach is declining, however, as younger people insist on living more openly. Japan is also facing a painful shortage of labor, largely the result of low birthrates and limited immigration. That shortage is forcing employers to compete harder to attract workers, and advertising tolerance appeals to young people generally, not just sexual minorities.

Kento Hoshi, a 23-year-old law school graduate, has seen that competition firsthand. He pitched his idea for Job Rainbow, an employment website aimed at gay people, in a business contest sponsored by Japanese tech companies two years ago. He won 10 million yen, or about $9,100, and set up the site with his sister.

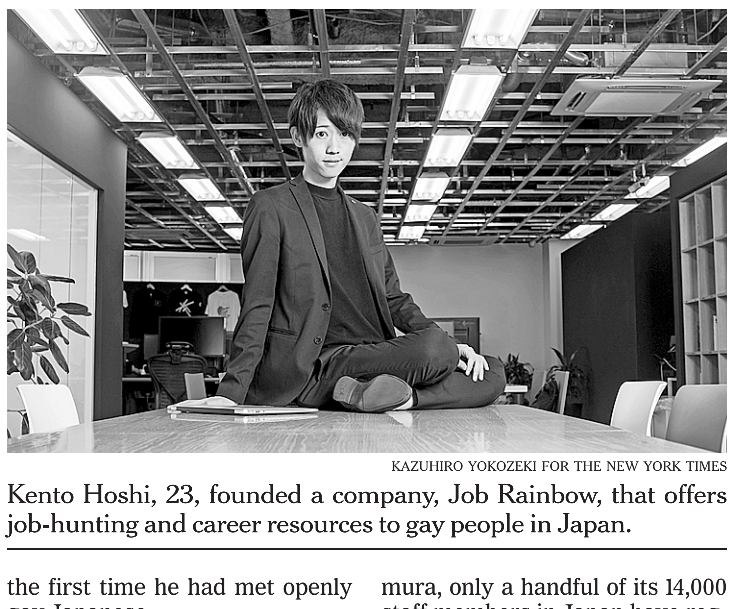
Job Rainbow initially only offered information and tips about companies perceived as gay-friendly, but today has 50,000 registered users and around 40 companies that pay to advertise job openings. Though it remains small compared with Japan's main job sites, Mr. Hoshi works on it full time, and its rapid expansion illustrates the changes underway here.

Mr. Hoshi said he had been bullied for being gay at his all-boys middle school. On the internet, he read an article saying that around 5 percent of people were gay.

"I thought, statistically, there must be one more in my class," he said. "I felt relieved."

Mr. Hoshi joined a group for gay, bisexual and transgender students while in college. But when it came time to look for jobs, he felt pressure to conform. "I sometimes said I was part of an international relations club," he said. "When I told the truth, the interviews went nowhere."

He ended up taking a summer internship at Microsoft, where some of his Japanese colleagues were part of a company-supported network for gay employees. Outside of his small university circle, Mr. Hoshi said, it was the first time he had met openly gay Japanese.



KAZUHIRO YOKOZEKI FOR THE NEW YORK TIMES

Kento Hoshi, 23, founded a company, Job Rainbow, that offers job-hunting and career resources to gay people in Japan.

"There's a lack of role models," he said. But he believes things are changing. "Three or four years ago, if you came out, people would say, 'Huh?' Now at least everyone knows what you're talking about."

Foreign companies are seen as easier places to be openly gay. And as Japanese companies expand, they are increasingly being pushed toward inclusiveness.

Yusuke Kitamura runs the diversity and inclusion team at Nomura, Japan's largest brokerage firm. Nomura introduced policies to accommodate gay employees and their families after it bought the European and Asian operations of Lehman Brothers following Lehman's collapse in 2008.

But so far, according to Mr. Kitamura, only a handful of its 14,000 staff members in Japan have registered same-sex partners for benefits, something he blamed on ingrained aversion among Japanese to standing out and seeming disruptive.

Even if their symbolic value is great, the material rewards on offer are mostly small meaning that employees who are reluctant to come out openly are unlikely to be swayed by them. For instance, Nomura gives employees a cash gift of 30,000 yen, or about $270, when they get married, a benefit it now extends to same-sex couples in established relationships.

"No one's going to come out for 30,000 yen," Mr. Kitamura said. "We have a system in place. Now it's about changing the culture."

There are signs of that happening. This year, at the urging of an activist group led by Professor Suzuki, the northern city of Sapporo began issuing partnership certificates to same-sex couples, a first for a Japanese city. The move followed the introduction of a similar system in the Shibuya ward of Tokyo in 2015.

The certificates carry no legal weight — in Japan, marriage law is determined by the national government, not local authorities — but they have provided a degree of official sanction to the emerging equality movement and brought some tangible benefits. Public housing authorities in Sapporo and Shibuya, for example, are required to recognize as spouses any tenants who have acquired the certificates.

Still, the pace of progress has been slow. That is something Mr. Nakamura, the insurance worker, linked to Japan's general emphasis on conformity.

"There's this idea that everyone has to line up in a neat row, not just when it comes to sexuality," he said.

Mr. Nakamura said life at the office had been mostly normal since he came out. After his colleagues got over their initial surprise, many offered encouragement. He has been treated well, he said, with only a little bit of awkwardness.

"Sometimes people can be overly conscious," he said. "At least people have stopped asking me if I have a girlfriend, or when am I going to get married."

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The company acknowledged problems at nine subsidiaries, including several outside Japan. 3

Your Money
What to Do About Equifax
Ron Lieber received mountains of questions from furious readers. Here are his responses. 5

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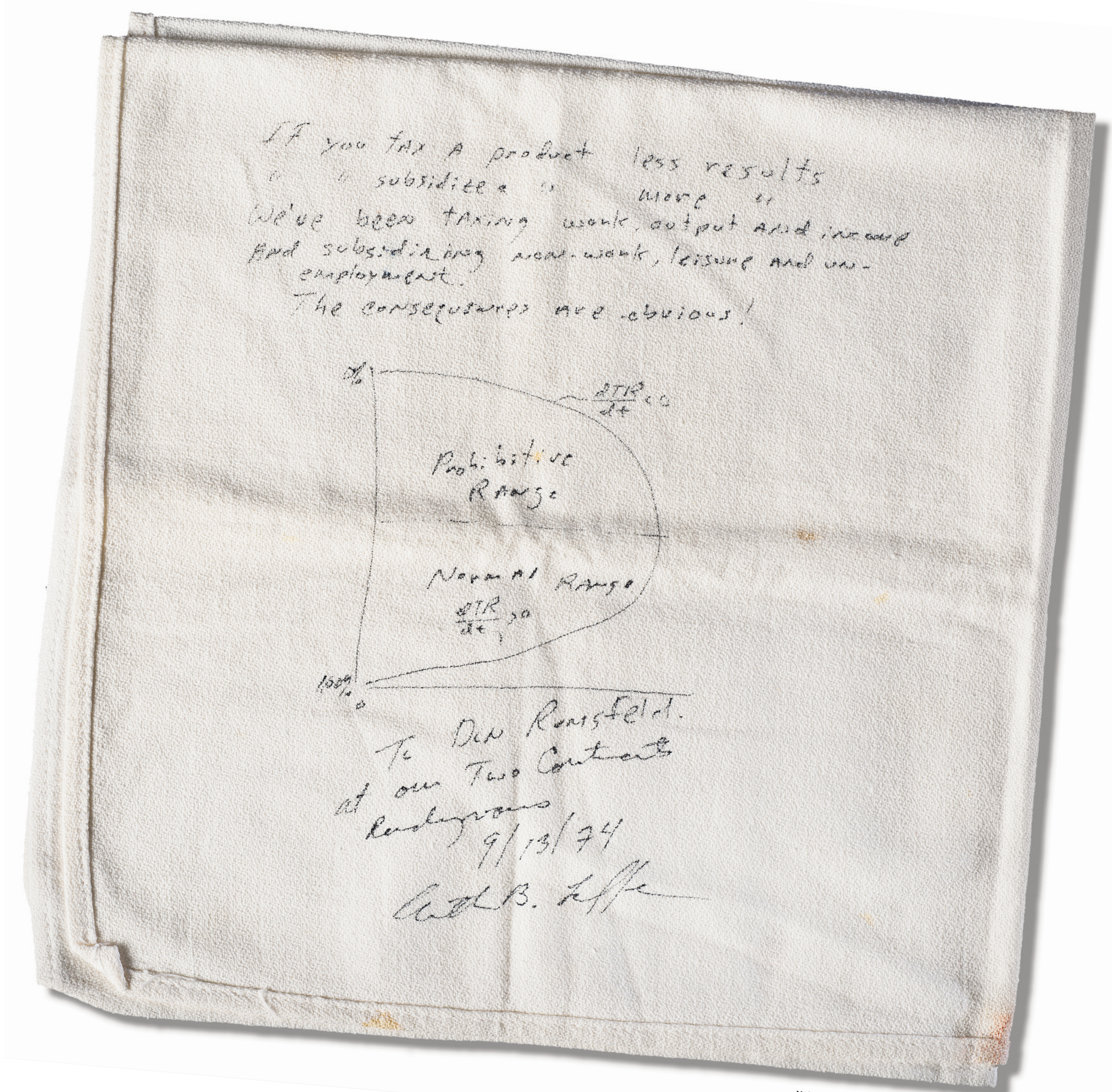
The New York Times
SATURDAY, OCTOBER 14, 2017



NATIONAL MUSEUM OF AMERICAN HISTORY

A Sketchy Story

The Most Famous Napkin in Economic History? Or Just a Replica?

By BINYAMIN APPELBAUM

WASHINGTON — It is one of the iconic moments in modern economics: A young professor named Arthur Laffer sketched a curve on a bar napkin in 1974 to show an aide to President Gerald R. Ford why the federal government should cut taxes.

The Laffer Curve became famous; the Republican Party became the party of tax cuts; and, in 2015, the Smithsonian announced that it was putting the napkin on display.

But the napkin now celebrated for starting a tax revolt is not, in fact, the original napkin, according to the people who were at the fabled meeting at what was then the Two Continents restaurant in Washington. In an interview last week, Mr. Laffer, 77, said it was most likely a keepsake created a few years later.

Among the clues: It is cloth, while the original napkin was paper. It is dated 9/13/74, while the original meeting took place after the November 1974 midterm elections. And it is inscribed to Donald H. Rumsfeld, then Ford's chief of staff. Mr. Laffer met with Dick Cheney, Mr. Rumsfeld's deputy.

Mr. Laffer said that he had drawn on the Smithsonian's napkin, but that he had most likely done so several years later, at the request of the journalist Jude Wanniski, who wanted a keepsake of the famous moment.

The napkin was found among Mr.

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Profit Taxes Augur Fight By the U.S. And Europe

By PATRICIA COHEN

President Trump and congressional lawmakers are not the only ones interested in collecting taxes on global profits that American corporations are hoarding overseas. European regulators, knee deep in a campaign to stamp out tax avoidance, have their own plans for that money.

Last week, for instance, the European Commission billed Amazon for $293 million in unpaid taxes in Luxembourg, arguing that the country's failure to collect the tax amounted to an illegal state subsidy. It also took Ireland to court for not following up on the $15.2 billion tax bill imposed on Apple last year.

"The Europeans are targeting U.S. dollars overseas that the U.S. believes should be taxed here," said Dave Camp, a former Republican representative from Michigan who was chairman of the House Ways and Means Committee and the author of an unsuccessful tax overhaul in 2014. "We have to address this problem before the Europeans get there first."

A foreign crackdown on American firms could benefit Washington.

The rulings on Amazon and Apple — which those companies are disputing — are byproducts of a race among governments to lure corporate giants to their shores in the hunt for new sources of revenue. That cutthroat competition is the reason that 73 percent of Fortune 500 companies have a subsidiary in a low-tax haven, according to the Institute on Taxation and Economic Policy.

That rivalry has the potential to fuel tensions between the United States and its allies. Yet it could turn out that the European crackdown on American multinationals will ultimately help — rather than hobble — Washington's efforts to get them to pay up. The harder that other countries make it for American companies to take advantage of tax havens and sweetheart deals abroad, the weaker the incentives are for businesses to stash money out of the reach of the Internal Revenue Service.

Republican leaders have already put at the center of their tax rewrite an idea borrowed from Europe and other countries: Replace the system of taxing the worldwide profits of a domestic corporation with one that taxes only profits earned within its own territory.

"If we don't move to a more modern system, we may lose the ability to gain that revenue," Mr. Camp warned.

Multinationals will inevitably shop around for low rates. Americans and

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Gays in Japan Start to Go 'From Invisible to Open'

By JONATHAN SOBLE

TOKYO — Once a week, the Japanese insurance company where Shunsuke Nakamura works tries to enliven its morning staff meeting by having employees give personal presentations. The topics tend to be mostly innocuous: hobbies, pets or wine recommendations.

Mr. Nakamura used his turn, though, to come out as gay.

"There was silence. People were surprised," Mr. Nakamura, 33, said of his talk, which he gave to a group of about 50 colleagues last year.

His company, like many in Japan, is trying to become more gay-friendly. It recently extended family benefits to employees' same-sex partners, and said it would allow its gay customers to name their partners as beneficiaries of its life insurance plans, something previously limited only to legally sanctioned, opposite-sex spouses. Such changes have proliferated across the economy in recent years, with a rising number of goods and services targeting the gay community in what many Japanese describe as an "L.G.B.T. boom."

It is a striking trend in a country where departures from the norm, sexual or otherwise, have long been something to keep hidden — especially at work. Being openly gay was something for niche transgressive pop stars; for the average gray-suited "salaryman," it was all but unthinkable. And when it comes to the government, marriage for same-sex couples remains off limits.

But a combination of evolving social attitudes and competition for talent is forcing businesses here to adapt. As Japanese companies expand overseas, and increasingly face off against Western businesses at home, they are having to change how they hire.

"In Japan, the image of L.G.B.T. people is in transition, from invisible to open," said Ken Suzuki, who studies sexuality at Meiji University in Tokyo and is active in Japan's gay-rights movement.

Yet the reality for gay Japanese workers is only starting to shift, and unspoken expectations of secrecy remain the norm. Mr. Nakamura said that his colleagues had been supportive, but that coming out at work was still seen as peculiar enough that his supervisors asked him to keep his company's name out of this article. He reckons that despite his

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KAZUHIRO YOKOZEKI FOR THE NEW YORK TIMES

Shunsuke Nakamura, 33, came out as gay to his co-workers. "There was silence," he said, but they have supported him.