

THE WALL STREET JOURNAL.

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DJIA 21674.51 ▼ 0.35% NASDAQ 6216.53 ▼ 0.09% NIKKEI 19470.41 ▼ 1.18% STOXX 600 374.20 ▼ 0.71% BRENT 52.72 ▲ 3.31% GOLD 1285.70 ▼ 0.05% EURO 1.1750 ▲ 0.21%

What's News

Business & Finance

More small and mid-size oil firms are forgoing shale drilling projects, opting for cheaper wells instead. B1

◆ **U.S. attempts** to export natural gas into Europe's energy market are facing resistance from Russia. **A1**

◆ **Investors are** divided over whether the recent stock-market volatility in the U.S. is the start of a larger selloff. **B1**

◆ **Alipay, WeChat** and other Chinese tech titans are expanding into foreign markets, battling for control of the world's largest mobile-payment markets. **B1**

◆ **Assets under** management at a DoubleLine bond fund dropped 13% from their peak last September to \$53.6 billion. **A1**

◆ **Samsung is** pressing ahead with efforts to build a full-fledged prescription-drugs business. **B3**

◆ **A prominent** privacy group questioned the power a few tech corporations have to censor white-supremacist websites. **B3**

◆ **King Digital** is testing putting ads in mobile videogames, a move analysts think could generate \$1 billion by 2019. **B4**

◆ **Credit-card** companies are booting dozens of individuals and groups associated with right-wing extremist movements off their systems. **B5**

◆ **China announced** formal measures to curb outbound investment. **B5**

World-Wide

◆ **Forces in Iraq** and Lebanon have launched offensives to deprive Islamic State of its remaining sanctuaries, following attacks in Spain. **A1**

◆ **An imam** has emerged as a prime suspect in the investigation into the network responsible for the attack in Barcelona. **A1**

◆ **Police in Finland** are trying to reconstruct the sequence of events around a spree of stabbings that left two people dead. **A4**

◆ **The U.S. and** South Korea are bracing for escalation on the Korean Peninsula as they kick off annual military exercises that have a history of enraging Pyongyang. **A3**

◆ **The deadline** for insurers to commit to selling plans under the ACA is pressuring Republican lawmakers to decide whether to shore up the law. **A7**

◆ **U.S. envoy** Kurt Volker meets with top Putin aide Vladislav Surkov in Minsk to try to restore peace in eastern Ukraine. **A4**

◆ **Trump is** expected to lay out a plan for a new strategy in the conflict in Afghanistan following his working vacation. **A7**

◆ **Iceland's tourism** push helped save the island from a deep economic crisis, but now is straining under the weight of the millions of visitors. **A2**

◆ **Died: Jerry Lewis**, 91, famed comedian. **WSJ.com**

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An officer stands guard by the Sagrada Familia basilica in Barcelona before a mass to honor victims of Thursday's terror attacks.

Imam Suspected in Attack

Spain looks into whether small-town imam radicalized Barcelona suspects

RIPOLL, Spain—An imam in this small town in northeastern Spain emerged as a prime suspect in the investigation of

By Jon Sindreu,
Kavita Mokha
and Pietro Lombardi

a network responsible for last week's terror attack in Barcelona, as Spanish authorities look into whether he radicalized a group of young men and plotted with them to launch an

even deadlier assault.

Spanish authorities said Sunday they are looking into Abdelbaki Es Satty in connection with the attack Thursday, when a terrorist drove a van into a crowd in central Barcelona. Mr. Es Satty, a Moroccan national, was the imam at a mosque in Ripoll, the hometown of most of the 11 others suspected of involvement.

Josep Lluís Trapero, police chief in Catalonia, said investigators believe that the cell may have been conspiring for more than six months to carry out one or more bombings in Barcelona, but was aborted when gas canisters being used to build the bombs exploded.

Mr. Trapero said Mr. Es

Satty may have died in that blast, which took place in a tiny town 190 miles from Barcelona and was so powerful it reduced a house to rubble. Police are trying to identify charred human remains there.

At the site, "we found materials for explosives that are similar to the ones usually used by Daesh," or Islamic State, said Mr. Trapero.

If the investigation confirms the plot was as extensive as officials now suspect, it would represent a break from the attacks Islamic State has used more recently, which have largely employed lone wolves rather than a network.

Spanish authorities expressed confidence on Sunday

they are close to apprehending the last remaining fugitive, Younes Abouyaaqoub. They said all other members of the terror network were dead or have been arrested.

The development comes three days after the attack in Barcelona's Las Ramblas neighborhood that killed 13 people and injured scores more. Hours after that van attack, a car drove into pedestrians in Cambrils, a town 75 miles away, killing one person. A police shootout with the men in that car killed all five. Islamic State claimed responsibility for the assault.

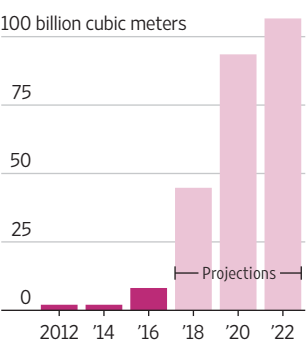
Authorities said Sunday they are investigating whether

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Natural-Gas Struggle Takes Shape in Europe

Expanding

U.S. natural-gas export capacity



Source: International Energy Agency
THE WALL STREET JOURNAL.

By GEORGI KANTCHEV

U.S. attempts to export natural gas into Europe's energy market are facing stiff resistance from the region's dominant competitor: Russia.

A tanker is scheduled to arrive in Lithuania this week carrying the first shipment of U.S. liquefied natural gas to a former Soviet republic. It follows a handful of other shipments of U.S. gas to Europe and comes after widespread predictions that American exports would help break Russia's dominance of the European energy market.

But Russia is moving quickly to contain the new competition. Its state-run energy companies are lowering prices, changing sales methods and developing their own LNG facilities. Moscow is also pushing ahead with a pipeline that is opposed by Washington and Brussels.

While European governments are eager to reduce Russia's chokehold, and its resulting political leverage, the region's consumers are looking beyond politics for the lowest prices. That favors Russia. Last year, Russia exported record levels of gas to Europe,

helped by lower prices and falling domestic production elsewhere in Europe.

"We are tracking the situation on the global gas market and the growth of U.S. shale-gas production," Russia's energy minister, Alexander Novak, said in an interview last month. "Recently we have allocated a lot of efforts to boost our presence on the LNG market."

Many analysts still expect the nascent U.S. exports to eat into Russia's share of the European market, which is now about one-third. The U.S. shale revolution has unlocked vast

energy reserves, and the country is expected to become a net natural-gas exporter next year. Since the start of 2016, the U.S. has been exporting gas globally, from Latin America to Asia.

The prospect of such exports has been welcomed in Brussels, where the European Commission—the European Union's executive arm—has sought to limit the influence of Russian energy on the Continent by imposing multiple

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◆ **A wrong-way bet** on gas costs Goldman Sachs..... B7

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KOREANS
BRACE FOR
NEW TENSION

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U.S. AWAITS
TOTAL
ECLIPSE

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YOUR FACE WILL
SOON BE YOUR
PASSWORD

KEYWORDS, B1

SOUTH KOREAN MARINE CORPS/REX/SHUTTERSTOCK/EPA; ISTOCK (PAR RIGHT)

Once-Hot Bond Fund Loses Fans

By GREGORY ZUCKERMAN
AND KIRSTEN GRIND

Jeffrey Gundlach built one of the most successful new bond funds ever, amassing \$61.7 billion of assets at the DoubleLine Total Return Bond Fund over just six years.

But during the past year, something else happened: Some customers began to leave. Assets under management at the fund dropped by 13% from their peak last September to \$53.6 billion as of July 31.

Investors have pulled \$8.5 billion from the fund in that period, Morningstar Inc. says,

while funds in the same category took in net inflows of 7.2%. The fund has had outflows in each of the past nine months. DoubleLine said inflows in the fund for August so far are a net \$230 million.

As performance has slipped and the fund has shrunk, Mr. Gundlach, 57 years old, has turned combative, taking on the media and continuing to taunt a rival. Meanwhile, some within the firm are bracing for what could be a more challenging environment.

Late last year and earlier this year, some at DoubleLine Capital's offices in downtown

Los Angeles say, they were told bonuses might drop in 2017, according to people close to the matter. The firm says the guidance was aimed at creating a "pragmatic assessment" of 2017 after a big year in 2016.

Mr. Gundlach's fund's performance has been solid. But some investors say they are leaving because the fund has cooled from its previously white-hot pace.

Total Return Bond Fund topped 90% of peer funds over the past three- and five-year periods. In 2017, though, it is besting 59% of competitors.

Please see *FUND* page A2

WORLD NEWS

Once a Gift, Tourism Bogs Down Iceland

Nation strains under the weight of millions of visitors, a victim of its own success

By NINA ADAM

REYKJAVIK, Iceland—Ice-land’s tourism push helped save the once-remote island from a deep economic crisis, but now that business is booming the North Atlantic nation is straining under the weight of the windfall.

Attracted by its spectacular volcanic landscape and easy air routes, about 2.2 million tourists are expected to flow into the country of 330,000 people this year, almost five times as many as in 2010, according to the International Monetary Fund. Tourism is now the country’s biggest industry, ahead of its traditional lifeline, fishing.

The scale of the tourism explosion has caught the government unprepared, leaving infrastructure strained and unnumbered Icelanders complaining about scarce housing, rising rental prices and roadside litter.

“We wanted more tourism and we worked hard to make it happen...But this immense growth was not something that anyone could foresee,” said Sigrun Brynja Einarsdottir, a top Department of Tourism official.

Tourism has been a mixed blessing for many destinations across the world. A rise in budget travel and an emerging Chinese middle class have contributed to a welcome rise in visitor spending, but also afflicted fragile locations from Bali to Venice.

Iceland has come a long way back since 2008, when its overleveraged banking system



Visitors enjoyed the view of icebergs that calved from glaciers in Jokulsarlon, Iceland. The country of about 330,000 expects some 2.2 million tourists this year, nearly five times as many in 2010.

collapsed and unemployment shot up. The local currency, the krona, has strengthened, and the economy grew by 7.2% in 2016—the fastest pace among developed economies. The government this year removed almost all of the remaining capital controls imposed in the depths of the crisis.

The influx of tourists, a majority of them American and British, dates to the 2010 eruption of the Eyjafjallajokull volcano, which sent ash clouds across Europe and disrupted air travel.

The government responded with a marketing campaign that drew global attention to Iceland’s magnificent geysers, milky blue waters and craggy moonscapes. Supported by a currency still recovering from the crisis and airlines offering

free stopovers on their inter-continental routes, visitors flocked here.

For some, the tactic has worked too well. On the streets of the capital—a compact city of brightly colored houses where the tallest building until recently was the landmark 240-foot Hallgrimskirkja church—some normally placid Icelanders have begun to grumble.

Once pristine sites are now crowded, and streets are clogged with rental cars. Building new hotel capacity takes time, so the country has turned to platforms like Airbnb—a trend, economists say, has helped to push up house prices. They surged 18.3% in the year through March in Iceland’s capital, compared with 6.3% a year earlier, according to broker

Knight Frank.

“The situation downtown is getting impossible today. Prices are up and very few apartments are available,” said Kolbrun Yr Einarsdottir, who works at an artist-run museum in Reykjavik. She and her husband were kicked out of their apartment in 2014 because, she said, the owner wanted to rent it out through Airbnb.

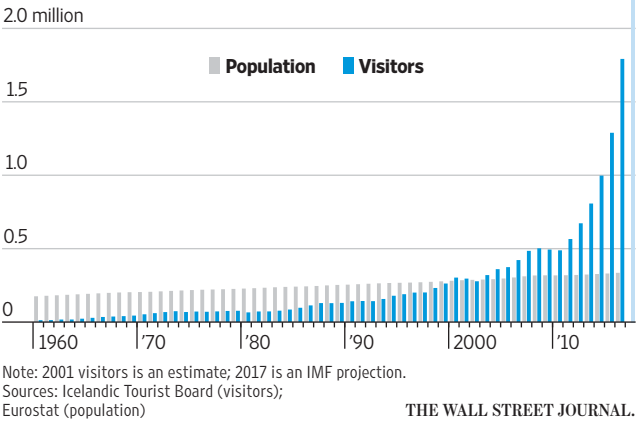
“It was not a surprise,” Ms. Einarsdottir said. “It had been happening around us.”

At least one of every eight apartments downtown was used for short-term lets during last year’s high season, according to Elvar Orri Hreinnson, a research analyst at Islandsbanki, who said the ratio is probably higher now.

Airbnb says hosts in Iceland are typically people sharing

Mixed Blessing

The number of visitors to Iceland has jumped in recent years, straining infrastructure and pushing up housing prices.



spaces in their homes a handful of times a month, not full-time businesses. “Airbnb helps spread tourism benefits to local residents” by boosting their incomes, said Airbnb spokesman Bernard D’heygere.

Iceland’s government recently required official registration for home sharing and business licenses for people who rent out their accommodation for more than 90 days a year or make more than about \$18,000 in rental income.

The government has also taken measures to upgrade Iceland’s roads, bridges and parking lots. Responding to outrages over bad tourist behavior, it has put more toilets and garbage cans in the countryside.

With American tourists outnumbering Icelanders, demand for embassy services—such as the replacement of lost passports—has risen sharply, according to Jill Esposito, chargé d’affaires at the U.S. Embassy in Reykjavik.

To some, it all seems worryingly familiar. The pace of growth is reminiscent of the

years leading up to the financial crisis, which hit Iceland harder than most.

A supercharged economy hasn’t only sparked a stronger krona and higher home prices but also spurred demand for labor, driving up wages. Iceland’s unemployment rate in May was 2.6%, the lowest in the developed world, according to the Organization for Economic Cooperation and Development.

Although Iceland’s economy is on “a firmer footing” than the last time it grew this fast, “overheating risks are a clear and present concern,” the IMF said in a recent report.

Mar Gudmundsson, governor of Iceland’s central bank, said the pace of growth has become “a little bit uncomfortable,” but noted the economy is “very far away from a credit-driven overheating boom.”

Some slowing may already be under way. The krona’s rise over the past three years has made Iceland pricier for foreign visitors—a trend, economists say, that could eventually curb visitor growth.

ECONOMIC CALENDAR

This week, top central bankers including **Federal Reserve** Chairwoman Janet Yellen and European Central Bank President Mario Draghi will gather for the Jackson Hole economic symposium, and the eurozone will see data on manufacturing and consumer confidence.

WEDNESDAY: The eurozone economy had a surprisingly strong first half of the year, and economists expect to see indications over the coming week that growth is continuing at only a slightly slower pace during the third quarter. IHS Markit’s **composite purchasing managers index** for the currency area—a measure of activity in the manufacturing and services sectors—is forecast to fall a little in August, but remain close to the levels recorded in July.

On the same day, the European Commission will publish its measure of eurozone **consumer confidence**, which economists expect to remain close to July’s level, only moderately down from second-quarter highs.

THURSDAY: The National Association of Realtors releases July **existing-home sales**. In June, sales of previously owned U.S. homes fell 1.8% to an annual rate of 5.52 million. Prices jumped as strong demand overwhelmed a pinched supply of available homes. July’s figures will offer fresh insight into whether the tight supply of homes and rising prices are deterring prospective home buyers. Economists surveyed by The Wall Street Journal expect existing-home sales grew 0.7% in July.

Federal Reserve officials and other central bankers and economists from around the world gather Thursday through Saturday in Wyoming for the annual Jackson Hole symposium hosted by the Federal Reserve Bank of Kansas City. One focus will be Ms. Yellen’s speech Friday morning on financial stability, which could be her last appearance at the event as Fed chairwoman. Mr. Draghi, the ECB chief, will speak Friday afternoon.

FRIDAY: The U.S. Commerce Department releases data on **durable goods** in July. June’s report showed orders for big-ticket items like refrigerators grew 6.5% from a month earlier. Economists will be watching for signs of momentum in capital investment, given this year’s booming stock market and strong business confidence. But economists surveyed by The Wall Street Journal expect durable-goods orders fell 6.1% in July.

FUND

Continued from Page One with a 3.15% gain through Aug. 17, Morningstar says.

Among those bailing out are individual investors, who helped fuel the fund’s growth but can be quicker than institutions to pull their funds when performance lags. Barney Rothstein, a retired orthodontist in Tucson, Ariz., withdrew \$250,000 from the fund over the past 18 months and shifted the money to individual bonds that carry similar yields but can be held to maturity, unlike a bond fund, potentially giving an investor more cushion if the market turns down.

Analysts say success sometimes hurts funds by raising the bar for the future. Mr. Gundlach has spoken publicly about the dangers of getting too big. Some investors in Pimco’s once-giant Total Return fund left it in 2013 and 2014 when the fund, led at the time by Bill Gross, stopped trouncing rivals. A spokeswoman for Mr. Gross’s current firm, Janus Henderson Investors, said he outperformed his benchmark during that period.

“This is part of having exceptional returns—at some point there will be less-than-exceptional returns,” said A. Michael Lipper, who advises investors in mutual funds.

Now investors like Castle Financial & Retirement Planning Associates Inc. in Hazlet, N.J., are shifting to Pimco from DoubleLine.

“Performance has been waning,” said Al Procaccino II, president of the firm, which pulled money from the DoubleLine fund this year.

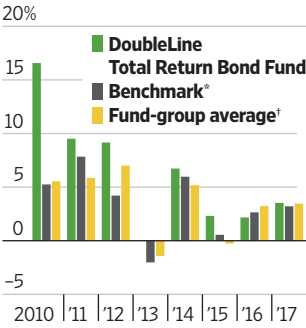
DoubleLine says it isn’t troubled by the outflows or the performance of the fund, which is nearly \$45 billion larger than DoubleLine’s next biggest fund.

“Many well-known, actively managed bond funds that have been around long enough go through periods of net outflows, some far more dramatic than Mr. Gundlach’s fund has experienced,” a DoubleLine spokeswoman said. “There are only so many opportunities for actively managed funds. DoubleLine stopped marketing the fund two years ago, and the firm is pleased with where the asset level is.”

Overall, DoubleLine’s assets are \$111 billion, the firm said,

Not So Hot

DoubleLine’s flagship bond fund no longer trounces rivals...



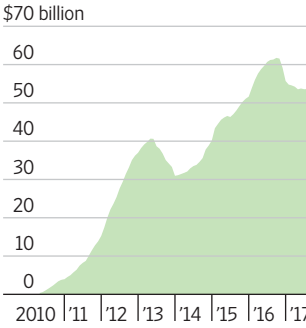
Note: Returns for 2010 are from April 6, 2010. Data for 2017 are through Aug. 17.
*Bloomberg Barclays U.S. Aggregate Bond Index Total Return
†U.S. Fund Intermediate-Term Bond
Source: Morningstar

an all-time high. That asset growth could help 2017 bonuses, according to a person close to the matter. Some investors have switched to other DoubleLine funds that are doing better, the firm said.

The DoubleLine Flexible Income Fund, managed by Mr. Gundlach and Jeffrey Sherman, has bested 58% of rivals and has had net inflows of \$418 million in 2017, for example.

In recent media interviews, Mr. Gundlach has expressed concerns about what he called

...and assets under management at the fund have declined.



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the high prices of risky assets. Most of the Total Return Bond Fund’s assets are in mortgages, in keeping with its guidelines. Mortgages scored gains in the recovery from the 2008 financial crisis but have leveled off.

Mr. Gundlach’s returns at another asset manager, TCW Group Inc., gained him prominence in the early 2000s, but tensions with executives there ended with his ouster and dueling lawsuits. TCW and Mr. Gundlach ultimately settled their legal disputes. Mr. Gund-

lach sometimes emails TCW executives, taunting them, boasting of his performance and accusing his rival of not playing fair, people familiar with the matter said.

Those emails have continued in recent months, one of the people said. DoubleLine declined to comment.

In the spring, after Mr. Gundlach said media outlets misreported a speech he gave at a conference, he opened a Twitter account with the username TruthGundlach and criticized media members, including The Wall Street Journal. In June, after a Twitter user with 56 followers accused Mr. Gundlach of using public pronouncements to boost his fund, he responded by referring to his own standing on a list of industry players. “What number are you on the Bloomberg 50 Most Influential list?” Mr. Gundlach tweeted.

Mr. Gundlach declined to be interviewed. In a tweet this past Thursday, he said, “I’m not ‘combative’. Never attack unprovoked. Never plant competitor hit pieces. But I am a scorpion. Attack me and I will fight back. Hard.”

—Justin Baer, Ben Eisen and Daisy Maxey contributed to this article.

GAS

Continued from Page One regulations on the operation and ownership of Moscow’s gas infrastructure.

Some lawmakers and officials in Washington have also talked about energy exports to Europe having a geopolitical, as well as commercial, benefit. The U.S. has long criticized what it considers to be Russian interference in Eastern Europe.

In July, President Donald Trump told representatives of a dozen European nations that the U.S. is eager to export energy supplies to them.

Poland last month became the first Eastern European country to receive U.S. LNG. After a meeting with Mr. Trump, Polish President Andrzej Duda said he expects to sign a long-term deal for LNG supplies from the U.S. to reduce its exposure to Russian “blackmailing.”

Lithuania is expecting another shipment in September.

“The arrival of U.S. gas is making Russia nervous. And they should be nervous,” said Jason Bordoff, director of the Center on Global Energy Policy at Columbia University and a

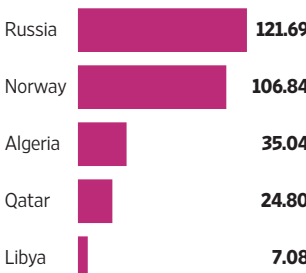
former energy official in the Obama administration.

The European market makes up 75% of Russia’s overall gas exports, according to the U.S. Energy Information Administration. It is an essential industry for Russia, where oil and gas revenues account for more than 40% of the federal budget.

The country’s main advantage is price. Russia’s gas is piped into Europe, a generally cheaper transportation method than for LNG, because that gas has to be liquefied, shipped and regasified at arrival. U.S. LNG cost \$6.29 per million British thermal units, according to S&P Global Platts

Fueling Europe

The European Union’s top non-EU gas suppliers in 2015, in billions of cubic meters



Source: Eurostat
THE WALL STREET JOURNAL.

data based on an average of cargo coming into Europe in the past year. Over the same period, Russian gas delivered into Germany cost an average of \$4.86 per mmBtu.

A July opinion poll conducted on behalf of Winterhall, a German company involved in Russian energy projects, found that affordability was the main priority for Germans. The survey also found that only 6% of people in Germany believe that the country, and Europe, should import less Russian gas and more U.S. LNG. Germany imports nearly half of its gas from Russia.

There are signs that Moscow is looking to make its gas exports more competitive. State-owned PAO **Gazprom** has in recent years been experimenting with auctions, where gas is offered to the highest bidder. That is a departure from Russia’s traditional model of locking customers into long-term contracts linked to oil prices.

“Energy exports, and gas in particular, have always been Russia’s lifeline and a source of influence in Europe, so they will do everything in their power to hold on to it,” said Agnia Grigas, senior fellow at Atlantic Council, a Washington-based think tank.

Russia is building up its own LNG export capacity. A natural-gas facility on the Yamal Peninsula, just above the Arctic Circle, is scheduled to open by the end of this year, and Mr. Novak said Russia is working on other LNG projects.

Russia is also charging ahead with a plan to build Nord Stream 2, a Gazprom project to transport gas into Europe through a 1,200-kilometer pipeline beneath the Baltic Sea.

A bill signed by Mr. Trump in early August allows the president to impose sanctions on firms backing Nord Stream 2, though it stops short of mandating penalties.

“Unfortunately we are seeing intensifying efforts to use

CORRECTIONS & AMPLIFICATIONS

Fiat Chrysler Automobiles was incorrectly called Ferrari Chrysler Automobiles in an Off Duty review of the Ferrari 812 Superfast in the Friday-Sunday edition.

Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com.

unilateral, unjustified sanctions by a number of countries, including the U.S., to reduce real free-market competition,” said Mr. Novak, Russia’s energy minister.

—Nathan Hodge contributed to this article.

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WORLD NEWS

U.S., Seoul Brace for Flare-Up Over Drills

War games opposed by Pyongyang, set to start this week, come at a delicate moment

By JONATHAN CHENG

SEOUL—A new cycle of escalation on the Korean Peninsula looks set to begin this week when the U.S. and South Korea kick off annual military exercises that have a history of enraging Pyongyang.

The long-planned drills come at a delicate moment, following weeks of belligerent rhetoric between the U.S. and North Korea that stoked fears of a catastrophic outcome. In what many saw as a slight easing of tensions last week, dictator Kim Jong Un said he would hold off for now before deciding whether to carry out a threat, announced days earlier, to fire missiles toward the U.S. Pacific territory of Guam.

The 10-day drills, known as Ulchi Freedom Guardian, will test whether North Korea's apparent easing of its immediate threat to Guam proves durable—or if the de-escalation was really a backdown at all.

U.S. officials have long said the exercises are intended to ensure readiness for a possible North Korean attack. Pyongyang, though, has characterized them as preparation for an invasion.

"They are conducting provocative saber-rattling such as joint air attack drills and combined ballistic-missile drills ...rendering the situation extremely tense," North Korean state media warned last week.

In the war games beginning Monday, allied forces plan to finesse their cooperation. The Pentagon said Friday that Ulchi Freedom Guardian features computer simulations of combat exercises, and would involve some 17,500 U.S. service members, including about 3,000 from outside the Korean Peninsula. Major units from all



South Korean marines patrolling the coast of the eastern island of Ulleungdo Saturday. Allied forces plan to finesse their cooperation in war games beginning Monday.

South Korea's armed forces will participate, along with forces from seven nations including Canada, Australia, New Zealand and the U.K.

The military maneuvers would be similar in scale to last year's, the office of South Korea's Joint Chiefs of Staff said Friday.

This week's exercises aren't as large as those the allies usually conduct in the spring. Still, analysts expect the North to react angrily, particularly if the U.S. deploys strategic assets such as an aircraft carrier or B-1B bombers. Pyongyang followed last year's drills by launching missiles and carrying out its fifth nuclear test.

Gen. Joe Dunford, chairman of the U.S. Joint Chiefs of

Staff, last week declined to say whether the U.S. was planning to deploy more strategic assets for this week's exercises.

The heightened stakes of any missile launch by Pyongyang were underscored last week by U.S. Defense Secretary Jim Mattis, who warned that the U.S. and its allies would try to shoot down any North Korean missile deemed to pose a threat. "In the event of a missile launch towards the territory of Japan, Guam, United States, Korea, we would take immediate, specific actions to take it down," Mr. Mattis said.

China has called for a halt to the annual military exercises in exchange for curbs on Pyongyang's nuclear and missile pro-

grams. President Xi Jinping of China—the North's neighbor, ally and largest trading partner—urged restraint during a phone call with U.S. President Donald Trump this month.

Sen. Ed Markey (D, Mass.) is in the region to lead a congressional delegation that includes meetings with South Korea's President Moon Jae-in and stops at the China-North Korea border and the inter-Korean demilitarized zone. "We're at a stage of tensions that we have not seen for years," he said in an interview Sunday. "Tensions could flare up again."

The top Democrat on a Senate Foreign Relations subcommittee on East Asia matters, Mr. Markey said the U.S. should consider modifying the drills in

exchange for a freeze on North Korea's weapons programs.

Tensions rose in recent weeks following North Korea's tests in July of its first intercontinental ballistic missiles—a significant advance in its ability to threaten the U.S. In response to the tests, the United Nations Security Council slapped new sanctions on Pyongyang.

Meanwhile, Mr. Trump and North Korea traded threats that fueled concerns about an outbreak of war.

James Acton, co-director of the Nuclear Policy Program and a senior fellow at the Carnegie Endowment for International Peace in Washington, said Mr. Kim's decision not to carry out the attack last week

may have been a way of laying the groundwork for a missile launch after the start of the U.S.-South Korean military exercises, which would give him more political cover for a launch.

Mr. Acton argues the U.S. should clearly signal to the North Koreans a willingness to scale back some of the planned exercises in exchange for a pledge to shelve a missile launch toward Guam. "North Korea, like every other country, wants to be able to justify its actions internationally, and if North Korea does fire the missiles at Guam, what it would say is: 'We gave you a fair warning,'" he said.

—Kwanwoo Jun contributed to this article.

WORLD WATCH



Onlookers inspect the wreckage after the rail accident near Khatauli, in the state of Uttar Pradesh.

SOUTH AFRICA

Zimbabwe First Lady Granted Immunity

Pretoria granted diplomatic immunity to Zimbabwe's first lady, Grace Mugabe, who allegedly assaulted a young woman who had been socializing with Ms. Mugabe's sons in a Johannesburg hotel.

In a notice published in South Africa's government gazette on Sunday, Foreign Minister Maite Nkoana-Mashabane said she recognized Ms. Mugabe's diplomatic immunity, "acting in the interest of the Republic of South Africa."

Ms. Mugabe returned to Zimbabwe early Sunday with President Robert Mugabe, who cut short his appearances at a summit of the South African Development Community in Pretoria, Zimbabwean state broadcaster ZBC said.

South Africa's police ministry said Wednesday Ms. Mugabe had sought diplomatic immunity after she allegedly beat 20-year-old Gabriella Engels with an extension cord.

Ms. Engels said Mrs. Mugabe burst into the hotel room she was occupying with Robert Mugabe Jr. and Bellarmine Mugabe, the first couple's 20-something sons, and beat her.

Representatives for Mr. and Ms. Mugabe didn't respond to calls seeking comment.

—Gabriele Steinhilber

INDIA

Train Goes Off Track In North, Killing 23

Six coaches of a passenger train derailed in northern India on Saturday, killing 23 people and injuring at least 81, officials said.

Neeraj Sharma, a railway spokesman, said the incident took place near the small town of Khatauli, in the state of Uttar Pradesh. The cause of the derailment wasn't immediately known, he said.

Railway police and local volunteers helped pull passengers out of the upturned coaches of the Kalinga-Utkal Express, which connects the Hindu holy city of Haridwar with the temple town of Puri, in the eastern state of Orissa. —Associated Press

JAPAN

After Accident, U.S. Sacks Navy Officers

The U.S. Navy on Friday removed from command the top officers of the ship that sustained a deadly collision in June off the coast of Japan, killing seven sailors.

A statement from the Navy's Seventh Fleet accused the officers of "inadequate leadership" and said those standing watch at the time of the collision weren't prepared.

The USS Fitzgerald collided with a Philippine-flagged cargo vessel, the ACX Crystal, at around 1:30 a.m. Japan time on June 17.

The Seventh Fleet's commander, Vice Adm. Joseph Aucoin, relieved the Fitzgerald's commanding officer, Cmdr. Bryce Benson, of his duties as well as the executive officer, Cmdr. Sean Babbitt, and the senior enlisted sailor on the ship, Command Master Chief Brice Baldwin.

—Peter Landers and Gordon Lubold

NAFTA

First Round of Talks On Revamp Conclude

The U.S., Mexico and Canada on Sunday afternoon wrapped up the opening round of talks to renegotiate the 23-year-old North American Free Trade Agreement, whose overhaul is a key objective of the Trump administration.

A statement issued by the office of the U.S. Trade Representative said experts from the three countries covered more than two dozen different negotiation topics over five days of meetings, and would stick to a tight timetable to complete the renegotiation, reconvening in Mexico from Sept. 1 to 5, Canada in late September and the U.S. in October.

—Sara Schaefer Muñoz



LOVE AT FIRST SIGHT JEAN-LÉON GÉRÔME



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Famed French academic artist Jean-Léon Gérôme presents the impassioned tale of King David's first encounter with his future wife, the beautiful Bathsheba, in this original oil on canvas. A virtuoso of the female form, Gérôme paints the legendary beauty bathing

in the open air, a sight that immediately captured the gaze and heart of the powerful king. Circa 1889. Signed "J.L. Gérôme" (lower left). Canvas: 24 1/4 x 39 1/4 w. Frame: 37 3/4 h x 53 1/4 w. #30-6576

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WORLD NEWS

Kremlin Envoy Played a Role in Ukraine

Vladislav Surkov has organized pro-Russia separatists, say rebels and Western officials

By JAMES MARSON

MOSCOW—When American envoy Kurt Volker meets his Russian counterpart on Monday to try to restore peace in eastern Ukraine, the man sitting across the table will be no ordinary diplomat.

Vladislav Surkov, Moscow's point person, is a powerful Kremlin adviser who has played a central role in encouraging, organizing and managing the pro-Russia separatists fighting against Ukraine's central government, former rebel leaders and Ukrainian and Western officials say.

A top aide to Russian President Vladimir Putin, Mr. Surkov has been involved with the rebels, who hold sway over territory in eastern Ukraine, since early 2014, shortly after Russian forces seized the country's Crimean peninsula, these people say. He is under U.S. and European sanctions for his role in the annexation of Crimea.

"Putin is the father" of the separatist movement, said Valentyn Nalyvaichenko, who headed Ukraine's security agency during the first 15 months of the insurgency. "Surkov is the babysitter."

Mr. Surkov didn't respond to questions sent via the Kremlin press office.

Russia says it has influence with the separatists, but de-



A Ukrainian serviceman loaded a machine gun while stationed near the Luhanske village in Donetsk, Ukraine, on July 31.

nies controlling them and presents the conflict in Ukraine as a civil war. It has said repeatedly that it supports the peace accords signed in Minsk, Belarus, an agreement aimed at reintegrating the breakaway region into Ukraine, but giving it more local autonomy.

But many on both sides of the yearslong conflict, as well as Western observers, say they believe Russia's aims are broader. They say Moscow really wants to trade peace in

Ukraine for assurances Kiev won't get too close to the West and for an easing of the international sanctions imposed on Russia for grabbing Crimea and intervening with its military in the east.

The separatist movement "is a bargaining chip" in a bigger geopolitical game, said Aleksei Aleksandrov, a former top separatist official who now lives in Crimea and says he was pushed out of his leadership role by the Kremlin.

U.S. and European officials

say they won't bargain away Ukraine's political options.

When the two envoys meet in Minsk, Mr. Volker is aiming to test the water as to whether the Kremlin is ready to move beyond the status quo and seek a resolution of the conflict, a U.S. official said.

Mr. Surkov, 52, is a former public-relations executive who served in military intelligence in the 1980s, according to people familiar with his biography. In the 2000s, he served as Mr. Putin's deputy chief of

staff and helped design the Russian leader's tightly controlled political system.

As protests against pro-Russian Ukrainian President Viktor Yanukovich turned violent in early 2014, Mr. Surkov shuttled to Ukraine to meet with Mr. Yanukovich, politicians and businessmen close to him, as well as political leaders in Crimea, according to Mr. Nalyvaichenko and another Ukrainian official. Mr. Yanukovich later fled to Russia and a new government

took power.

In March, small protests began in some parts of eastern Ukraine near the Russian border.

The target of their ire: what the demonstrators saw as the growing embrace of the West by the new government and fears, fanned by Russian propaganda, that new authorities were controlled by nationalists bent on destroying Russian culture in Ukraine.

Top-level Kremlin advisor Vladislav Surkov speaks in Moscow in 2011.



Mr. Surkov began to reach out to the local activists, according to one of them, gathering information.

In May 2014, a group of security-service veterans and a public-relations executive arrived from Moscow to advise the insurgents, said Mr. Aleksandrov, the former separatist leader. Some locals perceived their appearance as a takeover by the Kremlin, coordinated by Mr. Surkov, he said.

"We gave them the keys to the town," Mr. Aleksandrov said. "They squeezed out the first wave of leaders."

That is when Mr. Surkov started to play a decisive role in how rebel areas were run, said Mr. Aleksandrov and other former separatist leaders, molding the leadership and structure to bring it under Moscow's control.

TERROR

Continued from Page One

Mr. Es Satty may have radicalized a group of young Muslim men of Moroccan origin living in Ripoll, a town of 11,000 people, including about 1,100 Muslims.

Some locals said the young men were becoming more fervent in their faith, attending the mosque more assiduously earlier this year and sometimes wearing djellabas, traditional robes of North Africa.

Townpeople in Ripoll were mostly mystified by the turn taken by a group of youths who appeared well integrated in Spain and in their local community and had no record of terrorist activity.

"We aren't able to say what the origin of the radicalization was," said Mr. Traperó. "The imam is one of our lines of investigation." On Friday night, police searched his apartment, a modest flat in the center of town, for several hours.

When local Muslim leaders hired Mr. Es Satty as imam at one of the town's two mosques in 2015, they were unaware he had once been in prison. Spanish authorities confirmed Sunday that Mr. Es Satty had been imprisoned but didn't specify the reason. Authorities also said he had contacts with someone with alleged links to terrorism.

Mr. Es Satty did little to meld with Ripoll's tightknit Muslim community, said locals. He was sober and distant, they recalled, sitting alone when he went to eat in local



People pay their respects to the victims of Thursday's van attack by a terrorist in Barcelona.

cafes or restaurants.

People who attended services he led said he didn't give inflammatory or radical sermons. "He never speaks of jihad or killing," said Mohammed Ichabad, a regular at the mosque.

Mr. Es Satty also showed no signs of extremism, said people who attended the mosque. Nourdine el Haji, a 45-year-old who shared an apartment with the imam for four months in Ripoll's center, said, "He was a normal person."

The mosque Mr. Es Satty led acquired a poor reputation among some local Muslims. Some complained it was lax, with attendees often eating during Ramadan. They said Mr. Es Satty irked some families by

charging to tutor their children on Islam. Some Muslims said they traveled to a mosque in another town to pray.

Now, authorities are investigating Mr. Es Satty's contacts with the group of young men—who also had shown no signs of extremism, according to friends and family, but are now implicated in the terrorism.

They went to Institut Abat Oliva, the local public high school. Two of them were Driss Oukabir, 28, and his 17-year-old brother Moussa, who banded together with brothers Mohamed Hychami and Omar Hychami.

Moussa Oukabir and the Hychami brothers were all killed in the police shootout in Cambrils hours after the Bar-

celona attack.

Driss Oukabir was arrested Thursday after authorities discovered the van that plowed through the Barcelona crowd had been rented in his name.

He denied any involvement, claiming his brother had stolen his identification to rent the van, according to Ripoll's mayor.

People in Ripoll said the young men spoke to each other in Catalan, which is the majority language in the area but not common among first-generation immigrants in Catalonia, who often communicate in Spanish.

Núria Rifà, who went to primary school with the Oukabir brothers, remembers Driss as "a very sweet guy" happy to chat in the street when they

met. His brother Moussa became "much more of a rebel" in recent times, she said, "but not unlike other kids. I never heard of him getting involved in any brawl or anything."

Moussa "was left-footed, a good player, he got along perfectly with his teammates and the team with him as well," according to Jordi Leiva, his soccer coach at the local Ripoll Club de Futbol, when Moussa was about eight.

Mr. Leiva said he also worked with Mohamed Hychami at a foundry in a nearby town and recalled him as a joker.

"I was shocked because I knew the two pretty well," Mr. Leiva said.

Police said Mr. Abouy-aqoub, the fugitive who is the focus of a manhunt, may have been the driver of the van that drove into the Barcelona crowd.

He lived with his parents, two sisters and a brother in an apartment building in a poorer area of Ripoll with more Moroccan migration than the center of town. "There's a lot of racism around," said Jordi Fàbregas, who lives in the building. "But generally people get along."

Neighbors and friends said the boys mingled with locals, liked to party, regularly drank alcohol and rarely attended the mosque.

But then, around the end of last year or start of this year, some locals noticed a change in the young men, when they became more observant.

On Sunday, authorities said the group might have been working on making bombs for six months or even longer.

The bomb-making factory that exploded sits on an unpaved road in the outskirts of Alcanar, a coastal town about 190 miles south of Ripoll. It is a sparsely populated area where seasonal workers come to pick olives each year, and it has fewer than 100 residents in the winter, according to locals. The hamlet is dotted with abandoned 1980s-era homes sometimes used by squatters. Police rarely patrol the area, people in the town said.

Speaking of the house that exploded, some residents said they saw men going in and out for as long as a year, mostly after dark. One neighbor told of hearing noises coming from it late into the night.

This summer, the activity in the house intensified, said Carmen Circumaru, 48, who lives next door. She saw four men, all very young, going in and out of the house throughout the day.

Then, just before midnight Wednesday, residents heard two explosions and saw two fireballs coming from the house, said Sarah-Lena Schenk, a German tourist on vacation nearby. The next morning, the house was rubble. On Sunday, authorities said more than 100 butane gas tanks had been found in it.

Mr. Es Satty, the Ripoli imam now suspected of involvement in the week's terrorism, stepped down in June, saying he had to return to Morocco to deal with an inheritance.

—Jeannette Neumann in Barcelona and Marina Force in London contributed to this article.

ISIS

Continued from Page One

for the U.S. in particular, have become a difficult balance.

"This is where the contradiction comes in, in U.S. foreign policy, fighting both ISIS and Iran," said Aymenn Jawad Al-Tamimi, a research fellow at the Middle East Forum, using an acronym for Islamic State. "The U.S. can support the armies of the region, but it won't be able to counter Iran's work with the militias of the region, both which are important to the battle against ISIS."

Parts of these incongruous alliances are sometimes turning on each other.

In Iraq, Shiite militias have helped Baghdad's military—backed by U.S. forces on the ground—clear towns and cities of Islamic State. Yet across the border in Syria, these Iraqi militias have clashed with U.S. Special Forces and their Syrian allies, turning Syria into one of the hottest flashpoints

for American-Iranian confrontation in the region. Iran, Hezbollah and many of Iraq's major Shiite militias support the Damascus government.

Tal Afar has been a showcase for this tense tangle of friends and foes.

The U.S. has pushed for Iraq's military to lead the Tal Afar assault and sideline the Iraqi Shiite militias that have encircled the town for months, but Iran has pressured Prime Minister Haider al-Abadi to include them in the battle.

Iraq's elite counterterrorism forces—which are largely trained and equipped by the U.S.—are depleted after a grueling battle to recapture Iraq's second-largest city, Mosul. That nine-month fight wrapped up in July, but the withered ranks of Iraq's elite troops may force Baghdad to rely more on the Shiite militias in Tal Afar.

When Mr. Abadi announced the start of the battle in the early morning hours, he was vague on what role the Shiite militias would play.

"I tell all our fighters and



Paramilitary fighters gather as they advance toward Tal Afar, one of Islamic State's last important strongholds in Iraq.

the Iraqi people: You're on the victorious side and the world supports you and awaits your victory," Mr. Abadi said. "The international coalition will support you."

It wasn't clear how many Islamic State fighters remain

in Tal Afar, but Iraq's Defense Ministry estimates there are as many as 1,500, most of them foreigners.

Iraqi forces are bombing the militants' defensive lines as they advance toward Tal Afar, while ground fighting is

taking place in areas and villages around it, according to Iraqi military officials. A small area outside the town called Al Abra Al Sageera was taken by the federal police and Shiite militias Sunday morning, they added.

In Lebanon, the offensive launched this week is a test for the army to prove it is able to border Islamic State from the border region with Syria. While the army is leading the assault in the country's al-Qaa and Ras Baalbek areas, Hezbollah remains an important force is pressuring the group from the Syrian side of the border—despite repeated assurances from government officials that the military would lead the battle.

The Lebanese military denies cooperating with Hezbollah. Hezbollah frequently points to the military's weakness as a reason for its existence. Its critics accuse the militia of undermining the military to preserve its leading role protecting the country.

"Hezbollah is taking the lead in everything, the govern-

ment is powerless, even the state institutions are not able to do anything," said Samy Gemayel, a parliamentarian and head of the Kataeb party, a Christian party opposed to Hezbollah.

The U.S. has tried to strengthen the Lebanese and Iraqi militaries through equipment and training, but the governments of both countries are forced to compete with Iran's donations to their irregular forces.

With Islamic State a diminished force, U.S. officials now worry Tehran will try to establish a route from the Iranian capital through Iraq, Syria and onto Lebanon to provide military aid to proxies and allies.

In Syria, groups aligned with Iran initially focused more on the threat to Syrian President Bashar al-Assad from secular rebels. Only in the past year have Iran, Damascus and its allies joined U.S.-backed forces in trying to dismantle the group's operations in Syria.

—Leena Saidi contributed to this article.



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REVIEW



SECURITY FORCES stood next to a crater created by a massive truck-bomb explosion in front of the German embassy in Kabul, Afghanistan, May 31.

An Anguished Farewell to Kabul

During four years covering Afghanistan, a Journal reporter watched the capital turn into a war zone

BY JESSICA DONATI

When I moved to Kabul four years ago, the Afghan capital was better known, among foreign visitors, for its parties than for its bombs. A surge in U.S. troops and foreign aid had fueled an expat lifestyle of heavy drinking and carousing. The wild behavior had mostly subsided by the time I arrived in 2013, but a handful of bars, restaurants and at least one brothel still catered to foreigners. Contractors, diplomats and aid workers—plus a few journalists and the occasional fortune-seeker—dined in garden restaurants, where forbidden wine was served in teacups. Some places even offered beer, at \$10 a can.

That all changed in early 2014, when the Taliban attacked a popular Lebanese restaurant known for its free chocolate cake. A suicide bomber blew himself up at the door, opening the way for gunmen with AK-47s who executed 21 people one by one, including a friend of mine. It all took about 15 minutes. I was a few blocks away, listening from a balcony, wondering why there was no return fire. No one survived.

As my tour here for the Journal winds down, Afghanistan's long war—confined for years to the countryside—has spilled into the capital. Since 2014, most venues catering to foreigners have closed. Embassies and contractors are confined to heavily fortified compounds. The U.S. embassy deems the five-minute drive to the airport so risky that it shuttles staff there by helicopter.

As the walls have reached higher, insurgent attacks have grown bigger and bolder. In May, a huge truck bomb exploded outside the German embassy, killing more than 150 people—the worst such attack since the U.S.-led invasion in 2001. The blast shattered our bureau, about 100 yards away, blowing out windows and cracking a wall. I was in the shower at the time, and as the ground shook, I thought, *The house is going to fall down, and I'll be climbing out of the rubble without any clothes on.*

How did we get here?

The Obama administration's military surge ended in 2012, but local forces weren't prepared to take over. The Taliban swept through rural areas, and an Islamic State insurgency took root, capitalizing on popular frustration with a government often seen as dominated by brutal former warlords.

Lively night life gave way to fortified walls and bomb blasts.

President Donald Trump has reportedly said that the U.S. is losing in Afghanistan, but changing course presents difficult choices. He could dispatch more U.S. troops, which might prevent further setbacks but probably wouldn't alter the conflict's underlying dynamics. Despite a dramatic escalation in U.S. airstrikes in Afghanistan—now up to levels last seen in 2012, U.S. military data shows—casualty and attrition rates among Afghan forces remain near record levels.

Or Mr. Trump could choose to leave, which experts say would cause the Kabul government to quickly collapse, much as the Soviet-backed regime did after Moscow withdrew in 1989.

Life in Kabul has only grown more tense since the 2014 attack on the Lebanese restaurant. A fraud-marred presidential election that year nearly tipped the country into civil war and ended only when the U.S. brokered an unhappy power-sharing deal between rivals Ashraf Ghani and Abdullah Abdullah. Almost a third of Afghan cabinet positions remain vacant, including defense minister.

The weakness of the Ghani government is obvious in the provinces. Highways built with foreign aid are now front lines; Taliban flags flap on roads less than an hour's drive from U.S. military headquarters. Heading out of Kabul one morning, we were caught in a Taliban ambush. Our driver executed a miraculous U-turn, saving us from the hailstorm of bullets, and we retreated with holes in our tires.

The huge truck bomb outside the German embassy in May had been a long time in coming. Several massive bombs had already struck the capital, though not the fortified embassy district.

At our bureau, which we share with the Washington Post, a spray of glass hit Sharif Walid, one of the Post's Afghan reporters. Toryalai Omari, a Journal driver, administered first aid to stop the bleeding. He had worked in a hospital before discovering that the pay was better for driving around foreigners. At a nearby hospital, we pushed through families clustered outside, waiting for staff to emerge with updated lists of the dead. The wards were packed with maimed office workers, using tubes to breathe through their burned throats.

The attack deepened my own depression after years of covering the endless war. Our Afghan staff proved tougher, after decades of conflict.

One of our drivers, Nassim Faqirzada, told us that when civil war erupted in the 1990s after the Soviet withdrawal, a rocket killed his sister and her family at lunchtime. Nassim had been headed to join them when another rocket struck a group of people yards ahead of him. He was covered in their blood as he carried a survivor to hospital.

Back then, most members of our Afghan staff were living in Pakistan as refugees, along with millions of their countrymen. Our two local reporters had fled across the border as children. Ehsanullah Amiri wove carpets for \$100 a month to help support his family, while Habib Khan Tohtakhil studied in a madrasa in the ultraconservative tribal areas. Our cook wrinkled his nose when we asked him about the Taliban, recalling how they shot his uncle dead in front of him as a child.

Now the war is closing in again. Last summer, Ehsanullah was covering a protest when a suicide bomber detonated in the crowd, killing more than 80 people. Weeks later, our other Afghan reporter, Habib, lost one of his best friends in an attack on the American University in Kabul. In October, our driver Toryalai, who had lost one brother to a Soviet bomb 25 years ago, lost another to a sniper. In January, two days after I had dinner with him, the longtime ambassador of the United Arab Emirates was killed in a bombing at the Kandahar governor's compound. He had told me of his concerns about the trip but said that canceling would be poor form.

I have covered the deaths of three fellow foreign correspondents—most recently David Gilkey of National Public Radio, killed in 2016 by shelling while embedded with an Afghan army unit. Afghan journalists make fewer headlines but are far more exposed: Ten Afghan journalists and media workers have been killed in 2017 alone.

With no clear strategy yet from Mr. Trump, the government's grip is weakening. Uncertainty over U.S. commitment is emboldening the insurgency and making it easier for Islamic State to recruit.

In June, violent protests over the government's failure to prevent the spree of bombings in Kabul erupted outside embassies and the presidential palace. As I interviewed one protester, we were interrupted by gunshots.

"They're going to kill someone," I said, horrified. "They already have," he replied.

Soon after, a police truck tore past me, firing wildly over the heads of protesters. And I left—feeling guilty that I would soon leave Afghanistan behind.

—Ehsanullah Amiri contributed to this article.

FROM PAGE ONE

RICE

Continued from Page One

jollof rice is the best; we beat the Ghanaians and the Senegalese hands down," he said.

Mr. Zuckerberg's apparent endorsement of Nigerian jollof while visiting Lagos last summer set off a storm of celebrations in Nigeria and howls of protest elsewhere in the region. "I was told not to compare the jollof rice of neighboring countries," Mr. Zuckerberg said, after tasting the Nigerian variety. "But my god, it was awesome."

Now a new TV show, "The Jollof Rice Challenge," will try to settle the dispute once and for all, putting chefs from 10 nations head-to-head in a Lagos contest being billed as Pop Idol meets MasterChef.

"This is the Super Bowl of jollof rice," said Felix King, the show's producer, who plans to screen it on Aug. 21, World Jollof Day, and show it in 42 countries. The show's judges will be blindfolded to stop national pride from influencing their palettes. "Enough of the talk—it's time to crown the real king," he said.

Other than including rice, tomatoes and spices there are in as agreed upon standard. Each country has very different iterations and within that, regions have their own versions, too.

Ghanaians say their insistence on basmati rice, which better absorbs their slower-cooked tomato sauce, gives their iteration more sophistication. Nigerians say cooking their jollof in cast-iron pots over firewood gives it a more a smoky, umami flavor. Senegalese say adding tamarind and pouring extra palm oil at the base of the pan gives their jollof a cro cro—or rice crust—and a crunchy competitive edge.

The largely good-natured "rice rage" has become a proxy clash over national identity, rivalries, and pretensions of regional leadership.

The debate has been supercharged by diss tracks from the region's top Afrobeat stars. Ghanaian rapper Sister Deborah's "Ghana Jollof" extols her country's superiority over Nigeria, with a video showing crowds of Nigerian men tearfully converting to Ghana's recipe.

"Ghana jollof, Ghana jollof—Yummy!...Nigerian jollof—hmmm, it tastes funny," she sings.

Regional jollof combat has even begun reaching diaspora communities in London, New York and Washington. In Washington last month, Nigeria struck an early blow in the city's inaugural jollof-off, winning first prize in a festival that drew hundreds of rice aficionados and entries from several other countries.

The largely jovial tone of the jollof tussle contrasts with culinary politics in parts of Europe and the Middle East: The so-called falafel wars among Palestinians, Israelis and Lebanese have become a proxy for regional conflicts. Turks, Greeks and Armenians have for centuries sparred bitterly over a host of foods once eaten in the Ottoman Empire, including baklava, a syrupy pastry, and the preparation of their coffee.

Senegalese chef Pierre Thiam, who runs restaurants in Brooklyn, Dakar and Lagos, says the "jollof wars" are more like sibling rivalry than internecine conflict: "Yes the dif-

ferent jollof recipes divide us but it's also what unites us as Africans," he said.

Mr. Thiam said one particularly piquant aspect of the debate was that neither of the most vocal protagonists—Ghana and Nigeria—even invented the dish, which originated from the Wolof tribe in what is now Senegal and Gambia.

"There's no doubt, Senegalese jollof is the original and best!" Mr. Thiam added. "We're laughing at Ghana and Nigeria fighting over a dish we created."

The warring West African camps even agreed to a short-term cease-fire in 2014 in re-

sponse to the jollof recipe of British celebrity chef Jamie Oliver, who took the sacrilegious step of adding coriander, parsley and lemon juice to the dish. The episode—which became known as #jollofgate—was met with howls of derision and forged a fleeting moment of West African unity.

"Our plates will not be colonized!" said one Twitter user. "Jamie Oliver's jollof rice hurts my soul," said another.

Mr. Oliver's publicist issued a statement saying the chef was just "putting his spin on the dish" and meant no offense.

On the streets in both Accra and Abuja, the different

recipes can draw very different emotional, and physical, reactions.

"The Nigerian is more natural, but the Ghanaian is so spicy that you end up on the toilet," says Onyechie Saliu, chef at the Omo Obokun Canteen in Nigeria's capital, who estimates that she has made 150 portions of jollof daily for 20 years. "We get plenty of Ghanaians here. They sometimes complain."

What Ms. Saliu calls "natural," many Ghanaians translate as "flavorless." A growing list of Ghanaian artists and commentators have mocked Nigerians for using a Maggi-brand stock cube as a substitute for a natural jollof sauce borne by a slower-cooked infusion of the ingredients.

Ghanaian Afrobeats artist Fuse ODG summed up the clash in his hit track, "I Need Jollof."

"Ghanaians fighting over, Nigerians fighting over, Siere Leonains fighting over, Liberians fighting over...oh I need jollof jollof jollof, you know I need jollof jollof jollof," he says.

Nigerian blogger Ms. Yemmie says she has a special message to people across the region, whatever their jollof preference.

"Whenever anyone is down from anywhere in this region, I tell them this: 'Don't let anyone treat you like white rice; you're jollof rice.'"



African nations have long boasted of their pre-eminence in making jollof, a sticky orange-hued delicacy.

U.S. NEWS

THE OUTLOOK | By Paul Hannon

Draghi to Revisit Easing Policy at Jackson Hole

 The Federal Reserve's annual symposium in Jackson Hole, Wyo., every August has become a staging ground in the past decade for central bankers to unfurl and explain complicated new policies in a financial crisis era. Usually it is the Fed itself in the spotlight, but sometimes it is others, like European Central Bank President Mario Draghi.

Mr. Draghi could become the center of attention again this week when he returns to Jackson Hole, where he is set to provide a luncheon address. He last did so in 2014.

Then, a luncheon presentation promised the use of "all the available instruments needed" to reverse a down-draft in inflation, laying the groundwork for a program of government bond purchases six years after a similar move by the U.S. Federal Reserve.

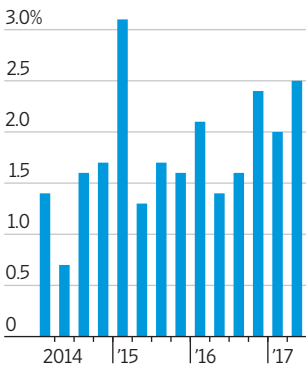
Just as Mr. Draghi set out a framework for understanding why quantitative easing, as the purchases are known, was necessary in 2014, ECB watchers think his coming appearance will give him an opportunity to review the evidence and set out the case for ending it in 2018.

What he likely sees is a set of policies that have proven favorable to growth, and signs of progress in tackling prob-

Signs of Progress

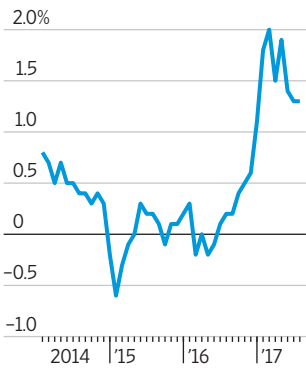
The eurozone's growth and inflation have picked up, and unemployment has fallen since Mario Draghi last spoke in Wyoming.

Quarterly change in inflation-adjusted GDP, at an annualized rate*



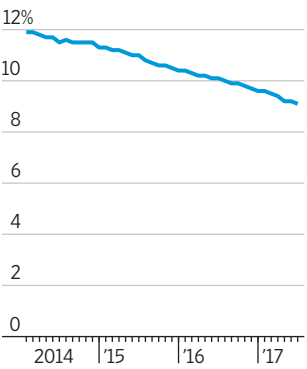
* Adjusted for seasonality and changes in the calendar year

Consumer-price inflation, as measured by the change from a year earlier in the harmonized index



Source: Eurostat

Unemployment rate, seasonally adjusted



THE WALL STREET JOURNAL.

lems he highlighted during his last appearance, most notably a substantial fall in unemployment. In June, the eurozone's jobless rate fell to 9.1%, its lowest since February 2009. It was 11.5% in August 2014, and the number of workers without jobs has fallen by 3.7 million since then.

Economic growth has also strengthened. In the 12 months ended June 2014, the eurozone's economy grew by 1.1%. Three years later, that rate had picked up to 2.2%.

There has also been some progress toward meeting the ECB's inflation target, which is set at just below 2%. When

Mr. Draghi spoke, consumer prices had risen by 0.4% in the 12 months ended July 2014. For that most recent period, they have risen by 1.3%.

"There's going to be a little congratulating the ECB on policies that were controversial to start with," said Dominic Bryant, an economist at BNP Paribas. "But he'll want to give the message that there's still a need for monetary policy support."

With all of that in mind, the ECB is laying the groundwork to reduce the stimulus it provides in 2018. Speaking in July, Mr. Draghi said the ECB's governing council will

decide what to do with its bond buying program in "the fall," referring to its Sept. 7 and Oct. 26 meetings. The program is scheduled to run until December, and most ECB watchers expect an extension into next year, albeit at a lower rate of monthly purchases than the €60 billion (\$70.57 billion) at present. There is less agreement on exactly when the purchases will be terminated and how gradual the process of winding them down will be. In response to that prospect, the euro has been appreciating against other currencies.

The ECB is likely to proceed

with extreme caution, an impression underlined by minutes of its July meeting. They showed policy makers were worried about the euro's gains in anticipation of tapering, and wary of sending any signal that would lead investors to conclude that will start soon and advance quickly.

Bond purchases don't fully explain what has happened in Europe. When Mr. Draghi stood to speak three years ago, there was a glaring inconsistency in eurozone economic policy: The ECB was providing stimulus to try to boost growth and inflation, while eurozone governments were trying to narrow their budget deficits, with exactly the opposite effect.

Mr. Draghi's speech was essentially a plea to get everyone working in the same direction, and to some degree, it succeeded. Fiscal policy has stopped working against monetary policy, and is now working with it. According to the International Monetary Fund's annual review of eurozone economic policy, government budgets will be "mildly expansionary" this year.

Yet Mr. Draghi's appeal to governments went beyond how they manage their budgets and on these fronts, the IMF concludes, progress has been sluggish.

No amount of fiscal or monetary accommodation, Mr. Draghi said, "can compen-

sate for the necessary structural reforms in the euro area." By that he meant that governments should overhaul laws that make it expensive and complex to hire and fire workers.

While Spain overhauled its labor laws in 2012, neither France nor Italy has made much progress since Mr. Draghi spoke.

The job isn't complete on the macroeconomic front either. What truly alarmed Mr. Draghi back in 2014 wasn't low inflation; it was signs that expectations of future inflation had fallen significantly. When Mr. Draghi spoke, the measure he cited suggested bond investors expected inflation to be around the ECB's target over the medium term. That measure now points to expectations that inflation will stay below the target.

Separate measures suggest expectations have risen among consumers, but not to levels that were typical before the financial crisis.

So while the central banker will likely highlight a degree of progress that would allow for a reduction in stimulus, that is also likely to be tempered with notes of caution to suggest bond purchases or other measures supporting growth won't be withdrawn very quickly. Policy normalization in Europe, as in the U.S., will proceed very slowly.

Republicans Face Deadline on Health Law

By **STEPHANIE ARMOUR**
AND **MICHELLE HACKMAN**

WASHINGTON—A fast-approaching deadline for insurers to commit to selling health plans next year under the Affordable Care Act is pressuring Republican lawmakers to decide quickly whether to shore up the law and ease the path for insurers or continue efforts to roll it back.

Lawmakers returning to the Capitol from recess on Sept. 5 will have only 12 legislative days to decide whether to pass a bipartisan bill aimed at bolstering the ACA's markets before insurers must commit to participating in the law's exchanges in 2018. At the same time, a plan from Sens. Lindsey Graham (R., S.C.) and Bill Cassidy (R., La.) that would largely topple most of the ACA is gaining traction among Republicans.

The looming deadline means that Republican lawmakers who have been bogged down for months on legislation to rework most of the ACA will have little time to decide whether to pivot and instead help bolster the current health law—or, possibly, to pursue both courses.

A bipartisan plan from Sens. Lamar Alexander (R., Tenn.), chairman of the Senate's health committee, and Patty Murray (D., Wash.), the com-



Sens. Patty Murray (D, Wash.), left, and Lamar Alexander (R, Tenn.)

mittee's top Democrat, would need support from senators in both parties to clear a 60-vote threshold in the Senate. Hearings are slated for the first two weeks after Congress returns.

Their proposal would likely preserve for next year billions of dollars in federal payments to insurers known as cost-sharing reduction subsidies. Insurers have said that without the payments they likely would raise premiums or stop participating on the ACA's individual markets. In return for guaranteeing the payments next year, any bill would likely give states more flexibility on ACA implementation, a change GOP lawmakers have sought.

The pressure on Republicans has intensified after the

nonpartisan Congressional Budget Office reported last week that cutting off the subsidies could spur a 20% increase in 2018 premiums for some of the exchange's most popular, midtier priced plans. President Donald Trump has threatened to halt the payments, which compensate insurers for lowering out-of-pocket costs for some low-income consumers.

During the congressional recess, support also has grown for the plan championed by Mr. Graham, which would give states the billions of dollars spent on the ACA to create their own health-care approaches. It also would end the requirement that most people purchase insurance or pay a

penalty.

Conservative lawmakers in both the House and Senate see it as the most viable path toward a repeal of the ACA.

The idea, backed also by GOP Sen. Dean Heller of Nevada, could draw other Republicans away from any plan to bolster the ACA's markets. A spokesman for Mr. Cassidy said the two bills could move on parallel tracks, with lawmakers choosing to shore up insurance markets in the short term while pursuing more sweeping changes to the law.

Some Republicans want legislation to shore up the markets and preserve the cost-sharing payments. Others, along with Mr. Trump, are eager to repeal most of the ACA. They see the subsidies as a bailout of insurers.

Concern is growing among governors, Democrats and insurance commissioners that any effort may come too late to help consumers in fragile ACA exchanges.

Though the Trump administration recently pushed back some key federal due dates, insurers are still supposed to file their 2018 premiums by Sept. 5. However, industry officials said, the more binding deadline may be Sept. 20, when states must submit completed rates to federal officials. Ultimately, insurers have until Sept. 27 to sign federal con-

tracts to offer 2018 plans.

"There has to be a clear set of rules for 2018 for us to participate," said David Holmberg, chief executive of Highmark Health. "We need answers. We need to know what the playing field is and who the refs are."

Mr. Alexander said this month in a statement that if Congress doesn't act by Sept. 27, "millions of Americans with government subsidies...may find themselves with zero options for buying health insurance on the exchanges in 2018."

If they pass a bill to stabilize the markets, Republican officials could face a backlash in the 2018 elections from conservative voters who feel GOP lawmakers reneged on their pledge to repeal the ACA. Voters may also hold lawmakers accountable if nothing is done and premiums climb next year.

"The Republican base expects some results, and that's not unreasonable of them," said Doug Heye, a former deputy chief of staff to then-House Majority Leader Eric Cantor (R., Va.).

Some conservative outside groups have given the bipartisan proposal to shore up the markets a chilly reception.

"They're basically bailouts to prop up Obamacare," said Andy Roth, vice president of government affairs at the conservative Club for Growth.

Trump Gets Little Air Cover From GOP

By **PETER NICHOLAS**

BRIDGEWATER, N.J.—President Donald Trump returned to the White House Sunday after a working vacation at his New Jersey golf club, amid signs he has alienated some congressional Republicans by saying both white-nationalist demonstrators and counter-protesters deserved blame for the recent violent clash in Virginia.

Mr. Trump has a long to-do list: He is to give a nationally televised addresses Monday night about a new strategy in the long-running conflict in Afghanistan. He must help forge a consensus in Congress on a spending bill to avoid a partial government shutdown. He also will try to wrest funding for his proposed border wall and jump-start negotiations over a tax-code overhaul.

White House aides believe that if the legislative push bogs down this fall, it is possible nothing substantial happens before the midterm elections in November 2018.

The president will have barely settled into a newly renovated West Wing before he leaves again, heading to a rally Tuesday in Phoenix. Protests are expected coming off the president's remarks on the deadly demonstrations in Charlottesville, Va.

Most elected Republican officials have offered narrow if any public support for Mr. Trump in recent days, and a few GOP lawmakers have openly criticized the president. Many other Republicans have condemned racism and bigotry without mentioning Mr. Trump by name.

Sen. Tim Scott (R., S.C.) of South Carolina, the only black Republican in the Senate, told CBS News in an interview Sunday that Charlottesville presents Mr. Trump with "an opportunity for him to be better educated" on the history of race in the U.S.

"It's increasingly clear that President Trump is isolated from the Republicans," said Evan Siegfried, GOP strategist and political commentator. "In the first six to seven months he's really not been able to work with Capitol Hill."

Underscoring the relative silence from Republicans on Sunday were comments from news anchors who said they had trouble booking GOP leaders or administration officials to appear.

After Long Wait, Skygazers Get Set for Total Eclipse

By **DANIELA HERNANDEZ**

Monday marks the end of a 99-year wait as the U.S. experiences a total eclipse of the sun, coast to coast for the first time since 1918.

The event is drawing large crowds to small towns and cities, and it is expected to become a vast, shared experience online.

"This total solar eclipse across the United States is a fundamentally unique opportunity in modern times, enabling the entire country to be engaged with modern technology and social media," said Carrie Black, an associate program director at the National Science Foundation who oversees solar research.

Roughly 200 million people live within a day's drive of the so-called path of totality—the 70-mile-wide swath cutting across 14 states from Oregon to South Carolina where the sky will go completely dark as the moon passes directly in front of the sun, according to Martin Knopp of the Federal Highway Administration at the U.S. Transportation Department of



Fourth-graders at Clardy Elementary School in Kansas City, Mo., practice using their eclipse glasses.

Transportation.

Nearly twice as many will be able to view at least a partial eclipse, according to the National Aeronautics and Space Administration.

Skygazers are planning weddings, participating in citizen-science projects, and flocking to festivals featuring aliens, science-themed activities and concerts to mark the celestial event.

Oregon State University in Corvallis is hosting nearly 2,000 guests in its dorms, and as many as 8,000 people for a three-day festival on campus that will include movie screenings, a replica of a Mars rover, a meteorite "petting zoo," and an eclipse-viewing party Monday morning, according to Jill Peters, OSU's eclipse event manager.

Social-media firms are plan-

ning ways to help people share the experience online. Snap Inc.'s Snapchat app will have special stickers and filters. Users will also be able to zoom in on a map to view eclipse-related dispatches from the path of totality, according to a spokesman.

Some eclipse enthusiasts have been planning for months or even years. Others are playing catch-up and encountering

booked hotels and sold-out eclipse viewing glasses.

About four months ago, when Dave Medberry told his family about his travel plans to view the total eclipse, they responded by saying a farm owned by relatives in Wyoming was already in the path of totality. He pulled out some maps to show them it was just outside the line.

"Some of them thought close enough was good enough," said Mr. Medberry, a computer scientist based in Loveland, Colo. But "it matters a lot."

Now, he and about two dozen of his family members, some of whom are flying in from the East Coast and California, are driving to Torrington, Wyo., for the event, eclipses glasses and colanders in tow. He will use the colanders as makeshift pinhole viewers to project on the ground tiny images of the moon encroaching on the sun.

Staring at the sun, even when it is partially covered, can cause vision damage, so eclipse watchers need special dark glasses or should use a pinhole viewer to project an image of the sun on another surface.

LIFE & ARTS

BOOKS

When Memoirs Get Very Dark

A slew of books chronicle traumatic experiences and the authors’ positive outcomes

BY ELLEN GAMERMAN

WHEN MAUDE JULIEN was a girl, she writes, her father locked her in a rat-infested cellar and forced her to wear a sweater with bells on it so he would know if she moved. He made her grip an electric fence for 10 minutes at a time in a test of her willpower. He insisted that she watch the slaughter of farm animals, bathe in his dirty bathwater, sleep in a freezing bedroom and hold a clear glass bowl for him to urinate in every morning.

With her parents, eye contact, laughter and touch were forbidden. Love was out of the question.

The story she tells is so harrowing that it’s at first disconcerting to hear the cheerful lilt in Ms. Julien’s voice when she calls on a recent morning. The French author is discussing her memoir, “The Only Girl in the World,” about her devastating childhood and eventual escape from the parents who terrorized her.

The book, a bestseller in France with more than 50,000 copies sold, has been translated into 10 languages. Ms. Julien has turned down bids for the screen rights, though she is open to the idea of a movie adaptation. When the book lands in the U.S. this December, publisher Little, Brown and Co. plans a national print and radio campaign with wide outreach on social media.

The book joins a spate of current memoirs by women detailing abuse in their families and marriages. Many authors say that delving into their past brings comfort as well as nightmares.

Some describe looking out at their book readings wondering if they will see a spurned family member glaring from the back row. Other authors fear physical retaliation from the subjects of their books, while their publishers take steps to guard against libel lawsuits. Though the names of the villains in these stories often are changed, it’s relatively easy to identify some of them on social media.

Judy Clain, editor in chief of Little, Brown, said the publishing house bought Ms. Julien’s memoir not only on the strength of the writing but because the author delivered a life-affirming message rather than allowing the shocking material to spiral into sensationalism.

“She seems to have really not



Maude Julien, now 59, says years of therapy helped her write a memoir about her harrowing upbringing.

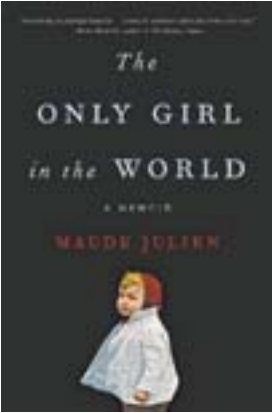
only survived but triumphed over this darkness,” Ms. Clain said of Ms. Julien, now a 59-year-old psychotherapist living in Paris. “If someone can survive that and then go on and live in the world in such a grounded way, it’s a wonderful way to reach people who have maybe difficult lives.”

Ms. Julien names her parents in the book. Her father, who died in 1979, was a force in the family a generation before the author’s birth. When Ms. Julien’s mother was 6 years old, Ms. Julien’s father convinced the blonde-haired girl’s father, a struggling miner with many children, to give up his child. Ms. Julien’s father offered to raise and educate the girl—the author’s future mother—on the condition that she cut off all contact with

her family. Twenty-two years later, he married his ward with the intention of having a blonde child of his own. After Ms. Julien’s birth, he moved the family to a house in northern France with a singular ambition: to turn his daughter into “a superhuman being.”

Through hidden coping mechanisms that included books and an intense love of animals, Ms. Julien survived years of torment. She finally escaped at age 18 when her father allowed her to leave the house in order to enter an arranged marriage. Her life today includes a 15-year marriage to her third husband, two daughters and three grandchildren.

The author wrote the memoir in 2013, saying she felt compelled to do so after realizing that she

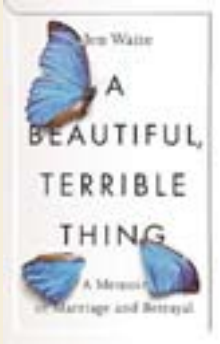


‘This is My Story in My Voice’—Memoirs With Traumatic Underpinnings

A Beautiful, Terrible Thing
(July 2017*)

Jen Waite

Ms. Waite said she wrote the memoir almost in real time, as she was investigating her husband’s suspected infidelity. While raising their baby alone, she researches his behavior by reading textbooks and academic articles on personality disorders, as well as talking with a therapist. She comes to believe that the man with whom she had a five-year relationship exhibited some of the nonviolent traits of a psychopath, such as lack of remorse, guilt or shame. Though she calls him by a pseudonym, she said strangers have written her saying they have figured out his identity. Her now ex-husband hasn’t contacted her about the book, which she said she wrote because she needed “to figure out some truth in the situation, because it suddenly felt like the past five years were a complete lie.”



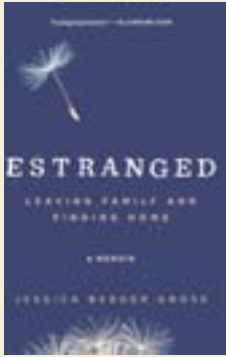
exploring her decision to cut ties with her family, the 45-year-old author describes an abuse that came with an ambiguous edge. “I wasn’t locked in a closet, I wasn’t deprived of food, I didn’t go to the hospital with broken bones, so I thought it didn’t count,” she said. At the same time, she recalled sustaining bruises up and down her body. “Where do you draw the line?

How much is OK to hurt a child? You don’t hit a child, no matter what.”

The Book of Emma Reyes
(Aug. 8, 2017)

Emma Reyes, translated with an introduction by Daniel Alarcón

The book, a translation of the 2012 memoir of Colombian artist Emma Reyes, consists of letters she wrote over 30 years. In his introduction to the memoir, Mr. Alarcón writes that Ms. Reyes was abandoned by her mother, subjected to cruelty in a convent from which she later escaped and, after the book ends, made to witness to her newborn child’s murder. Mr. Alarcón writes that Ms. Reyes, who was encouraged to pursue writing by Gabriel García Márquez, is a

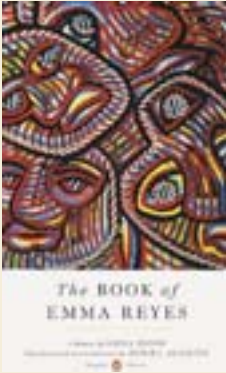


Estranged
(July 2017)

Jessica Berger Gross

Behind the happy façade of a suburban Long Island home was a father who verbally assaulted and hit his daughter, Ms. Berger Gross writes in her memoir. In

storyteller whose prose is humorous, full of wonder and un-self-pitying. He writes that the artist, who died in 2003 at age 84, describes



Some Bright Morning, I'll Fly Away
(Aug. 29, 2017)

Alice Anderson

The published poet starts her story in the wake of Hurricane Katrina, when she says, her husband physically

abuses her. “There’s one true thing about a hurricane: it doesn’t change people, it exposes them,” she writes. While working on the book, she was recovering from traumatic brain injuries that she says resulted from domestic violence. “I had severe aphasia. Every sentence I would put an ‘x’ placeholder for words I could not think of,” she said. Ms. Anderson says books like hers are about the art of standing witness to one’s own story. “I see women writers saying, ‘This is my story in my voice and I’m not the story you’ve made of me.’”



—Ellen Gartnerman

*U.S. release dates

was asking her patients to address their pasts but had not fully confronted her own. “When someone has endured this kind of emotional, physical and mental control, they have a feeling they are wearing a cloak of shame—that was the case for me,” said Ms. Julien, who as a therapist specializes in areas including mind control, emotional manipulation and trauma. “People often ask me if writing the book was therapeutic. But in fact it’s thanks to years of therapy that I was able to write the book.”

As part of her research, Ms. Julien returned to the house that

had served as her prison, visiting with her then-pregnant daughter. The moment she heard the front gate scrape along the gravel and the lock click into place, Ms. Julien said, she fainted. “It was terrible,” she said. “All my body resisted.”

After sending a copy of the memoir to her mother, Ms. Julien said she heard through a friend, Ursula Gauthier, the book’s co-writer, that her mother called the work a betrayal. Attempts to reach Ms. Julien’s mother were unsuccessful. Ms. Julien dedicated the book to her mother, whom she calls “the first victim of the

Ogre.” At a book reading in Lille, two people stood up and told Ms. Julien they could connect her to her mother’s original family. She said she now has dozens of cousins and sees some of them several times a year.

The book’s arrival in the U.S. is particularly meaningful to Ms. Julien, she said, because her father had forbidden her from learning English. “It’s wonderful to me that the book will be in the U.S. for English readers,” said Ms. Julien, who now speaks the language. “It’s like the end of my therapeutic process.”



PAUL SIMON performing in Holland, circa 1987.

PLAYLIST: DEAN KOONTZ

SIMON SAYS, ‘RISK IT’

Dean Koontz, 72, is the author of more than 100 books. His latest suspense thriller is “The Silent Corner” (Bantam). He spoke with Marc Myers.

Simon & Garfunkel’s songs are favorites of mine, but I love Paul Simon even more as a solo artist. There’s something about the boyish charm of his voice and his phrasing that make him seem like someone you knew growing up. Simon’s **“THE BOY IN THE BUBBLE”** is one of those songs, and it had a significant impact on my early writing career.

In 1986, my wife, Gerda, and I were living in Orange, Calif. That fall I was working on revisions for “Watchers,” a novel that explored the light and dark sides of technology.

I had bought Simon’s “Graceland” album when it came out a couple of months earlier, and I listened to it regularly. I like listening to music when I write, provided I know the songs well. Otherwise I’m distracted.

While making revisions on “Watchers,” I became stuck. I realized the sound of my language needed to be both jubilant and terrifying. It was an odd combination that I

had never tried before, but I wanted to give it a shot.

For some reason, I put on “Graceland.” The very first song is “The Boy in the Bubble.” It opens with Forere Motlohele’s eerie accordion, followed by sharp strikes on the drums. Then the song begins and a synthesizer seems to hum the song’s melody, giving it a dark edge.

Simon’s opening lyric is about a terrorist attack, yet the music is ebullient and features a dance beat. As I listened to the music, the lyric lines that caught my ear were, “These are the days of miracle and wonder” and “Don’t cry, baby, don’t cry / don’t cry.”

I thought to myself, “That’s the tone I want in another genre and art form—combining dark dramatic tension and optimism.” These two textures were intertwined in the song and helped me find the right voice for my revisions.

When “Watchers” came out in 1987, the book was a big success. I’ve never met Paul Simon, and maybe that’s good. I have such a deep love for his music that I’d probably babble like an idiot.

LIFE & ARTS

ART REVIEW

The Muse Turned Master

A new museum celebrates sculptor Camille Claudel, who was long stuck in the shadow of her mentor and lover, Rodin

BY A.J. GOLDMANN

Nogent-sur-Seine, France

She has been portrayed on-screen by Isabelle Adjani and Juliette Binoche. There have been novels, plays, ballets and even an opera about her. Now, with the opening of the world’s first museum dedicated to her work, which was inaugurated here in late May, the sculptor Camille Claudel (1864-1943), best-known as Auguste Rodin’s mistress and muse, is finally getting her artistic due.

Nowadays Nogent-sur-Seine, 60 miles southeast of Paris, is known for its nuclear power plant, whose two cooling towers loom surreally over the Seine. In the 19th century, however, this quaint town played an outsize artistic role. Flaubert was a frequent guest and set his “Sentimental Education” here. In addition to Claudel, whose family lived here from 1876 to 1881, the town was home to three other master sculptors over the course of the 19th century. At 12 years old, Claudel began sculpting work in local clay. Her early models of Napoleon and Bismarck (both lost) attracted the notice of Alfred Boucher, one of France’s leading sculptors, who became her first teacher. The Musée Camille Claudel, with its harmonious brick building designed by Adelfo Scarnello, is built around the Claudel house and incorporates the town’s first municipal museum, which was inaugurated by Boucher in 1902.

The 250 works inside are gracefully arranged in a manner that is academic but never pedantic. Rather than take us through the phases of Claudel’s life—her formal studies with Boucher in Paris, her long professional and personal relationship with Auguste Rodin, her years of solitary struggle culminating in mental illness and institutionalization—the museum provides an elegant overview of the major tropes, preoccupations and styles of French sculpture of the late 19th and early 20th centuries. Works by Nogent’s other master sculptors feature prominently, along with monumental groups and interior pieces from dozens of artists ranging across 10 galleries devoted to historical and mythological themes, nudes and movement studies. A highlight here is a preparatory plaster



MUSÉE CAMILLE CLAUDEL (2)

model for Paul Richer’s “Tres in Una” (c. 1903), which compares idealized women from classical antiquity, the Renaissance and the modern age, commenting on an aesthetic debate over the depiction of the female form that is strongly felt in Claudel’s work. Throughout the museum’s two levels, generous windows provide excellent light. The minimum of wall text is an invitation to circumambulate.

In a daring and successful coup, museum curator Cécile Betran has placed Claudel’s work at the very end of the collection. The 43 sculptures on display represent half of her existing output, beginning with “Old Hélène” (1882), a portrait bust of the family housekeeper whose Boucher-like naturalism and deep pathos lend its wrinkled subject unexpected nobility. Claudel was 13 when it became her first work exhibited at the French Artists’ Salon. Another early bronze,



“Young Roman” (1884), shows her 16-year-old brother Paul, the future poet and diplomat, posed as a young Caesar. The classical attitude is magnified by her clean, meticulous technique. Heightened expressivity and tension emerge after her fateful

Claudel’s ‘Old Age’ (c. 1890), above, and bust of Rodin (1888-89), left

meeting with Rodin. Much of her work from the late 1880s draws on the elder artist’s subjects or features members of his circle. In “Abandonment” (c. 1886-1905), two lovers cling together in a suspended embrace. The man, who kneels, strains to reach the woman who bends down to receive his kiss. That work is juxtaposed with Rodin’s “Eternal Spring” (1884) and “The Eternal Idol” (1889). The complex arrangements and Symbolist affinity reveal many parallels between the works. Where they differ is in their energies. In Rodin, one finds a sexual abandon that borders on the heroic, while Claudel’s figures evoke a rapturous yet tender eroticism. Close by, it seems fitting to encounter Claudel’s jarringly severe bust of Rodin (1888-89), which, somewhat surprisingly, was the very first item in the recent Rodin centenary exhibition at the Grand Palais in Paris. In Claudel’s por-

trayal, the sense of the artist’s grandeur is mixed with menace, suggesting both admiration and disdain.

Rodin was the most celebrated sculptor of his time, as well as the most influential figure in Claudel’s life. While rescuing her from his long shadow, the museum knows it would be folly to write him completely out of her story. (It does not seem accidental that the museum, nearly 15 years in the making and previously scheduled to open in 2014, has finally opened its doors during the Rodin centenary.) The recently renovated Musée Rodin in Paris features a Claudel room arguing for her place in our understanding of the titan; similarly, the Rodins in Nogent relate to projects for which Claudel either assisted in the studio or consulted Rodin, including “The Burghers of Calais,” whose models Claudel also depicted.

Claudel’s affair with Rodin was on the rocks for most of the 1890s, with a clean break only coming in 1898. The works exhibited from this period, a time of artistic maturity mixed with increasing seclusion and intimations of mental instability, include the haunting “Old Age” (c. 1890), a frieze-like parable of desertion. It was one of several works with which Claudel tried to shake off Rodin’s influence by combining dynamic composition with allegorical meaning. The torqued, twirling figures in “The Waltz” (1889-93), displayed here in no fewer than four versions, almost veer into Symbolist territory, while her “Sketches Taken From Nature” (1890s), miniature vignettes capturing quotidian scenes with fresh immediacy, show her distancing herself from old models.

At the very end of the museum towers “Perseus and the Gorgon” (c. 1897), which, at over 6 feet tall, is Claudel’s sole monumental grouping. It was Claudel’s only commissioned work and she helped chisel the marble herself. Even though her violent outbursts, resulting in the destruction of much of her work, and her deteriorating mental health were still years away, one senses that Claudel might already have foreseen her fate; in the mythological scene of the hero brandishing Medusa’s head, Claudel gave the monster her own face.

Mr. Goldmann writes about European arts and culture.

MUSIC

THE CASE FOR KENDRICK LAMAR

BY NEIL SHAH

KENDRICK LAMAR has the most nominations of any artist, with eight nods, at the 2017 MTV Video Music Awards, which will be held on Aug. 27. The 30-year-old L.A. rapper is having a moment, and here are five reasons music critics and industry insiders give for why.

1. His virtuosity, versatility and lyricism as a rapper rival that of hip-hop’s greats.

Mr. Lamar’s cerebral, jazzy, verbal flow is considered as distinctive as Michael Jackson’s squeals or Robert Plant’s howl. An heir to rap icons Dr. Dre, Tupac Shakur, Jay-Z, Eminem and Kanye West, Mr. Lamar developed a nasal style that is understated yet attention-getting, critics say. He toggles between different modes—gruff, high-pitched, panicked, full of braggadocio—to inhabit characters. Halfway through “u,” from 2015’s “To Pimp a Butterfly,” for example, he plays a drunken, depressed person in a hotel room, letting his voice crack like an adolescent.

The DNA of Mr. Lamar’s delivery is an intense, calculated, lucid rage. “It feels like a really powerful and intelligent expression of an ambient anger in the air in this country,” says Amanda Petrusich, who contributes music criticism to the New Yorker. That Mr. Lamar raps as much as he does is noteworthy: Many younger rappers—from Young Thug and Migos to Lil Yachty, Aminé, and XXXTentacion—favor melody and quirky ad-libs to old-school lyricism. Mr. Lamar, first and foremost, is a rapper’s rapper.

“We’ve always believed in Kendrick and his vision, and we’re thrilled the rest of the world recognizes it too,” says Steve Berman, vice-chairman of Mr. Lamar’s label,



Kendrick Lamar performing at this year’s Coachella Valley Music and Arts Festival.

Interscope Records.

2. He doesn’t just aim for hits; he tells album-length stories.

The seven-time Grammy award winner is proof that artists in the streaming era still make albums. “Lyrical storytelling—that’s why he’s important,” says Lyor Cohen, YouTube’s global head of music and a longtime hip-hop mogul. Mr. Lamar makes concept records designed to be ingested in one sit-

ting. On 2012’s “good kid, m.A.A.d city,” which has a “documentary” feel, Mr. Lamar takes the listener on a journey through one day in Compton—borrowing his mother’s car to see a girl and hanging out with friends and reckoning with the emptiness of drinking and violence. His follow-up, “To Pimp a Butterfly,” unfurls as a poem about the responsibilities of power told by Mr. Lamar to one of his heroes, Tupac Shakur. “DAMN.,” his latest

record, is his most emotional, self-doubting and fragmented, critics say. On its final track, “DUCK-WORTH,” Mr. Lamar tells how the man who signed him to a label, Anthony “Top Dawg” Tiffith, had years earlier planned to rob the Kentucky Fried Chicken where Mr. Lamar’s father worked. His dad gave Mr. Tiffith free chicken and biscuits, and the robbery never happened. Mr. Lamar—whose surname is Duckworth—notes that it could have ended in his father’s death and left Mr. Lamar to grow up fatherless.

3. He’s an anti-gangsta rapper: He helped repopularize realism in hip-hop, yet critiques its celebration of drugs and violence.

“To Pimp a Butterfly” uses jazz and neo-soul to update the old-fashioned funk of 1990s West Coast gangsta rap, with Snoop Dogg appearing as a guest. But Mr. Lamar is the uncomfortable one at the party—he’s tempted by excess but can’t help but question it. The result, experts say, is a kind of sophisticated, soul-baring gangsta rap. “I’ve never been violent / Until I’m with the homies,” he says on “The Art of Peer Pressure,” from “good kid, m.A.A.d city.” “Swimming Pools (Drank),” from the same album, criticizes drinking even though it sounds like a drinking song. It isn’t that Mr. Lamar believes himself a saint; he’s openly wrestling with the “evil and spiritual,” as he puts it on “Section.80,” his first studio album, whose cover shows a gun clip and condoms next to a Bible.

4. He’s a populist, a socially aware rapper focused on the struggles of the poor.

In his music, Mr. Lamar talks about how the poor can get trapped in vicious circles. He’s

spoken publicly about how having a father—which many of his friends didn’t have—helped him deal with emotions when he was young. Self-worth, personal responsibility, racial pride—these are among Mr. Lamar’s themes.

On “To Pimp a Butterfly,” he expresses a desire to give back to his Compton community. “He understands the struggle of the inner cities, and the poor communities,” says TT Torrez, music director for New York hip-hop radio station HOT 97. “He doesn’t try to be something he’s not.”

5. A commercial superstar who makes dense, challenging albums beloved by critics and underground-rap fans.

Mr. Lamar has struck a rare balance between commercial aspirations and artistic integrity, critics say. One of pop music’s most sought-after guest stars, he’s a radio, sales and streaming behemoth. “HUMBLE.,” from “DAMN.,” hit No. 1 on the Billboard singles chart in May. “DAMN.,” whose songs have racked up 2.1 billion on-demand streams, according to Nielsen Music; it recently returned to No. 1 on the Billboard 200 albums chart even though it was released in April. Mr. Lamar also ranks among the critical establishment’s most admired artists, partly because he reinvents himself album to album and deftly communicates politically charged messages to a broad audience.

“Typically, the more mainstream you go with a rap artist, or really an artist of any genre, the music gets blander, less bold, less experimental, less adventurous,” says Anthony Fantano, a music critic with a popular YouTube channel, The Needle Drop. “Kendrick still gets those messages out, without watering what he’s doing down artistically.”

OPINION

REVIEW & OUTLOOK

After the Bannon Presidency

The most important fact about Stephen Bannon's resignation Friday from the White House staff is that he essentially fired himself. His departure gives President Trump a chance to revive his listing fortunes, if he draws the right lessons.

The triggering event for the dismissal was Mr. Bannon's interview with the left-wing American Prospect, in which he trashed his colleagues and undermined Mr. Trump's policy toward North Korea. After that show of insubordination, either Mr. Bannon had to go or Mr. Trump might have lost his new chief of staff, John Kelly, among others. Mr. Bannon has been telling people privately that he never expected to last even this long, so maybe he was trying to get fired to fulfill his prophesy.

Mr. Bannon will get historical credit for getting Mr. Trump elected, joining the campaign late with Kellyanne Conway and giving it more discipline and focus. At the White House, he was among the advocates for Mr. Trump's two main achievements—deregulation and Neil Gorsuch's elevation to the Supreme Court.

Yet by any measure the rest of the Bannon Presidency was a colossal failure. The former Breitbart publisher was a major source of White House dysfunction as he brought his brawling campaign style indoors. His Manichean, almost apocalyptic view of politics—us vs. them, patriots vs. “globalists,” America has only a short time to avoid self-destruction—might work in an election campaign. It isn't suitable to building a coalition to govern.

Mr. Bannon presided over some of Mr. Trump's biggest debacles, starting with the rushed and legally unvetted travel ban. That began the Presidency with a needlessly polarizing debate when the White House should have been reaching out to persuadable Democrats and wary Republicans, and it set up Mr. Trump for a legal and political defeat.

Mr. Bannon gets credit in some quarters for focusing on the white working class, but he did so in ways that too often trucked with a white version of identity politics. This has played out in destructive fashion since the Charlottesville riot as Mr. Trump catered too much to Mr. Bannon's “base” and not to the larger duty of a President to provide unifying moral leadership. Mr. Trump was elected President of the country, not the Breitbart readership.

One irony of Mr. Bannon's departure is that the same liberal press corps that portrayed him

as Darth Sidious are now relishing the prospect that he'll become an avenger outside the White House. Breitbart reported Friday that Mr. Bannon is returning to the web-

site, presumably backed by Rebekah and Robert Mercer's money, where he can assail White House aides Gary Cohn and H.R. McMaster, Paul Ryan, Mitch McConnell, and anyone else who favors U.S. global leadership. The press corps will silently cheer him on.

But what else is new? His allies have been doing the same for months while Mr. Bannon sat in the White House. It's hard to see how he can do any more damage outside it, assuming that is his plan, and it may not be if he still wants Mr. Trump to succeed. One problem he'll have on the outside is that millions of Trump supporters have now seen that the Bannon style of politics has failed.

Some conservative groups are lamenting his departure as a defeat for their policies in White House councils, but that is vastly overstated. There are many other conservatives remaining in the White House, including Vice President Mike Pence's staff, Mr. Cohn's policy team, chief economist Kevin Hassett and Neomi Rao at the budget office, among others.

The anti-immigration, antitrade right will also still be represented by Stephen Miller, the former Jeff Sessions aide. But Mr. Bannon's departure reduces the chances of a catastrophic pseudo-populist economic mistake, like raising tax rates or igniting a global trade war.

* * *

The larger question is what Mr. Trump has learned from the failures of his first seven months. He seems to want less internal feuding, which is why he brought in Mr. Kelly, the former Marine general. But Mr. Trump often contributes to that feuding with his inability to stick to a decision, such as on troops in Afghanistan. Mr. Trump wants better communication, but his ill-considered tweets and unplanned riffs blow up any communication planning. He still traffics in false claims and divisive rhetoric—and that's against his allies.

Senator Bob Corker (R., Tenn.) and Newt Gingrich have both warned Mr. Trump that he needs to be far more disciplined if he wants to have any chance of success. Mr. Trump should listen because he is in greater political peril than he understands. Mr. Bannon's departure will help, but Mr. Trump will also have to heal himself.

Refighting the Civil War

In fewer than seven days after the recent Charlottesville violence, statuary and other symbols of the American Confederacy are disappearing. Others are being vandalized—someone in Washington on Tuesday, perhaps a Middlebury history major, even spray-painted an expletive on the memorial to Abraham Lincoln.

Standing at the center of this tumult is President Trump, who in a succession of statements and tweets has tried to make himself understood on the status of Confederate statues and the people who wish to preserve them. Suffice to say, it hasn't gone well.

The practical political lesson is that there are good reasons why U.S. Presidents and the people who work for them try to choose their words carefully when commenting on public events. Myriad political forces—some active, some dormant—sit beneath America's political life, and what a President says can put those forces powerfully, even dangerously, in motion.

Absent Mr. Trump's comments, it is doubtful that the counter-Confederate movement would have extended to the attempted renaming in Austin of Robert E. Lee Road or that New York Governor Andrew Cuomo would be demanding, as a “stand against intolerance and racism,” that the U.S. Army rename two streets at Fort Hamilton in southwest Brooklyn commemorating Lee and Stonewall Jackson.

In our view cities can properly decide whether they wish to take down Confederate symbols, many of which arose in the Jim Crow years of white supremacy in the early 20th Century. But erasing a nation's history is a bad idea. Mr. Trump is being ridiculed for suggesting that George Washington or Thomas Jefferson could

be next because they were slaveholders.

We're glad to have the clarifications on the false equivalence between Confederate generals and the Founding Fathers, but we hope these clarifiers will be around when campus demonstrators or even historians start demanding that the Founders' legacies be repudiated because they owned slaves.

“Racist” is a powerful accusation to make against anyone, but it is heard today in an ever-widening set of circumstances, not just against Confederate generals. It might be useful if more people understood the role race has played in American history, as well as that history's effort to get past discrimination based on race.

It might begin with Jefferson and Washington, who wrote the language and built the institutions of the bedrock American belief that “all men are created equal” and possess inalienable rights. Those words planted the seeds of freedom for the slaves, an idea that advanced through the awful Civil War and, not without setbacks, for a century after, culminating in the Civil Rights Act of 1965.

That is a long and difficult history of progress, one that deserves to be known in its complexity, rather than not known or forgotten. Robert E. Lee spent the rest of his life after the Civil War, notably as president of what became Washington and Lee University, trying to heal the wounds between north and south.

That's at least one legacy of Lee we can all celebrate because we can't see much purpose beyond political symbolism in reopening the Civil War 152 years later. It won't educate an inner-city child trapped in a rotten school, it won't create more economic opportunity, and it won't lead to more racial tolerance.

bowed, thanks in part to his Christian faith. He went public with gruesome details of his torture, called for the removal of the Communist Party and advocated for a democratic China.

Mr. Gao may have been detained because he recently gave an interview to a Hong Kong magazine reiterating his political beliefs. Or the regime could be rounding up dissidents before the Party Congress this fall to avoid dissent about corruption or the lack of freedom during what is supposed to be a celebration of Mr. Xi's consolidation of power.

Human-rights lawyers like Mr. Gao have been a particular target of state suppression, perhaps because they make their case by citing the words of Chinese law that embarrass the regime's claims to legitimacy. The world should keep shining a light on these Chinese patriots, not least during the Party Congress.

America's Extremist Show Is Just Getting Started



BUSINESS WORLD
By Holman W. Jenkins, Jr.

Donald Trump failed to follow the script laid down for every president. Any outrage involving white racism or neo-Nazi activity should be responded to with an unambiguous denunciation of white racism or neo-Nazis, without qualification or distracting details. Yes, it might be good for the country if the media were a tad less rigid in enforcing such scripts, but that's not an excuse for presidential ineptitude.

For journalists, though, details and qualifications are interesting. One such qualification is how Peter Beinart, a former editor of the New Republic, ended his serendipitously timed article in the Atlantic magazine about the rise of left-wing violence. He says violent activists of left and right have become the “unlikeliest allies.”

So how did Charlottesville, Va., turn itself into a stage for their latest, and perhaps age-defining, spectacle?

The city is a Democratic town, run by a Democratic machine. Its elections are typically settled in a Democratic primary. The GOP is a nonfactor. Of the three City Council members who voted in February to remove a Robert E. Lee statue from a town park, two who thereafter faced re-election are now gone.

One chose not to run. The other lost in a landslide. The lone remaining antistatue vote, who did not face re-election, was Vice Mayor Wes Bellamy, who recently had to leave his high-school teaching job over a history of bigoted, antiwhite tweets. He is assumed to have no political future either. Notably, Mayor Mike Signer, who declared Charlottesville a “capital of resistance” shortly after Mr. Trump's inauguration, voted to keep Lee's statue.

All this might suggest the anti-statue cause was not a popular one with the town's liberal majority. The same impression is strongly supported by letters to the local paper, the Daily Progress.

But it was popular with a handful of activist groups. One is Showing Up for Racial Justice, a specifically white group led by a local lawyer, Pam Starsia, and her husband, Joe, son of a famous local college lacrosse coach. SURJ is avowedly modeled on “Antifa” principles—i.e., anyone judged to be a fascist or racist does not have free-speech rights. The Daily Progress features frequent accounts of members being arrested for accosting alleged white supremacists in a restaurant, on a street, at a rally, even in a city-council meeting.

Ms. Starsia's personal tweets and

retweets are a catalog of ideological obsession, not to mention uses of a short word that begins with f and ends with k. If anything, she is even more Defargian toward Democrats, milquetoast liberals and defenders of nonviolence than she is toward white-power militants. And there is no more accomplished reviler of the ACLU, especially its Virginia branch.

Her program also makes for an invigorating tweet: “Reparations for slavery & legacy of white supremacy. Abolish prisons & police. Dismantle white supremacy in all forms.”

There's nothing like extremism to attract extremists. That's the alchemy Charlottesville perfected. On July 8, the KKK held a legally authorized

Charlottesville was a defeat for America but a win for the provocateurs.

one-hour rally for a few dozen supporters. Beforehand, police visited prominent activists, seeking to head off violence. Ms. Starsia rejected their advice to stay away. “There is a long history of police looking to preserve white supremacy and the current systems of power,” she said, neglecting to notice that the local police chief is black.

Then came the “Unite the Right” rally on Aug. 12, exploiting the statue issue. America suffers from a lack of detailed news reporting on what exactly happened when, but the event dissolved into an extremist-on-extremist brawl even before its scheduled start. A woman would later die when a Nazi sympathizer drove his car into a crowd. The press would cite two more victims, police who died in a helicopter crash, though they had actually been on their way to provide support for Gov. Terry McAuliffe's motorcade.

All the wrong lessons are guaranteed now to be learned. For the Antifa crowd, not only did they win a manufactured victory over President Trump, but other jurisdictions, without consulting voters, are now racing to remove Confederate statuary. Even Mayor Signer on Friday changed his position to favor removal of the Charlottesville statue.

White supremacists, for their part, get to play the victim—their legal demonstration was disrupted. And they are only too pleased to join the national media in misinterpreting the president's convoluted remarks as a defense of white supremacists.

Voilà. There were also many peaceful protesters in Charlottesville, but it was not their show. It was a show by and for provocateurs.

LETTERS TO THE EDITOR

Mixed Reviews for Damore, Former Googler

Despite James Damore's whining, he has nothing to complain about (“Why I Was Fired By Google,” Review, Aug. 14). One can and sometimes should disagree with an employer's policy. And an employer can and should fire an employee for misconduct. Mr. Damore claims he was fired for disagreeing, when he was in fact fired for his stereotyping of women. His most dishonest claim is that his views were suppressed. Can you call it suppression when his 10-page letter was freely circulated at the company? It wasn't removed, and he wasn't forced to delete it. Mr. Damore calls for a rational debate on policy but responds with whining when his shameful views are exposed.

SCOTT WILLIAMS
Mountain View, Calif.

How precious of the young Mr. Damore that he has enough years and breadth of experience in engineering to declare that men are generally better suited to technical and leadership roles than women. I don't disagree that there are probably biological or neurological differences that account in part for why there are more women in some professions and more men in others. But fewer women in engineering doesn't mean that women are less suited to it than men.

If Mr. Damore believes that women may be hindered in the engineering profession by their gender, he may be less likely to hire a woman engineer and less likely to promote a woman to a more technical role that demands skills he deems more suited to men. Maybe that's why Google fired him.

Emphasis on gender in hiring decisions may or may not be a successful corporate strategy at Google or any other organization. Ideally, hiring should be gender neutral. Someday the pendulum may come to rest there, but when a young man makes gender-based generalizations, as Mr. Damore did, to argue against gender-based preferences, then we've been progressing in the wrong direction.

By the way, I've been coding longer than Mr. Damore has been alive. For

me, it is a creative outlet for my “artistic” side.

ANN DEFranco
Superior, Colo.

Thank you for allowing Mr. Damore to articulately and appropriately present his situation and his fears for the future. I believe Mr. Damore's essay explains why Donald Trump got elected. It completely explains why I voted for Mr. Trump. While I don't claim to represent any majority, I believe that there were enough people who had similar concerns about Hillary Clinton that overrode any concerns we might have had about Mr. Trump and his behavior.

Specifically, Mr. Damore's situation demonstrates the extremes to which political correctness can be taken by those in power. I came to believe from listening to Mrs. Clinton's speeches that what we have just seen at Google would begin happening at the federal government level, the best example being Mrs. Clinton's “deplorable” speech. I came to believe that those of us who held opinions that dissented from progressive political correctness would be “suppressed.”

DAVID K. WINSTANLEY
Mesa, Ariz.

I forgive Mr. Damore his youth and its attendant impatience and frustration. But with time comes perspective. After several thousand years of teeth-grinding stupidity, women and companies have the right to be a little touchy on this subject. Let's all try to be as patient as women were. We will sort out the best way to proceed with this shift in an ancient hierarchy. I don't think it will take a thousand years. I think women are better at kindness and reason than we are.

JOHN GRASSILLI
Putnam Valley, N.Y.

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OPINION

Facing Up to a Nation’s Checkered Past



DECLARATIONS

By Peggy Noonan

The political aspect of the president’s failures last week is to reveal him as increasingly isolated. He is not without supporters, but it’s down to roughly a third of the country and one senses soft around the edges. That is not a base, it’s a core. A core can have an impact, but a president cannot govern if that’s all he has. You need something bigger behind you to scare your foes and stiffen your friends. The nation’s CEOs, feeling personal dismay and external pressure, ran for the exits. The president has further embarrassed and frustrated his party on Capitol Hill.

Britain could teach America a lesson in loving and respecting its own history.

That puts in further doubt needed legislation on such popular issues as tax reform and infrastructure, which might fare better if he were not associated with them.

Other fallout of the past week is as consequential. Donald Trump is binding himself down with thick cords of rhetorical inadequacy. People felt let down, angry and in some cases frightened by his inability to make clear moral distinctions when he addressed the events in Charlottesville, Va. There were neo-Nazis, anti-Semitic chants, white supremacists; a woman was killed and many people injured. It’s not hard to figure out who and what needed to be castigated—clearly, unambiguously, immediately.

Here is a cliché but only because it is true: In times of stress and fracture, people want a president who’s calm in the storm, who speaks to the nation’s moral conscience, recalls first principles, evokes what unites us, honestly defines the contours of an event, and softly instructs. Mr. Trump did not do any of that. If a leader is particularly gifted he could, in a moment of historical stress, succeed in speaking to the nation’s soul and moving its heart by addressing its brain. This kind of thing comes from love—of the country, our people, what we’ve been.

It struck me as he spoke that his speeches and statements are peculiarly loveless. The public Mr. Trump is not without sentiment and occasional sentimentality, but the deeper wells of a broader love seem not there to draw from. Seven months in, people know they can look to him for a reaction, a statement, an announcement, but not for comfort, inspiration, higher meaning.

For leadership we turn, as we always do anyway, to each other—to thinkers and respected colleagues, religious figures and neighbors. After the church shootings in Charleston, S.C., two years ago, the great and immediate moral leaders were the victims’ families, whose words at the shooter’s bond hearing spread throughout the country within 24 hours. “I forgive you.” “We are praying for you.” It was the authentic voice of American Christianity, of Wednesday night Bible study, of mercy and self-sacrifice. It quieted the soul of a nation: *We’ll be OK. This is who we really are.*

Those bereaved relatives never quite got the recognition and thanks they deserved. Their love saved the day.

Which gets me, belatedly and now hurriedly, to what was meant to be the subject of this column.



CHAD CROWE

In June in London, with time on my hands, I walked by Parliament to stare at it. I like the color of its stones. There I noticed for the first time a fierce-looking statue on a towering pedestal. It is a heroic rendering of Oliver Cromwell. He helped lead a revolution that toppled the government. He rose in the military ranks through a brutal civil war and signed the death warrant of an English king, who was beheaded. He brutalized Catholic Ireland and went on to function, arguably, as a military dictator.

He also helped implant the idea that monarchs had best not ride roughshod over Parliament, created England’s first national (and more democratic) army, and widened religious tolerance, at least among Protestants. He died of natural causes, and when the royalists returned, they dug him up and, in a piquant touch, beheaded his corpse.

Some fella. And yet there he is, put forth as one of the towering figures of his nation. He is not there because the British mean to endorse regicide or genocide. He is there because he is England. He is part of the warp and woof of that

great nation’s story. He is there because the English still appear to love and respect their own history, which they know is one of struggle, not sinlessness. So he’s on a pedestal below which members of Parliament and tourists pass. This is what that statue says: *I am Oliver Cromwell and I am here.*

There is a movement now to take down America’s statues, at the moment primarily those of Confederate soldiers and generals. The reason is that they fought on behalf of a region that sought to maintain a cruel and immoral system, chattel slavery, which they did. But slavery was not only a Southern sin, it was an American one.

The Tear It Down movement is driven by the left and is acceded to by some on the right. This is the sophisticated stance. I do not share it. We should not tear down but build.

When a nation tears down its statues, it’s toppling more than brass and marble. It is in a way toppling itself—tearing down all the things, good, bad and inadequate, that made it. Or, rather, everyone. Not all of what made

America is good—does anyone even think this?—but why try to hide from that?

When you tear down statues, you tear down avenues of communication between generations. Statues teach. You walk by a statue of Robert E. Lee with your 7-year-old, and he asks who that is. You say he was a great general. When he’s 8, on the same walk, you explain the Civil War. When he’s 10 you explain what was at issue, and how Lee was not only on the losing side but the wrong side. This is part of how history is communicated. We’re not doing it so well in our schools. It will be sad to lose another venue.

Condoleezza Rice said it well, before the current controversy. She did not agree with the impulse to tear down. “Keep your history before you,” she said. Keep it in your line of sight.

And once the tearing down starts, there’s no knowing where it will end. On this the president is right. Once the local statues are purged the Tear-Downers will look to Statuary Hall, and the names of military bases, and then on to the Founders, to the slave-holding Washington and Jefferson. Then, perhaps, to their words and ideas. In what way will that help us?

Edmund Burke famously said we have a duty to the past, the present and the future. In the minds of the Tear-Downers only the present is important, and only their higher morality. But they are not the first ever to recognize the truth about slavery. Hundreds of thousands of dead Union soldiers did it before them. There are statues of them, too.

Here is a better way. Leave what is, alone. Be a noble people who inspire—and build—more statues. I’d like one that honors the families of the victims in the Charleston shooting.

More statues, not fewer; more honor, not more debris. More debris is the last thing we need.

Instead of Purging Statues, Put Truth on a Pedestal

By Dave Shiflett

Richmond, Va.

I’m a descendant of a soldier who served under Gen. Robert E. Lee and a resident of the Richmond metro area, where one can take very few paces without bumping into a reminder of the Confederate past. Yet I can’t work up much enthusiasm about Civil War monuments.

My lackadaisical attitude has nothing to do with race or heritage and is quite widespread. Most people are far too busy worrying about losing their house, finding a job, making payroll and wondering why their dog’s tongue is turning blue to spend much time contemplating statues of guys who lost a war 152 years ago.

The recent violence in Charlottesville is deeply distressing. In this neck of the woods it’s commonly held that thugs who run down people with cars should go to the crocodile pit (after a fair trial, of course). But it’s hard not to cringe over the way a growing list of American locales are responding to the rise of the dead confederates.

In Baltimore, four monuments were purged Tuesday night in a scene reminiscent of the nocturnal vamoose of the Baltimore Colts to Indianapolis in 1984. (By contrast, three of the statues were parked at a wastewater treatment plant.) You didn’t have to be a soldier, or even a rebel, to get the hook: A statue of Chief Justice Roger B. Taney, the Marylander who wrote the *Dred Scott* decision and served on the U.S. Supreme Court until his death in 1864, was hauled off, along with a statue dedicated to Confederate women. Lexington, Ky., plans its own official purge, while a Confederate statue in Durham, N.C., was toppled and kicked by protesters after it bit the dust.

Where will it stop? President Trump was widely mocked for say-

ing Tuesday: “I wonder is it George Washington next week, and is it Thomas Jefferson the week after?” He didn’t have to wait that long. The next day, a Chicago pastor demanded the removal of a Washington statue from a city park.

In October activists gathered outside New York’s American Museum of Natural History to demand the removal of a statue of “racist” Teddy Roosevelt. The Rough Rider still stands, but Gov. Andrew Cuomo tweeted Wednesday that “Robert E. Lee and Stonewall Jackson will be removed from the [City University] hall of great Americans because New York stands against racism.”

Is anyone in public life *not* freaking out about Confederate monuments?

Yes. Here in Richmond, once the Confederate capital, Mayor Levar Stoney is keeping his cool. He believes the rebel luminaries have important truths to teach our hysterical and miseducated era.

“Whether we like it or not, they are part of our history of this city, and removal would never wash away that stain,” the mayor, who is African-American, said recently. He advocates adding “context” signage to the monuments, which will “set the historical record straight”—a record based on “a false narrative etched in stone and bronze more than 100 years ago not only to lionize the architects and defenders of slavery, but to perpetuate the tyranny and terror of Jim Crow and reassert a new era of white supremacy.”

Mr. Stoney’s plan won’t please the rabid right or their brawling partners on the left, who imagine Lee, Jackson and Jefferson Davis as rustic versions of Hitler, Himmler and Speer. But converting chaos into what Barack Obama might call “a teachable moment” will resonate with anyone who agrees that allowing street-fighting crazies to set public policy is a bad idea.

Context contractors will be in deep clover along Monument Ave-

nue, where Stonewall Jackson (erected in 1919) is joined by Lee (1890), J.E.B. “Jeb” Stuart (1907), Davis (1907) and Matthew Fontaine

A U.S. mayor has a solution for Confederate monuments: Leave them up but provide context.

Maury (1929)—plus Richmond native Arthur Ashe Jr. (1996). The tennis legend’s inclusion on the avenue was met with great criticism, in part because he appears to be beating a group of children over the head with his racket. Yet the Ashe placement might have been ahead of its time. “Integrating” the avenue by placing monuments to triumphant African-Americans among the defeated rebs could be highly educational.

Worthy candidates would include local heroes Maggie Walker, the first woman to charter a bank in the U.S., and dancer Bill “Bojangles” Robinson—both of whom are memorialized on a smaller scale elsewhere in the city. Martin Luther King Jr. might make a nice neighbor for Jeb Stuart, while Mr. Obama, who carried Virginia twice, could keep Stonewall Jackson in good company.

And how to answer Jefferson Davis, a vibrant bigot with a theological bent? He once said of blacks: “We recognize the fact of the inferiority stamped upon that race of men by the Creator, and from the cradle to the grave, our Government, as a civil institution, marks that inferiority.”

Since we’re looking for truth, we couldn’t do better than a monument to abolitionist Sojourner Truth. To my mind her “Ain’t I a Woman” speech is more powerful

than the Gettysburg Address: “Look at me! Look at my arm! I have plowed and planted, and gathered into barns, and no man could head me—and ain’t I a woman? I could work as much and eat as much as a man, when I could get it, and bear the lash as well—and ain’t I a woman? And I have borne 13 children—13 children!—and seen most all of ’em sold off into slavery, and when I cried out with a mother’s grief, none but Jesus heard me! And ain’t I a woman?”

Few will have any trouble deciding who the superior being truly was, or drawing wider conclusions. If Mayor Stoney’s plan helps keep the lid on, he might end up in the governor’s mansion. And funding should be no problem. Pitch it to Mr. Trump as an infrastructure project.

Mr. Shiflett posts his original music and writing at DaveShiflett.com.

Nuclear Power in an Age of Uncertainty

By Tim Echols

The U.S. state of Georgia’s decision to continue building two new nuclear reactors—the only commercial ones now in development in the U.S.—means my state stands alone. Vermont’s Yankee plant went offline in 2014, and Massachusetts’ Pilgrim Station is scheduled to close in 2019. The company behind two half-finished reactors in South Carolina may abandon the project.

Georgia has been down this road before. The first two reactors at the Vogtle Electric Generating Plant near Augusta were completed in 1987 and 1989, in the aftermath of the 1979 Three Mile Island accident. What was supposed to be a \$1 billion project turned into an \$8 billion one. Still, it was a great deal for ratepayers, delivering low-cost power for decades.

Today, finishing the Vogtle plant’s two new Westinghouse

AP1000 reactors is the right call—for their owners, including Southern Co., as well as for Georgia and the U.S.

Diversifying the energy supply makes sense, because no one knows what the future holds. The U.S.

It’s a hedge against a low-carbon future—and much more.

could institute a carbon tax, or even regulate frackers out of a job. No matter what happens, nuclear reactors will ensure Georgia’s electric rates stay competitive.

They also will keep the U.S. from forfeiting its nuclear leadership. As other states have decommissioned reactors without replacing them, the world has begun looking to nations like China and Russia. The World

Nuclear Association reports China is increasing its nuclear generation capacity 70% by 2021 and will surpass U.S. output by 2030. The only way for America to continue setting international standards for safety and security is to invest in reactors and technology.

Nuclear reactors produce isotopes needed for medical imaging and cancer treatment. A Canadian electric company, Bruce Power, recently announced a partnership to expand isotope production.

And reactor technology gives American naval vessels a distinct advantage. The U.S. has 10 aircraft carriers and dozens of nuclear-powered submarines. They can go years without refueling, but the Navy relies on a strong commercial nuclear industry to provide employment and training and to keep the supply chain humming.

I understand the angst surrounding such massive construction projects, as well as the concern over their costs. I know that Yucca Mountain, where the nuclear waste would ultimately be stored, is only now emerging from limbo. And I do value renewables like solar.

But the job of a state utility commission is to plan for the future. Georgia is pressing ahead—despite fears fanned by the 2011 tsunami in Fukushima, Japan, and despite the financial meltdown that put the reactor designer, Westinghouse, in bankruptcy this year. Against great challenges Georgia and Southern Co. persist. With vision, perseverance and God’s help we will make the Vogtle reactors America’s next nuclear-energy flagship.

Mr. Echols is a member of Georgia’s Public Service Commission.

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LIFE & ARTS



Callan Welder paddles a Bellyak down the French Broad River in North Carolina. Instead of a paddle, he wears webbed gloves to get through the water.



features. It's never boring." He's now progressed from paddling to doing tricks, like spinning his Bellyak 360 degrees or kneeling and riding a standing wave. "If we find a good wave, we can be riding for two hours sometimes, alternating belly to knee," he says. He hopes to eventually be able to stand-up surf river waves on the Bellyak.

The Workout
"I live on a farm, have my own business and a 3-year-old, so I'm lucky my wife gives me one day a week on the water for my sanity," he jokes. Mr. Welder says arm and shoulder strength are key to navigating down a white-water river and he relies on regular workouts to keep himself paddle-ready. He paddles three seasons a year—a typical session lasts three hours. Mr. Welder has a workout room in his home and does push-ups, pull-ups, dips, sit-ups, biceps curls and bench presses. He played soccer in college and says the obsession with time, distance and reps during team workouts has made him less structured. "I'm not concerned about pushing my limits," he says. "I do as much as I feel my body needs, usually 10 to 20 reps in a set. Sometimes I don't even count." Every morning he does 30 minutes of qigong, (pronounced che-gong), a Chinese practice based on gentle movements, meditation and breathing. He performs 18 movements six times each, which takes about 30 minutes. He is a certified



qigong instructor and teaches once a week at his wife's movement studio in Marshall, N.C. A few days a week he runs the trails around his home and swims laps in a pond on his property.

The Diet
Mr. Welder eats a diet high in healthy fats and vegetables and avoids sugars and processed foods. Breakfast is eggs and greens cooked in butter, or goat's milk yogurt topped with raw honey and homemade, grain-free granola made from baked nuts and seeds. He drinks Bulletproof coffee, which contains grass-fed butter and medium chain triglyceride oil, made from processing coconut oil and palm kernel oil. He occasionally makes a smoothie of coconut milk, fresh blueberries and strawberries, avocado and turmeric powder. Lunch is a salad of seasonal vegetables, olives, avocado and sardines. For dinner, he eats fish with some type of cruciferous vegetable such as broccoli, cauliflower or Brussels sprouts mixed with kale or Swiss chard. "We are lucky to live in a bountiful farming area," he says. "We always have fresh produce."

The Gear & Cost
Mr. Welder has a Bellyak Play 35, which retails for \$595. Bellyak Flow Gloves, used for paddling, cost \$40, and he always wears a life jacket and helmet. Mr. Welder wears Astral Brewer water shoes (\$100) for paddling. "You need good foot protection," he says. "Astrals are self-draining and have sturdy rubber soles, so you don't slip on rocks." He wears a Patagonia R1 Lite Yulex full wetsuit (\$330). "If you just wear shorts, the rubber matting pulls on your leg hair," he says. For running, he likes the grip of Salomon XA Pro 3D M+ trail sneakers (\$130).

WHAT'S YOUR WORKOUT? | By Jen Murphy

A Different Way Down The River: On a Bellyak

A white-water expert swears by this mashup of kayaking and surfing

CALLAN WELDER FOUND river paddling boring until he tried shuttling through Appalachian white-water prone and headfirst, using his arms to propel him. Mr. Welder, 39, owns an acupuncture practice in Marshall, N.C., near the birthplace of Bellyaking, a sport that combines elements of kayaking and surfing.

The sport was pioneered in the early 2000s by Adam Masters when he duct taped the seating area of his kayak shut and laid belly down, bodyboarding the kayak down a river. He had so much fun he continued to evolve the design.

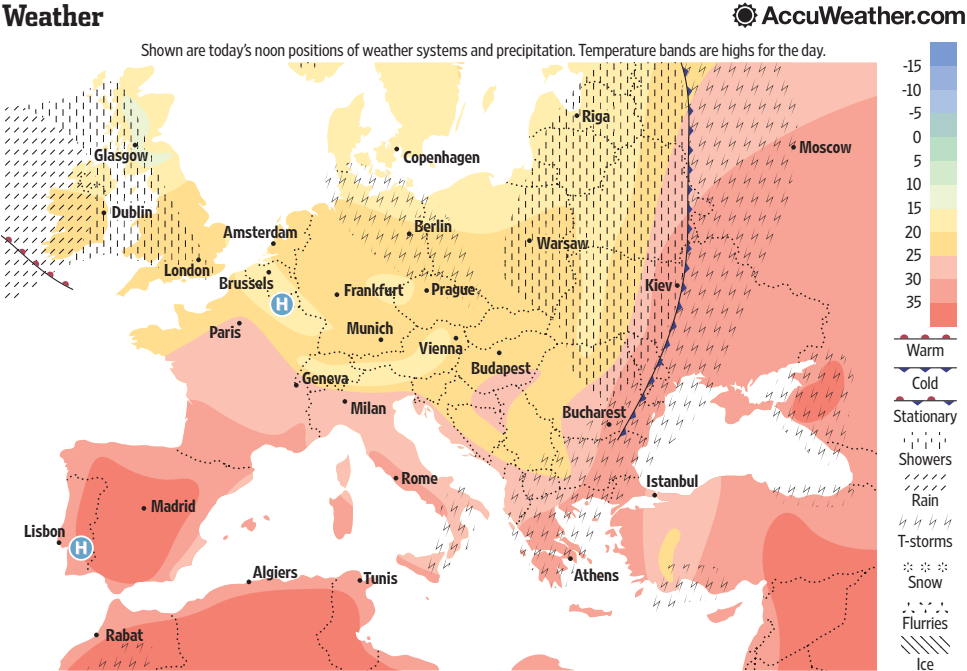
Mr. Welder was a good kayaker

and had tried ocean surfing with mild success. He started Bellyaking seven years ago and hasn't stepped in a kayak since. He says he loves being so close and connected to the river. "You feel like a water bug, right on the surface," he says. "People first looked at us like we were UFOs, and hard core kayakers thought we were nuts."

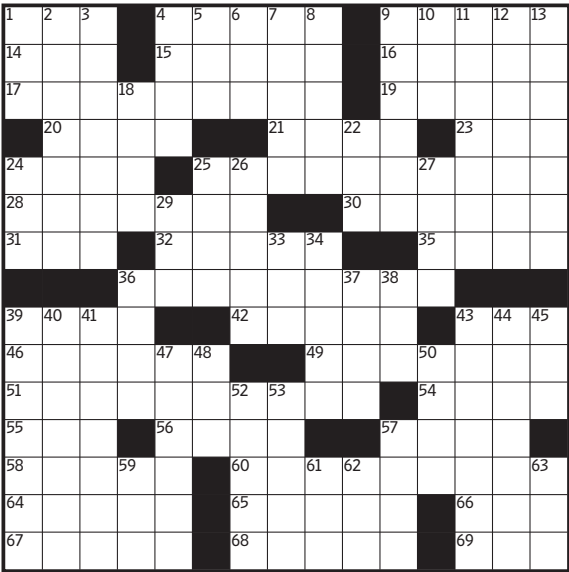
Today he is sponsored by Bellyak, the company that makes the boards. It was founded in nearby Asheville, N.C., in 2012. Mr. Welder paddles with a group of friends on the French Broad River. The idea of floating headfirst down a roaring river sounds scary, but Mr. Welder says Bellyaking has more

room for error than kayaking. The board is about 8 feet long and 2 feet wide and has a rubber surface inside to help riders stay on. "It's scary to flip in a kayak," he says. "You lose your paddle, you have to roll or sometimes go to the side and drain the water." It also means worrying about a spray skirt, a watertight cloth that seals the rim of the cockpit of a kayak and fits around the torso of the passenger, plus holding on to the paddle. His favorite section of the French Broad River is a wide, 5-mile stretch that provides many channels to navigate. "Every time I go out there's a different challenge—the water level, different

Weather



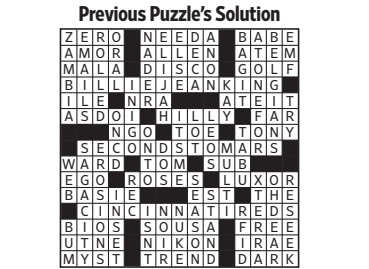
The WSJ Daily Crossword | Edited by Mike Shenk



LOOK SHARP! | By Howard Barkin

- Across**
- 1 Frisky org.?
 - 4 Roughly, chronologically
 - 9 Guys, slangily
 - 14 Columnist Landers
 - 15 Manipulative people
 - 16 Taste besides sweet, sour, bitter and salty
 - 17 Uncommon boxing tactic
 - 19 Plastic wrap brand
 - 20 In addition to
 - 21 Leave out
 - 23 German article
 - 24 Ready for business
 - 25 Fragrant forest falling
 - 28 Beyond question
 - 30 Meteorite impact result
 - 31 Successes for QBs
 - 32 Stuffed dumpling
 - 35 Curtain supports
 - 36 Ranch enclosure
 - 39 As well
 - 42 Dirties
 - 43 Furious feeling
 - 46 Shade provider at a garden party
 - 49 Roger of The Who
 - 51 It's left hanging on the line
 - 54 Gushing review
 - 55 Sotomayor's specialty
 - 56 Sound from a massage recipient
 - 57 Trig function
 - 58 Mount Aconcagua's range
 - 60 "Your argument makes sense," and a feature of the ends of four Across answers
 - 64 Extremely impressed
 - 65 Heart chambers
 - 66 In the past
 - 67 "Twilight" author Stephenie
 - 68 Solemnly serious
 - 69 Original
- Down**
- 1 Black goo
 - 2 Shortened flower stems, for example
 - 3 Fly-casting folks

► Solve this puzzle online and discuss it at WSJ.com/Puzzles.

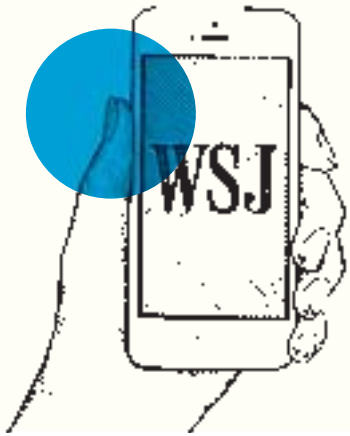


Previous Puzzle's Solution

The contest answer is JIMMY HOFFA. Three things are missing from this puzzle: the only month not appearing in the clues is JULY; the word THIRTY is missing from the single-starred answers at 1-Across ("Zero Dark Thirty") and 38-Across (Thirty Seconds to Mars); and the year 1975 is missing from the double-starred clues at 20-Across and 57-Across. The three missing pieces form the date July 30, 1975, which is when labor leader Jimmy Hoffa went missing.

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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Monday, August 21, 2017 | B1

Euro vs. Dollar 1.1750 ▲ 0.21%

FTSE 100 7323.98 ▼ 0.86%

Gold 1285.70 ▼ 0.05%

WTI crude 48.51 ▲ 3.02%

German Bund yield 0.417%

10-Year Treasury yield 2.196%

Investors Show Signs of Unrest

Declines in U.S. stocks reflect new worries on debt levels, as well as White House rifts

By MICHAEL WURSTHORN
AND CORRIE DRIEBUSCH

Investors are running out of reasons to keep buying U.S. stocks, exposing a growing number of warning signs.

The historic calm that enveloped U.S. stocks for much of this year has been upended twice in the past two weeks. The Dow Jones Industrial Average posted its biggest decline in three months on Thursday, one week after a selloff of similar scale sent stock indexes tumbling around the world. It is too soon to call



ECB's Mario Draghi is set to speak at the Fed's annual symposium.

the end of the eight-year bull market, say investors, traders and analysts, but many agree the indiscriminate optimism that characterized the post-

election rally is evaporating.

With corporate earnings season winding down and the global economy humming along, sentiment has shifted:

There is now more that can go wrong than right, many say.

Political rifts, including President Donald Trump's deteriorating relationship with several business leaders in the wake of the Charlottesville, Va., demonstrations, have magnified investors' doubts about the administration's ability to accomplish its agenda, in particular the tax cuts they had anticipated would boost corporate profits. Those expectations contributed to a stock-market rally that has sent the S&P 500 up 13% since Election Day.

Shares of small-capitalization stocks in the U.S., among the market's biggest postelection winners, have given up virtually all their 2017 gains. The Russell 2000 is up just 0.05% for the year and is down

6.4% from a high hit in late July. Such shares rose to records late last year as investors bet that Mr. Trump's plans to roll back regulations and taxes and pump money into infrastructure projects would benefit smaller, more domestically focused firms.

The Dow Jones Transportation Average, a 20-stock index that tracks some of the largest U.S. airlines, railroads and trucking companies, has fallen nearly 6.7% since July 14.

Analysts say if the transports lag, it can presage broader stock declines, as these companies represent the breadth of the goods shipped across the country and are an indicator of production and consumption.

U.S. government bonds
Please see STOCKS page B2

KEYWORDS

By Christopher Mims

Your Face Will Soon Be the Key To Devices



It was a memorable moment in Pixar's 2004 classic "The Incredibles,"

one that seemed wildly futuristic at the time: Mr. Incredible picks up a wafer-thin tablet computer, and it scans his face to verify his identity before divulging his secret mission.

Thirteen years later, many slim phones and tablets unlock with the press of a thumb—and just this sort of mobile facial scanning is on the way.

Forget fiddling with passwords or even fingerprints; forget multiple layers of sign-in; forget credit cards and, eventually, even physical keys to our homes and cars. A handful of laptops and mobile devices can now read facial features, and the technique is about to get a boost from specialized hardware small enough to fit into our phones.

Using our faces to unlock things could soon become routine, rather than the purview of spies and super-heroes.

Qualcomm Inc., an industry leader in mobile-device chips, recently announced its Spectra imaging system, which can extract depth information from objects including faces. The company plans to include the technology in a forthcoming generation of its flagship Snapdragon mobile processors. Meanwhile, when firmware for Apple Inc.'s forthcoming HomePod speaker leaked online, developers spotted clues suggesting that a coming iPhone might have similar depth perception and facial recognition.

This technology is different from, but related to, the facial recognition increasingly built into security cameras around the world, which cross-references pictures of your face against databases of millions. That tech is growing in capability and in use—especially in China, where its applications range from surveillance to payments.

Fortunately, your phone's camera has a few advantages over surveillance equipment. It doesn't need to spot you in a crowd. It just needs to distinguish one face—yours—and it can do that very well, since you're not some shadowy figure captured in bad light. From a foot or two away, your phone can quickly capture a detailed image.

There is another advantage. Depth-sensing technology.
Please see MIMS page B4



Amazon is shaking up the industrial-parts industry. Shon Altbaier-Meere, left, uses the online giant to purchase business supplies.

Parts Suppliers Feel Amazon Effect

By BRIAN BASKIN
AND LAURA STEVENS

Melanie Lichtfeld, owner of a Madison, Wis.-based plumbing company, used to tell customers they could wait weeks to buy their new kitchen sink from a local supplier. Now she orders the parts she needs on **Amazon.com** and they arrive two days later.

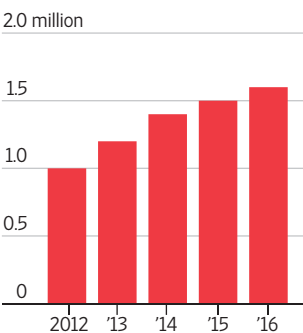
Ms. Lichtfeld is one of a growing number of plumbers, electricians and other contractors starting to buy industrial parts online. As part of its business-to-business marketplace offering, Amazon now sells items as diverse as light switches and hydraulic valves, and last month said it had one million customers across fields that also included health-care and office supplies.

Amazon is joining a host of online sellers shaking up the

Going Digital

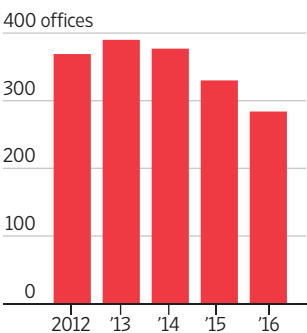
Grainger stocks a bigger selection in its warehouses to cater to online shoppers, reducing the need for local branches.

Products stocked



Source: the company

U.S. branch offices



THE WALL STREET JOURNAL.

roughly \$130 billion U.S. market for items that keep factories humming and the plumbing working. They threaten a business largely still conducted via salespeople work-

ing out of local shops and national distributors that cater to large businesses, as customers are lured away with instant comparison shopping and free delivery.

The largest industrial supplier in North America, **W.W. Grainger** Inc., with sales topping \$10 billion annually, said it cut prices by as much as 25% this summer after years of losing customers to cheaper online competitors. **MSC Industrial Direct** Co., a leading supplier to metalworkers, is printing fewer copies of a 4,500-page catalog it calls "The Big Book." The company now generates about 60% of its sales electronically, from 41% five years ago, including vending machines installed on factory floors that automatically order refills.

Online sellers' push into the market has nabbed much of the industry's sales growth, analysts say, and sparked concern about the future of traditional suppliers. Ms. Lichtfeld said Madison's local suppliers
Please see SUPPLY page B2

Oil Firms Give New Life to Old-Style Wells

By LYNN COOK

From California's Central Valley to the Native American lands of Oklahoma, more small and midsize oil firms—many backed by private equity—are forgoing expensive shale drilling projects and opting for old-school wells instead.

As crude prices languish under \$50 a barrel, and with increasing costs for land, labor and infrastructure, some shale fracking operations are starting to look expensive. That has some investors turning to conventional drilling to make a profit.

Tapping shale involves fracking, drilling horizontal wells that extend for more than 1.6 kilometers, then using a pressurized mixture of water and chemicals to break open underground rock layers. The

process has attracted billions of dollars in capital because it can unleash huge volumes of oil, but at today's prices most producers are losing money on every barrel they pump.

Some oil companies are choosing instead to apply newer technology and methods to vertical wells in century-old American oil fields, betting they can wring out faster and safer returns. The trick, they say, is finding the special locations where stranded oil can be profitably extracted from conventional wells, which are cheaper. They tend to cost less than \$1 million, compared to between \$6 million and \$8 million for an average shale well.

As a result, smaller outfits drilling traditional wells in and around California and Oklahoma say they can make

the investments work even at \$10 to \$30 a barrel.

White Knight Production LLC, a driller based in Lafayette, La., is reactivating 60-year-old wells in Louisiana and Texas that were turned off in the 1980s, when the previous major oil bust dropped prices to \$10 a barrel.

It made sense to turn them back on and invest in newer artificial lift systems and other technology that can push more oil to the surface, said White Knight Chief Executive Jerry F. Wenzel.

In California, the company was able to get some old wells that were producing just five or 10 barrels a day up to 100 barrels a day by using gravel packs to keep silt and sand from building up inside flow lines. The cost of the packs:
Please see OIL page B2

Ant and Tencent Battle Overseas

By CHUIN-WEI YAP

A pitched battle between China's technology titans for control of the world's largest mobile-payments market is starting to ripple overseas.

The biggest combatant is **Ant Financial Services Group**, an affiliate of e-commerce giant **Alibaba Group Holding** Ltd. and the owner of China's dominant Alipay service. Alipay lets users pay for everything from haircuts to houses via codes generated on their smartphones, instead of cash or cards. It is facing off against Tenpay, a similar service attached to **WeChat**, a popular messaging platform run by Chinese social-media firm **Tencent Holdings** Ltd.

Now, Ant is trying to take advantage of its edge in e-commerce and follow Chinese shoppers abroad, where there is the promise of booming Chinese tourism and new foreign users. Tencent is close behind.

"It's like what happened in the 1950s when U.S. banks followed their corporate customers overseas," said Paul Schulte, founder of the fintech-focused consulting firm Schulte Research.

"They are following their tourists, and they are following their commerce."

At home, Alipay has been losing ground fast. From a near-stranglehold of 80% of China's mobile-payments market by transaction value in mid-2014, Alipay's share has steadily fallen to just above 50% at the end of June, according to data from the research firm iResearch.

Tenpay's share has risen to 40% from 7% over the same period, buoyed by WeChat, which has extended its chat functions to allow friends to split dinner tabs, square small debts and more. Chinese spend a third of the time they are on smartphones using WeChat, and that number is rising, surveys show.

Conceived in 2004, Alipay fueled the first explosive growth in China's online payments market, then the shift to smartphones within it. Mobile payments now account for three-quarters of such payments, up from 4% in 2012, according to iResearch data.

Alipay says it has 520 million registered users, many of them drawn in through Alibaba's online marketplaces, such as Taobao.

Tenpay made its debut in 2005, and began rapidly growing in 2012 when it was opened to WeChat users. Among the app's most popular features are electronic "red packets"—token amounts of cash distributed as gifts—that users can send to friends.

WeChat counted 963 million active users a month at the end of June. Tencent said this past week that Tenpay has been able to grow its transactions so quickly in part by adding merchants via partnerships with restaurant-bookings startup Meituan-Dianping.

Alipay and Tenpay started expanding overseas in earnest two years ago, taking aim at
Please see BATTLE page B2

INSIDE



CARD FIRMS GO AFTER HATE GROUPS

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Pump jacks near Bakersfield, Calif., this year. Some oil companies are applying newer technology and methods to traditional wells.

OIL

Continued from the prior page
\$100,000 a well, which White Knight recouped in a few months.

White Knight also has drilled new wells in California for roughly \$800,000 each, finding that many spots were tapped extensively, but only shallowly, last century, leaving 20 to 30 different layers that can produce crude.

“That’s the real magic,” Mr. Wenzel said.

He estimates that reactivating old wells costs about \$15 a barrel in direct expenses such as leasing land, lifting oil out of the ground and transporting it to market. After covering other costs including staff, debt, taxes and general overhead, these projects typically pay off and are profitable in less than a year.

Most U.S. oil still comes from conventional wells. In 2016, 4.6 million barrels, or 52% of the U.S. total, was pumped from conventional wells while 4.25 million barrels a day, or 48%, was pumped from shale wells, according to the federal Energy Information Administration.

Will McMullen, founder of Bayou City, a private-equity firm with \$1 billion to deploy, and which has backed White Knight, said with all the focus on shale in recent years, it has become a crowded space.

“And we don’t know where the price of oil is going to be in 10 years,” he said, arguing that it is risky to favor shale based on a hope of longer-rate returns.

Petro River Oil, a small New York-based company traded over the counter, is reprocessing old data and making new underground maps in California to find overlooked crude. It recently scoured an old prospect near Bakersfield, and found several additional oily zones to tackle this summer. “We’re taking new technology and going in and looking for what they missed,” said Stephen Brunner, president of Petro River.

Mr. Brunner said he understands why many investors are drawn to shale: Unlike conventional drilling, there is little

risk of a dry hole.

Even so, he said Petro River’s goal is to find untapped oil in old fields and get it out of the ground for roughly \$20 a barrel, allowing the company to achieve as much as a 100% return in a year, at current prices.

Such investment looks attractive to some in light of the costs to lease shale land in places such as the Permian Basin in Texas and New Mexico, which has exceeded \$50,000 per acre.

But it is hard to generate huge-scale production picking over old fields, said Robert Clarke, an analyst with Wood Mackenzie.

“For a company looking to generate a return on capital the opportunity is tremendous,” Mr. Clarke said. “But it can’t move the production needle for a bigger company.”

Still, some big companies sense opportunity in older fields.

When Occidental Petroleum Corp. moved from California to Houston about three years ago, it spun off all its Golden State oil assets, forming California Resources Corp.

It is now the largest holder of mineral acreage in California with roughly 2.3 million net acres, since the big oil companies that once controlled most of California’s oil sector, such as Chevron Corp. and Exxon Mobil Corp., moved on to discoveries in Africa and the Middle East decades ago.

The spinoff was saddled with debt from Occidental operations and didn’t initially spend much on new wells. But this year, it is back to work in fields that have been pumped for nearly a century.

“The company is drilling deeper and using directional drilling to reach bypassed pay dirt,” said Mark Smith, chief financial officer of California Resources.

Many of its 8,800 existing wells can be retapped. Little new investment is needed, because the state already has an extensive network of pipelines and oil storage tanks.

California Resources estimates it has 700 million barrels of oil equivalent in the ground that is economic at roughly \$30 a barrel.

Samsung Hopes for Better

By TIMOTHY W. MARTIN
AND EUN-YOUNG JEONG

SEOUL—For **Samsung Electronics** Co., the launch this week of a new smartphone and a court ruling for its detained de facto leader may offer closure and clarity for a company rocked by two scandals over the past year.

THE WEEK AHEAD
Samsung will unveil the Galaxy Note 8 on Wednesday in New York, releasing what it hopes will be a bounceback version of a flagship device that the South Korean firm had to recall last year.

Then, on Friday, a South Korean court will rule on bribery allegations against Samsung heir Lee Jae-yong, who has stood trial since April. The pair of crises, nonetheless, hasn’t hurt Samsung’s bottom line: It posted a record second-quarter net profit last month of 11.05 trillion won (\$9.9 billion) to outearn **Apple Inc.** for the first time in recent years.

Fueled by rapid growth in internet-connected devices, Samsung’s semiconductor unit has become the world’s largest chip maker by revenue, grabbing a top spot that **Intel Corp.** had held for nearly a quarter-century.

The fate of Mr. Lee—a verdict will determine whether he can return to work—is hugely significant for Samsung, which, like other South Korean conglomerates, looks to the controlling family to sign off on major strategic decisions. A prolonged absence by Mr.



The Galaxy Note 8 smartphone offers Samsung a shot at redemption after last year’s device recall.

Lee, the Harvard-educated grandson of Samsung’s founder, would create a leadership vacuum atop the conglomerate that spans smartphones, theme parks and biopharmaceuticals.

A Samsung spokesman declined to comment.

Mr. Lee, 49 years old, has been in jail since February in connection with five charges centering on alleged bribes linked to South Korea’s former president Park Geun-hye. Prosecutors say Mr. Lee sought greater control over Samsung, including pursuing government backing for a merger of two Samsung affiliates that would have given him that power. The case stems from \$37 million Samsung agreed to pay to entities linked to a close friend of Ms. Park.

Mr. Lee has denied all charges against him.

Prosecutors have recommended a 12-year sentence for Mr. Lee, the Samsung Electronics vice chairman who has effectively led the conglomerate after his father became incapacitated due to a heart attack in 2014.

Earlier this month, a key lieutenant testified Mr. Lee wasn’t involved in decisions about the payments. Still, experts said it would be difficult for Mr. Lee not to shoulder responsibility for them. If convicted, Mr. Lee is likely to face at least a five-year sentence, according to legal experts. Under South Korean law, any sentence longer than three years cannot be suspended. The ruling can be appealed, ultimately to the Supreme

Court.

Samsung, the world’s largest smartphone maker, saw its brand bruised after last year’s Galaxy Note 7 debacle, a recall that cost it more than \$6.5 billion and led to a widespread ban on the devices being carried onto aircraft due to fears it was a fire hazard.

The Galaxy Note 8 offers Samsung its final chance to impress consumers ahead of the release of Apple’s 10-year anniversary iPhone later this year. The Galaxy S8, Samsung’s other flagship device that hit shelves in April, had 19.2 million shipments in the second quarter, outperforming its predecessor, the Galaxy S7, by 28% versus the same period a year earlier, according to market researcher Strategy Analytics.

STOCKS

Continued from the prior page
have strengthened this year, reflecting investors’ continuing demand for relatively safe assets and their doubts about the prospect of supercharged U.S. economic growth and inflation under Mr. Trump. The yield on the 10-year Treasury note settled at 2.196% Friday, down from a peak above 2.6% in March and compared with 2.446% at the end of last year.

“How the market has behaved since Nov. 9 in many ways seemed like a disconnect from reality,” said Kristina Hooper, global market strategist at Invesco. “Investors are starting to recognize that.”

Nearly 33% of investors surveyed by the American Association of Individual Investors

said they expected stock prices to fall over the next six months, the highest level since May. About 34% of investors had a bullish outlook, according to the most recent survey. More than 40% of investors had bullish outlooks for nine consecutive weeks after the election, prior surveys said. AAI polls its roughly 175,000 members weekly, asking them for their take on whether they expect markets to rise or fall. Investors point to concerns about pockets of the U.S. economy, the Federal Reserve’s plan to raise interest rates and unwind its balance sheet, and doubts that corporate earnings can continue to grow at a solid pace.

The Fed’s annual economic symposium in Jackson Hole, Wyo., this week could provide clues about global central bankers’ latest thinking. Chair-

woman Janet Yellen is scheduled to speak, as well as European Central Bank President Mario Draghi. Though inflation has remained stubbornly low in places like the U.S. and the eurozone, several major central banks have signaled their intention to gradually tighten monetary policy.

“Two things usually happen before markets get into trouble,” said Bruce Bittles, chief investment strategist for Robert W. Baird. “Interest rates go up significantly or consumers spend more.”

U.S. household debt reached a record last quarter, driven by rising mortgage debt, auto-loan originations and larger credit-card balances, which reached their highest level since 2009.

New worries have emerged: the looming battle in Washington, D.C., over raising the debt ceiling and increasing divisions

in the White House, which has had trouble pushing its legislative agenda through Congress.

The recent selloffs also have coincided with some mixed corporate earnings and rising global tensions, including threats between the U.S. and North Korea and terror attacks in Spain.

Declines so far have been short-lived, with many investors viewing them as an opportunity to buy.

But for others, the cascade of negative developments is a sign they can’t rely on the enthusiasm that underpinned the market for months.

“The U.S. has been priced for perfection,” said Steven Wagner, chief executive of Aventura, Fla., advisory firm Omnia Family Wealth. “People are starting to get uncertain and rethink” U.S. stock valuations, he added.

BATTLE

Continued from the prior page
the 120 million Chinese who travel abroad annually. They have signed partnerships with merchants in Southeast Asia and Europe, and are looking to invest in payment systems in other countries.

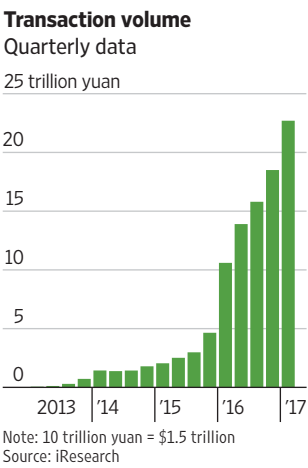
Chinese people overseas are critical as the companies battle internationally. Take Sun Xiaomei, a 23-year-old Chinese student living in South Korea. Her Alipay Gold Membership confers discounts for her online purchases, and she uses Alipay to pay her Korean university tuition.

Until recently, Ms. Sun rarely used Tenpay. But after some foreign friends downloaded WeChat as Tencent amped up its services there, Ms. Sun started sending red packets for fun.

Ant has been fastest off the block in expanding overseas.

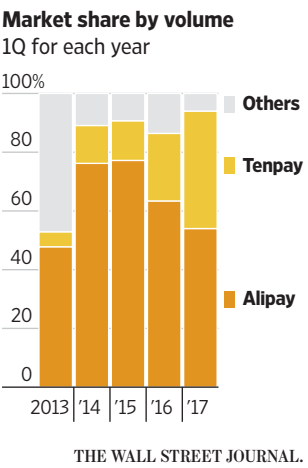
On the Go

China’s mobile-payments market is growing fast. Major platforms Alipay and Tenpay are jousting for control.



Chinese consumers can now use Alipay in 28 countries; TenPay is in 15.

Until May, the HighKr Lanna gun range in Thailand’s city of Chiang Mai offered only Alipay for its Chinese visitors,



partly because it was already embedded in Thailand’s 7-Eleven convenience stores. But HighKr soon added Tenpay.

“WeChat is more popular among our customers, though Alipay is more often seen in

Thailand,” said Wang Zidan, one of HighKr’s Chinese co-investors.

Ant says its ultimate goal is to help build a payments infrastructure abroad. One of Ant’s most high-profile pursuits is a \$1.2 billion bid for U.S. payment firm MoneyGram International Inc., now mired in regulatory review. If the deal goes through, it would give Ant a boost in its rivalry with Tencent by introducing its technology to MoneyGram’s global network of 2.4 billion bank and mobile accounts.

While Tencent has also taken stakes in overseas firms, it has shown a preference for replicating its domestic strategy. Tencent’s favored weapon: Red packets, which when launched in 2014 helped Tenpay gain 100 million WeChat users that year. Tencent didn’t respond to requests for comment.

—Xiao Xiao in Beijing
contributed to this article.

SUPPLY

Continued from the prior page
have stopped carrying many items easily found online.

While parts accounted for a sliver of Amazon’s \$136 billion in sales last year, the company is a proven disrupter of industries ranging from apparel to video to cloud-data services. Like retailers before them, industrial suppliers risk getting caught in a race to the bottom on prices, where online-only sellers have an advantage because they don’t maintain costly networks of branch offices and salespeople.

“You do not need a specialty salesperson to buy cleaners or a mop,” said Deane Dray, an RBC analyst.

Amazon is shaking up the traditional format for selling industrial parts by allowing distributors and manufacturers to sell products directly to businesses on its marketplace, eliminating middlemen and often undercutting traditional pural suppliers. It also offers one-click ordering and transparent pricing, features that are the norm in online retail but less common in the industrial world.

Shon Altbaier-Meere, the owner of a Mason, Ohio, home construction and remodeling business, said she has used her personal Amazon account to buy supplies. She also buys parts on other sites she finds via Google’s comparison-shopping service.

Big customers, including

manufacturers and government agencies, are where distributors like Grainger make most of their money. Sales to these buyers are still growing, with volumes rising 1% last year and 7% this year, the company said in July. But spot purchase volumes are down 25% since the start of 2016, totaling about \$3 billion annually.

After cutting prices, Grainger is starting to win back more spot purchases and smaller customers, which it has failed to attract in recent years, said Elizabeth Ubell, the company’s head of e-commerce. She said the goal isn’t to beat online sellers on price, but to stay close enough that Grainger’s expertise and reliable delivery can complete the sale.

Some distributors have a

head start compared with Amazon. Many have offered next-day delivery for essential parts for decades and are experts in fulfilling orders fast, from warehouses around the country.

Distributors also offer extra services, which would require significant investment from Amazon to match. For example, regional distributor United Electric Supply will work off a customer’s blueprints to determine the parts needed to build a \$10 million electrical system, said Chief Executive George Vorwick. Grainger embeds employees in manufacturing plants to manage inventory. MSC cuts or dyes metal to meet customer specifications, said Steve Baruch, head of strategy and marketing.

BUSINESS NEWS

Lost Windfall Sparks a Lawsuit

Two French scientists, out some \$12 million, sue Delaware over the seizure of their stock

By **VIPAL MONGA**

A lawsuit before Delaware's Chancery Court could have broad implications for state finances around the country and for foreign shareholders who hold more than \$6 trillion of stock in U.S. corporations. Two French scientists are suing the state of Delaware for seizing and selling their stock without their knowledge, depriving them of millions of dollars in gains.

French scientists Dr. Gilles Gosselin and Dr. Jean Louis Imbach allege that Delaware officials wrongfully seized their shares in **Idenix Pharmaceuticals Inc.** and sold the stock for \$1.7 million to pad the state budget in 2009.

After **Merck & Co.** acquired Idenix in 2014, the scientists learned they no longer had stock in the company and couldn't collect on a \$13.7 million windfall from the deal because Delaware officials had sold their shares five years earlier. Unable to return the stock, officials only reimbursed the money the state received, leaving the two investors out some \$12 million.

In a court filing at the end of July, the plaintiffs called the state's actions "tortious and unconstitutional." In an earlier filing, they alleged Delaware "willfully, recklessly and negligently" failed to act as custodians of their property



Dr. Gilles Gosselin is one of the scientists alleging that shares in Idenix were wrongfully seized and sold.

and violated the U.S. Constitution's takings and due process clauses, among other claims. Delaware officials declined to comment on the case beyond the court filings. In those, the state argued it followed its law to the letter.

The suit calls into question Delaware's execution of a law that allows it to take unclaimed assets such as dormant bank accounts, uncashed checks and securities from companies incorporated in the state. Although the owners can recover the property or its equivalent value at any time, officials can sell the property and use the proceeds for state programs if they can't find the rightful owners. Such seizures

represented more than 10% of the state's \$4 billion 2017 fiscal-year budget, ended on June 30.

More than half of all publicly traded companies in the country are incorporated in Delaware, so most U.S. companies are vulnerable to the rule.

Under the law, shareholders must show an active interest in their stock to prove they haven't abandoned it. They can do this by voting in an annual election, signing into an online brokerage account or cashing a dividend check.

If they don't establish contact for three consecutive years, the law triggers a series of events that can lead to the state taking custody of the un-

claimed shares. Under the law, companies must inform shareholders of the rules, but lawyers and securities advocates fear that foreign shareholders who don't understand them and aren't in touch with U.S. advisers could be surprised to learn they no longer hold the securities they purchased.

Delaware exploited foreign shareholders to bolster an important revenue source, said Ethan Millar, a lawyer for the plaintiffs at Alston & Bird LLP. Many foreign investors have put their holdings in long-term accounts and don't realize their investments may no longer be there.

"Most investors are buy-and-hold," he said. "This is a

rule that really hurts people." The law is meant to ensure companies don't hold on to unclaimed goods and securities that don't belong to them, said David Gregor, the state official responsible for administering the unclaimed property law. If the state can't find the rightful owners, it should use the property for the public good, he added.

"The companies shouldn't benefit from poor bookkeeping," he said.

Although every state has a similar unclaimed property law on its books, Delaware has been the most aggressive enforcer. The state collected \$607.1 million from gross unclaimed property receipts during its fiscal year ended on June 30, making it the state's third-largest revenue source.

Stock taken into custody accounted for \$248 million of the gross total, according to the most recent state estimates, a 21% increase from 2016. The amounts collected from stock sales are naturally volatile, and some of the increase in 2017 was due to a rising stock market that boosted values, said Mr. Gregor.

Delaware isn't alone. States around the country are targeting foreign-owned shares for extra revenue, said Jennifer Borden, a lawyer who has represented securities industry groups trying to stop state seizure programs. Illinois, South Dakota and Tennessee have made it easier this year for officials to seize and sell securities they deem abandoned. That is putting an undue burden on foreign shareholders to protect their investments, said Ms. Borden.

Questions Arise on Policing Websites

By **YOREE KOH**

The debate intensified over whether the growing number of tech companies that blocked white supremacists and a neo-Nazi website on the internet have gone too far, as a prominent privacy group questioned the power a few corporations have to censor.

The chief executive of **CloudFlare Inc.**, one of several internet companies last week to cut ties with Daily Stormer, effectively preventing the neo-Nazi website from appearing on the web, admitted he set a troubling precedent.

"As [an] internet user, I think it's pretty dangerous if my moral, political or economic whims play some role in deciding who can and cannot be online," Matthew Prince, CEO and co-founder of CloudFlare, said in an interview.

On Thursday, the nonprofit privacy group **Electronic Frontier Foundation** said tech companies including CloudFlare, **GoDaddy Inc.** and **Google**, part of **Alphabet Inc.**, threatened freedom of expression online by blocking Daily Stormer. The three tech companies pulled support for Daily Stormer after it published a story denigrating Heather Heyer, the 32 year-old woman killed in Charlottesville, Va. The moves made Daily Stormer's website inaccessible.

The chief executive of CloudFlare admitted that he had set a troubling precedent.

Samsung Widens Its Drug Business

By **TIMOTHY W. MARTIN**
AND **JONATHAN D. ROCKOFF**

The **Samsung** conglomerate is furthering its efforts to build a full-fledged prescription-drugs business, signing its first deal to develop novel drugs for hard-to-treat diseases.

Samsung, best known for its smartphones and television sets, is forming a partnership with **Takeda Pharmaceutical Co.** of Japan to jointly fund and develop multiple treatments in coming years, the companies said in a written statement. The companies plan to begin immediate development of a drug to treat severe acute pancreatitis.

Financial terms of the alliance weren't disclosed.

Acute pancreatitis is a painful condition marked by inflammation of the pancreas. Mild cases might go away without treatment, according to the Mayo Clinic. But about one-tenth of patients die as a result of the disease and many have a higher risk of pancreatic cancer, according to the National Pancreas Foundation of the U.S.

Samsung Bioepis Co., the South Korean group's five-year-old biopharmaceutical company, had centered its strategy on creating near-replicas of rivals' blockbuster biologic drugs. The decision to branch into novel treatments represents an aggressive step.

Just one in 10 drugs that make it to human testing wind up getting approved, according to drug researchers. Companies can spend more than a decade and hundreds of millions of dollars working on an

experimental drug.

Yet the commercial potential can be large. The biologics market is expected to generate \$214 billion in sales this year, according to EvaluatePharma, a source of market data. Revenues are projected to reach \$276 billion in 2020.

Samsung has entered the drug world on a fast timeline, industry analysts say. The privately held Bioepis unit's association with South Korea's largest conglomerate gives it resources to invest heavily in research and development.

Samsung started to make available its lower-price copy of **Johnson & Johnson's** Remicade, a blockbuster rheumatoid-arthritis drug, in the U.S. last month.

In Europe, Samsung sells that drug and another rheumatoid-arthritis treatment. Two other drugs are under European regulatory review.

The creation of novel treatments has been a goal for Samsung, said Mingi Hyun, a spokesman for Bioepis. Samsung has also spoken with a number of other multinational companies to pursue partnerships, he said.

For Takeda, the partnership's first project will be in the area of gastrointestinal disease, a focus of the Japanese drugmaker.

"This partnership with Samsung Bioepis combines Takeda's unique capabilities in gastroenterology with fresh and innovative approaches, thereby allowing us to maximize the potential for successful introduction of important medicines to patients," said Daniel Curran, Takeda's head of external innovation.



Richard Roundtree in 'Shaft' from 1971. Some boutique sites have been carving out niche genres.

Video Streamers Skirt Netflix Fare

By **COVEY E. SON**

Walt Disney Co.'s decision this month to stream its own movies and shows marks Hollywood's biggest attempt to wean itself from **Netflix Inc.** Others have been carving out niches with some success.

In the shadow of Netflix's boom, smaller video services have found select audiences who appreciate such genres as horror and anime—or themes such as British shows or automobiles—but are unsatisfied by mainstream general-entertainment sources like Netflix and Hulu.

None of these boutique sites, such as Shudder and Crunchyroll, matches Netflix's sprawling library with thousands of popular titles nor its subscriber base of 104 million, which media-measurement firm comScore says represents 75% of U.S. streaming-service viewers. Rather, they are seeking to stand out by offering a handpicked platter of content.

"Fans feel they can go deeper in contrast to a big service, whether that's a broadcast network or a mass-

market subscription video service that's trying to have something for everyone," said Christopher Vollmer, a partner at PricewaterhouseCoopers's entertainment and media practice.

Some avoid the mainstream entirely. **MUBI Inc.** offers "art house cinema"—foreign films, independent films and classics. The company shows just 30 films at any given time, with one added and one subtracted each day. The closely held company has 100,000 subscribers who pay \$4.99 a month, said MUBI director of content Daniel Kasman.

Netflix isn't a direct competitor, Mr. Kasman said, and even some of the most devout cinephiles often find themselves stumped by MUBI's selection of obscure and unknown films. He and two other curators frequently visit film festivals including Cannes and Sundance to scout for new material, working directly with filmmakers and small distributors to buy streaming rights.

Mr. Kasman said he seeks movies that are important to

MUBI's audience. "It can be something that touches you, expand your mind or show you new places or new stories you've never thought of before," he said. "It might be something that makes you laugh. It might be a classic and a favorite of yours."

Then there is Brown Sugar, which bills itself as "just like Netflix, only blacker," featuring a collection of 1970s films starring black actors in lead roles, like "Shaft" and "Uptown Saturday Night." Bounce TV, a broadcast network catering to a black audience, launched Brown Sugar in November to celebrate the era in which Hollywood started offering lead roles to black actors. Bounce's parent company, Katz Broadcasting, which was acquired by **E.W. Scripps Co.**, didn't disclose subscriber figures for its \$3.99-a-month service.

Although Netflix is expanding in genres such as children's fare, reality TV and stand-up comedy specials, PwC's Mr. Vollmer said Netflix wasn't likely to emphasize niche fare, but rather a "something for everyone" approach.

BUSINESS WATCH

B&G FOODS

SnackWell's Cookies Are Added to Lineup

B&G Foods Inc. has struck a deal to buy SnackWell's cookies and Back to Nature granola bars for \$162.5 million, adding to its stable of older brands that have faltered as eating habits change.

Chief Executive Bob Cantwell said acquiring SnackWell's low-fat products and Back to Nature's bars from a joint venture between Oreo maker **Mondelez International Inc.** and private-equity firm Brynwood Partners will give B&G more leverage with

natural-foods retailers.

"We'll have a bigger place at the table to talk to **Whole Foods** and Sprouts," he said.

About five years ago, Mondelez sold controlling interests in SnackWell's and Back to Nature to Brynwood Partners and tasked the private-equity firm with reviving SnackWell's and expanding the Back to Nature brand.

Today SnackWell's and Back to Nature generate about \$80 million in annual sales.

B&G's sales were about \$1.4 billion last year, compared with Mondelez's \$26 billion.

—Annie Gasparro

NESTLÉ

Poland Spring Faces Suit Over Marketing

Nestlé SA is facing a lawsuit in the U.S. alleging that its Poland Spring brand is "common groundwater" rather than spring water, which the suit claims makes the marketing of Poland Spring water a "colossal fraud."

The legal challenge comes as Nestlé, the world's biggest packaged-foods company, has sharpened its focus on bottled water, a lucrative business that brought in global sales of 7.9 billion Swiss francs (\$8.2 billion) last

year.

The lawsuit, filed last week in a Connecticut district court by 11 consumers who are also seeking class-action status, says that while the Vevey, Switzerland-based company markets Poland Spring as "100% natural spring water"—using images of pristine mountain or forest springs that help it charge a premium—the product doesn't meet the federal definition of spring water.

The company dismissed the lawsuit as being "without merit and an obvious attempt to manipulate the legal system for personal gain."

—Saabira Chaudhuri



A Samsung Bioepis lab in Incheon, South Korea, in 2014.

Mobile-Game Developers Rethink Ads

Some coax resistant players by offering rewards in exchange for viewing ads

By SARAH E. NEEDLEMAN

Four years after it stopped putting ads in its mobile videogames because it suspected they were too disruptive, King Digital is testing them again in a new format, a move Wall Street analysts think could generate \$1 billion in revenue for the company by 2019.

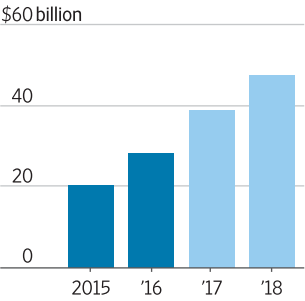
King Digital earlier this year began tests of ads from Nestlé SA, Visa Inc. and others in a handful of mobile games including “Candy Crush Soda.” The reversal, which the game developer set in motion soon after Activision Blizzard Inc. acquired it in 2016, reflects new thinking about ads in the mobile-game industry.

Rather than treat ads as a toll booth players have to pass through, developers increasingly are embedding them into games as an optional experience that players can choose in exchange for rewards.

The shift in strategy has lifted the gates on a torrent of mobile-game ad revenue. This year, mobile games are on track to generate \$39.8 billion in ad revenue world-wide, up almost 90% from \$21.1 billion in 2015, according to App Annie Inc., an app data and analytics firm. It projects the number will climb to \$49 bil-

Playing the Ad Game

Global revenue from ads in mobile videogames



Note: 2017 and 2018 figures are estimates. Source: App Annie

THE WALL STREET JOURNAL.

lion in 2018.

Game makers hope “rewarded ads” will extend the boom in mobile-game advertising and help them continue diversifying beyond players’ in-app purchases. These purchases generate considerable revenue for game makers but are dependent on a minority of dedicated players who are big spenders on virtual goods.

Rewarded ads are an alternative for them. Players who engage receive in-game perks such as extra lives or virtual currency. A recent promotion from Electronic Arts Inc.’s “FIFA Mobile,” for example, gave players the option to acquire free virtual characters and other items if they share an ad from Coca-Cola Co. through the soccer game’s messaging system.

Dozens of brands including



'Kim Kardashian: Hollywood' publisher Glu Mobile offers players rewards to view in-game ads.

Ford Motor Co. and McDonald’s Corp. advertise in EA’s mobile games, up from just a handful five years ago, said Dave Madden, head of global brand partnerships. The company doesn’t report ad revenue but it “is definitely a growth area,” he said.

Mobile games are especially attractive to brands “because they’re highly engaging,” said Tom Goodwin, head of innovation at ad agency Zenith USA, a unit of Publicis Groupe SA. People are spending more time on mobile devices, and brands need ways to reach them, he said.

In the first half of 2017, 78% of the top 50 grossing games on Apple Inc.’s and Alphabet Inc.’s U.S. app stores featured ads, up from 45% a year earlier, according to analytics firm Apptopia Inc.

Still, players dislike many of the ad formats in games. Video, for example, is potentially more engaging than traditional banner ads, but it is also riskier. During a 15- or 30-second video, players have ample opportunity to close the app and open another.

Parallel Space Inc. chose not to include any ads in “Hades’ Star,” a game about space

exploration released in July—the Canadian startup’s first. “Ads are very disruptive,” said company founder Andreas Papanthanas, a former game developer with Supercell Oy, of Helsinki. “If you want a long-term relationship with players, ads don’t make any sense.”

That is why rewarded ads are changing so many developers’ minds. Some 62% of developers said player retention increased or stabilized after they introduced video ads with rewards, according to a 2016 study from Unity Technologies Inc., whose game-creation software includes

tools for advertising.

Jamie Lynn, a 21-year-old Florida college student, says she spends about 15 minutes a day playing games like King’s “Candy Crush Saga” and Supercell’s “Hay Day” and tolerates ads that offer rewards. “They make me feel as though my time is more worthwhile,” she said.

When Chris Akhavan arrived in 2013 at Glu Mobile Inc., publisher of games such as “Kim Kardashian: Hollywood,” the chief revenue officer discovered a lot of resistance to ads at Glu Mobile. That has changed: In the second quarter, Glu had \$12.4 million in quarterly ad revenue, up from \$2.4 million in the same quarter of 2013.

The secret to making ads work, he said, is to be strategic about when they run and who sees them. Glu often serves ads after a level of play has been completed because there is a natural pause then, Mr. Akhavan said.

Analysts routinely press King on when it will move from testing to rolling out ads to all games for its 314 million monthly active users. They cite Zynga Inc., which last year generated about \$194 million from ads with roughly one-fifth as many users as King has today.

Evan Wingren, an analyst at KeyBanc Capital Markets Inc., said, “People from the investment community are looking at that, saying if Zynga does it, why can’t King?”

Ex-Uber CEO Rips Investor’s Suit

By GREG BENSINGER

Uber Technologies Inc.’s former chief executive fired back at a lawsuit from one of the ride-hailing firm’s biggest investors, saying Benchmark Capital is conducting a personal attack that threatens to further damage the company.

In a filing to the Delaware Chancery Court late Thursday, Travis Kalanick reiterated his call for the Benchmark legal dispute to be settled in arbitration, in accordance with a board-voting agreement at the center of the case. Arbitration also would keep the deliberations private.

Benchmark, which holds one Uber board seat, alleged in a suit filed a week earlier that Mr. Kalanick defrauded Uber’s board by keeping secret questionable business practices. Benchmark is seeking in its suit to oust Mr. Kalanick from the board and free up three board seats he effectively controls.

Benchmark “initiated this action as part of its public and personal attack on Travis Kalanick,” Mr. Kalanick said in the filing. “Contrary to Benchmark’s suggestion that its lawsuit is ‘in the best interests of Uber,’ every other member of the board disagrees.”

A spokeswoman for Benchmark declined to comment. A spokesman for Mr. Kalanick said he had no comment beyond the filing.

The Benchmark lawsuit is the latest twist in the spiraling conflict among Uber’s directors over the future of a startup valued at nearly \$70



Uber’s ex-CEO Travis Kalanick says he signed his resignation letter under duress from Benchmark.

billion. Uber is also grappling with multiple executive vacancies, including its CEO position, which has been open since Benchmark pushed Mr. Kalanick to resign in June.

On one side of the tussle are directors and investors who see the suit as jeopardizing efforts to find a CEO as soon as next month, as well as its negotiations with potential investors for a new round of funding of \$1 billion or more.

Those aligned with Benchmark argue the suit is necessary to prevent Mr. Kalanick from exerting too much influence on the day-to-day operations of the company despite his departure as CEO.

Benchmark’s aggressive turn against Uber has in-

flamed some investors, who resent that the venture firm is criticizing the leadership of a company that stands to deliver it a once-in-a-lifetime profit. Benchmark invested some \$27 million in Uber that is now worth about \$8.4 billion, according to one early investor.

According to people familiar with the matter, Uber has narrowed its CEO search to three people, including former General Electric Co. CEO Jeff Immelt, and is racing to also find an interim chief financial officer before seeking a new independent chairman and filling other open posts.

In the filing Thursday, Mr. Kalanick argued that Benchmark had voted in favor of allowing him control of the

three board seats in June 2016, along with the rest of the board, and that he had signed his resignation letter—which he said was penned by Benchmark—under duress following the unexpected death of his mother.

Two Benchmark partners, Matt Cohler and Peter Fenton, threatened a public smear campaign against Mr. Kalanick if he didn’t sign the letter, which they delivered to him in June in Chicago where he had traveled to interview an executive candidate, Mr. Kalanick said in the filing. Mr. Kalanick had Benchmark remove language from the resignation letter that would otherwise have made it akin to a contract, he said in the filing.

Google Aims to Lift News Subscriptions

By JACK NICAS

Google is working on new tools to help news organizations sell subscriptions, a move that could help ease its strained relationship with publishers.

The technology giant said it is testing changes to its “first-click-free” policy that allows access via Google search results to articles that require a subscription. Google might reduce the number of free articles users can access from three a day, said a person familiar with the plans. Google believes free sampling of articles helps sell subscriptions, the person said.

The Alphabet Inc. unit is testing tools with the New York Times and the Financial Times, such as sharing Google’s data on which users are likely to buy subscriptions and using its online-payments system for subscriptions, the person said, adding that talks with publishers are continuing and the changes might not happen. Any new tools are expected to be unveiled in the next few months.

Bloomberg News earlier reported on the new tools under development.

The rise of the internet hit much of the print-news business by causing sales of ads in printed products to plummet. Meanwhile, Google and Facebook Inc. together collect nearly half of global spending on digital ads, according to eMarketer.

As a result, publishers have had an uneasy and complicated relationship with Google and Facebook.

Publishers provide much of the quality content that fuels the tech firms’ online platforms, while those platforms drive traffic to publishers’ websites. News organizations have been forced to rely more on subscriptions.

Last month, the News Media Alliance—a trade group representing about 2,000 organizations, including The Wall Street Journal publisher Dow Jones—asked Congress for a limited waiver from antitrust laws. They say the

The move could help Google ease its strained relationship with news publishers.

waiver would allow them to negotiate collectively with Google and Facebook for stronger intellectual-property protections, more support for digital-subscription models and a bigger share of revenue and customer data.

Google said in a statement that it has “been engaged in conversations with publishers on how we can build and expand on the efforts that we have had for a number of years to provide even more support for subscriptions.”

MIMS

Continued from page B1
ogy, generally called “structured light,” sprays thousands of tiny infrared dots across a person’s face or any other target.

By reading distortions in this field of dots, the camera gathers superaccurate depth information. Since the phone’s camera can see infrared but humans can’t, such a system could allow the phone to unlock in complete darkness.

While Apple hasn’t announced any use of this technology—let alone confirmed whether it will exist inside the widely expected 10th-anniversary iPhone—the company is no stranger to infrared depth-mapping and facial recognition. It has previously been granted patents describing nearly identical processes. Apple declined to comment on any technology it might be working on.

If this technology sounds

familiar, it is a sort of shrunken-down version of the Xbox 360’s Kinect motion sensor. Perhaps not coincidentally, Apple acquired an early Kinect developer, the Israeli startup PrimeSense, in 2013.

Meanwhile, Qualcomm says it plans to make its Spectra processor available for future Android phones. Previous Samsung image processors that did face recognition could be fooled by holding up a photo of someone’s face to a phone’s camera. Qualcomm insists that depth perception gives the added bonus of “live-ness detection.” As a result, a 3-D printed mask wouldn’t be able to fool the system, though the company admits identical twins might.

Teaching our phones what our faces look like will be just like teaching them our fingerprints, says Sy Choudhury, a senior director at Qualcomm responsible for security and machine-intelligence products. An image of your face is

captured, relevant features are extracted and the phone stores them for comparison with your face when you unlock the phone.

As with fingerprint recognition, the facial images are securely stored only on the device itself, not in the cloud. History—from Apple’s battles with domestic law enforcement over unlocking iPhones to Amazon’s insistence that the Alexa doesn’t upload anything until it hears its wake word—suggests companies will use this privacy as a selling point.

Already, laptops use Microsoft’s Windows Hello face recognition for easier unlocking; some devices are equipped with Intel’s RealSense 3-D depth camera, which preceded Qualcomm’s Spectra.

As technology like this gets into the mobile supply chain, it eventually trickles down to less-expensive, lower-end devices along with dedicated, highly efficient chipsets, says Joey Pritikin, founder and co-chief execu-



Facial recognition is likely to come with trade-offs, but it also is expected to make higher levels of security very convenient.

tive of the biometrics company Tascent.

Facial recognition is likely one day to appear in camera-enabled smart doorbells and locks, as well as in smart speakers like Amazon’s camera-equipped Echo Show, where personalization would be a benefit: If it knew it was you, it might offer the latest “Game of Thrones” episode; if, instead, it spotted

your child, there is “Sesame Street.” Qualcomm already has customers in its Spectra pipeline working on non-phone products, including internet-connected cameras, says Mr. Choudhury.

Like all new technologies, facial recognition is likely to come with trade-offs. In many contexts, a fingerprint scan may be less obtrusive. The facial algorithms can be

stymied by the presence or absence of glasses, especially sunglasses. The annoyance of having to take off your winter gloves to unlock your phone might be replaced by the annoyance of having to re-enroll your face if your facial hair changed.

Perhaps the most remarkable thing about all this facial recognition is how mundane it has the potential to become, and fast. As a security measure that requires us only to look at our device, it is easily taken for granted.

That is a good thing. Facial recognition has the potential to make higher levels of security—so-called multifactor authentication—so convenient that we no longer engage in all the bad habits that put our finances and online lives at risk. That isn’t to say these systems won’t be compromised somehow, but at least for the short term, smiling at your phone every morning will be far safer than punching in the same password over and over.

FINANCE & MARKETS

China Puts Investment Controls in Writing

By KATE O'KEEFFE

China announced formal measures to curb outbound investment as the government seeks to establish firmer control over corporations whose international shopping spree has rattled China's currency and foreign-exchange reserves. Chinese officials have been cracking down on what they call "irrational" overseas investment since the end of 2016, tightening controls on capital leaving China and scrutinizing some of the country's most aggressive deal makers, but the measures Friday marked the first time the cabinet has published such controls in the form of official guidance. Government statistics indicate the crackdown has already sent China's foreign direct investment down over 40% this year. The latest move shows that it is trying to clamp down in a more systematic way, ac-

cording to analysts who track Chinese investment. "We now know that China will not any time soon return to liberal outbound [foreign direct investment] policies," said Thilo Hanemann, an economist at New York-based Rhodium Group. The new rules could have an outside impact on investment in the U.S., which was the largest recipient of China's foreign direct investment flows last year, taking in \$46 billion, or triple the previous year, Rhodium said. And the new restrictions could impair China's strategy of trying to win political points with local U.S. officials, such as governors and mayors, eager for foreign investment that can create jobs. At the same time, the rules are unlikely to dampen U.S. officials' concerns about threats to national security, as they don't restrict Chinese investment in sensitive sectors like technology.

Already the Committee on Foreign Investment in the U.S., known as CFIUS, has toughened its scrutiny of Chinese investment, throwing into question billions of dollars in high-profile Chinese bids to buy U.S. companies in recent months.

Officials have cracked down on what they call 'irrational' overseas investment.

The multiagency panel led by the U.S. Treasury can approve deals or recommend the president block them based on national security concerns. China will restrict overseas investment in sectors such as property, hotels, cinema, entertainment and sports teams, the State Council said in guidelines released on the main gov-

ernment website. By contrast, Beijing wants companies to continue buying overseas technology and supporting initiatives such as President Xi Jinping's "One Belt, One Road" project, a massive global infrastructure investment plan to establish China as the dominant world-trading power. China's enthusiasm for Hollywood deals has been cooling for nearly a year as capital controls took hold. Talks broke down between Metro-Goldwyn-Mayer Studios and several Chinese companies in late 2016. And deals that would have placed Dick Clark Productions Inc. and Voltage Pictures LLC, the production company behind "The Hurt Locker," under Chinese control fell apart this year. More recently, Chinese state scrutiny of Dalian Wanda Group Co. has raised questions in executive suites across Hollywood: The real-estate con-

glomerate has been the most visible Chinese player to enter the U.S. entertainment industry. Wanda owns Legendary Entertainment LLC, the production company behind "Kong: Skull Island," and AMC Entertainment Holdings Inc., the world's largest movie-theater chain. AMC has said its finances aren't affected by Wanda's turmoil. A Legendary spokeswoman said the government investigation hasn't affected the company's balance sheet. "Wanda has never failed to satisfy any of its funding obligations owed to Legendary," she said. Chinese capital has also played a significant role in the global hotel industry in recent years, with Chinese investors pouring nearly \$8.5 billion into U.S. hotels last year, according to Real Capital Analytics Inc., up from \$2.6 billion in 2015. Amid the capital-outflow clampdown this year, China's

investment in U.S. hotels has been less than \$500 million, Real Capital added. Chinese insurance companies were among the most prominent deal makers last year. Anbang Insurance Group in 2014 purchased New York's Waldorf Astoria hotel for \$1.95 billion and last year acquired a portfolio of hotels from Blackstone Group LP for \$5.5 billion. China will also restrict the establishment of equity-investment funds and any investment platforms that aren't linked to a specific project, according to new measures jointly drafted by the country's top economic planner, Commerce Ministry, central bank and Foreign Ministry. U.S. officials and a bipartisan group of lawmakers have grown increasingly wary of Chinese companies' U.S. deals. —Liyun Qi, Carolyn Cui, Chris Kirkham and Erich Schwartzel contributed to this article.

Credit-Card Firms Act to Block Hate Groups

By PETER RUDEGEAR AND ANNA MARIA ANDRIOTIS

Payments and credit-card companies including **American Express Co.**, **Discover Financial Services** and **PayPal Holdings Inc.** are booting dozens of individuals and groups associated with right-wing extremist movements off their systems following violence at a white-nationalists' rally in Charlottesville, Va. The actions, many of which were taken after finding the websites had violated the financial firms' acceptable-use policies, make it more difficult for the groups to sell merchandise or raise donations from supporters. Racial-justice organization ColorOfChange.org and others have pushed payments companies to take a more aggressive role in policing the transactions that run through their systems. In response to recent events, PayPal has revoked access from more than 40 websites that violated those terms, according to a person familiar with the matter. Decisions to cut off access to white-supremacy groups have also been made by technology companies. **Alphabet Inc.** and **GoDaddy Inc.** revoked the hosting support for a neo-Nazi website and Facebook Inc. and Twitter Inc. have suspended accounts affiliated with white nationalists. An AmEx spokesman said that the company has been reviewing a list of websites of hate groups compiled by Color of Change and that it found the majority don't accept its cards. It has sent cease-and-desist letters to the sites that are using its logo and is reviewing the sites that actually accept AmEx cards. The



Ku Klux Klan members during a march at the state house building in Columbia, S.C., in 2015.

spokesman added that the company maintains "the right to terminate any merchant relationship that is harmful to our brand." Franz Paasche, PayPal's senior vice president for corporate affairs and communications, wrote in a blog post Tuesday that the company "will always remain vigilant and committed to ensuring that our platforms are not used to perpetuate hate and violence or racial intolerance." Discover said in a statement that "in light of recent events" the company is "terminating merchant agreements with hate groups, given the vio-

lence incited by their extremist views." Roughly a couple dozen websites will likely be affected by Discover's move, according to a person familiar with the payments industry. AmEx, Discover and PayPal occupy two main roles in the payments industry: They issue consumer accounts that can be used to make purchases and handle the processing of payments for businesses. The second activity, known in the industry as "merchant acquiring," is what has come under more scrutiny in recent days. When opening a new merchant account, a business

agrees not to engage in a range of illegal activities. Some payments firms also prohibit their customers from legal activities that may carry higher risks. Hate groups that find they aren't able to accept credit-card payments, however, can rebrand under different names, potentially allowing them to receive payments again until the acquirers terminate the relationship. The violence in Charlottesville this month has called attention to websites that could be violating those terms. The networks through which credit-card transactions

are routed, such as **Visa Inc.** and **Mastercard Inc.**, say they have always taken a tough stance on hate groups that incite violence or illegal behavior. They use a mix of proprietary technology and monitoring to keep tabs on illegal activities. Some networks and acquirers say it is difficult to shut down payment processing due solely to distasteful comments. Rather, one of the most common grounds for stopping payment services, according to a major acquirer, is that a group misrepresented itself when it signed up for services.

U.S. Unit Of Intesa Sanpaolo Is Fined

By DAVE MICHAELS

WASHINGTON—A U.S. subsidiary of Italian bank **Intesa Sanpaolo SpA** has agreed to pay \$35 million to settle claims that it improperly obtained and lent foreign shares to clients, marking the second time regulators have penalized a broker-dealer based on a wide-ranging probe of the market. Banca IMI Securities Corp. provided American depositary receipts—certificates representing ownership of a foreign stock—to clients without ensuring they would be backed by the actual shares, the Securities and Exchange Commission said Friday. The SEC said the misconduct could have allowed those who borrowed ADRs to inappropriately sell them short or earn improper profits based on dividends that were declared. "U.S. investors who invest in foreign companies through ADRs have a right to expect market professionals to create new ADRs only when they are backed by foreign shares so that the new ADRs are not used to game the system," said Sanjay Wadhwa, senior associate director of the SEC's New York office. An attorney for Banca IMI Securities, a U.S. unit of Italy's second-largest bank, declined to comment. The \$35 million sanction includes more than \$18 million in profit disgorgement and a \$15 million civil penalty. Created by J.P. Morgan in 1927, ADRs make it easier for American investors to own stocks that are listed outside the U.S. Each ADR represents a specific number of foreign shares. Brokers who sell or transfer ADRs are typically responsible for ensuring that a matching number of foreign shares has been deposited with a custodian. The SEC's release said its investigation isn't over but didn't elaborate on who it is still targeting. The Wall Street Journal reported in November that the SEC had sent subpoenas to four depositary banks—**Bank of New York Mellon Corp.**, **Citigroup Inc.**, **Deutsche Bank AG** and **J.P. Morgan Chase & Co.**—as it examined whether the banks have broken controls designed to prevent market abuse and tax fraud, people close to the investigation said. Brokerage firm **Investment Technology Group Inc.** agreed in January to pay \$24.4 million to settle similar claims that it improperly obtained and lent ADRs to clients.

Buffett's Power Play Attracts Another Rival

Warren Buffett's battle for control of a Texas power company took a turn Friday as a new mystery bidder emerged to challenge **Berkshire Hathaway Inc.**'s \$9 billion offer.

By David Benoit, Dana Mattioli and Nicole Friedman

The bidder is the third entity currently seeking to buy Oncor, a Texas-based power-transmission company. Mr. Buffett's bid is also being challenged by hedge fund **Elliott Management Corp.**, a big debtholder of Energy Future Holdings Corp., the bankrupt firm that owns most of Oncor. The bidder's existence materialized in a late-scheduled hearing in bankruptcy court in Wilmington, Del., but its identity wasn't revealed. Keith Wofford, a lawyer for Elliott, identified the new contender at the hearing as "a large investment-grade utility." The energy unit of Berkshire struck a deal to buy Oncor for \$9 billion in cash last month. The move would further cement electricity as one of the conglomerate's largest businesses and partly satiate Mr. Buffett's desire to spend some of Berkshire's \$99.7 billion in cash on acquisitions. But Elliott, which is run by



The third bidder for Texas-based Oncor hasn't been named.

billionaire Paul Singer, was assembling a deal of its own that it says would be worth hundreds of millions of dollars more for creditors. The details of where that bid stands are unknown. Mr. Wofford, the Elliott lawyer, said at the hearing that on Wednesday, Energy Future called Elliott to test its reaction to a "firm bid for \$9.3 billion that has emerged." At the time, he said, Energy Future was considering breaking from the Berkshire agreement to pursue talks with the new contender. Energy Future lawyer Mark McKane said at the hearing on Friday that the company's board is still considering the potential deal, as well as

amendments to the Berkshire deal. The board met Friday and was scheduled to meet again on Sunday, he said. "We are still evaluating the situation, but no decisions have been made," Mr. McKane said. Elliott has amassed the largest position in Energy Future's debt and this week strategically bought a certain slice of notes that would ensure its ability to block a deal, people familiar with the matter said. On Wednesday after the Elliott move, Mr. Buffett did what he usually does when confronted with tumult in his deal-making process: He stood pat. Berkshire issued a statement that said it wouldn't be raising its bid for Oncor. Mr. Buffett,

Berkshire's chairman and chief executive, has a history of sticking to his initial offer: "I'm a 'one-price' guy," he wrote in a 2007 letter to shareholders. Berkshire also has said it would walk away if its buyout offer isn't approved in court next week. Now, with the emergence of a third bidder, it is possible neither Mr. Buffett nor Mr. Singer will emerge with Oncor, though Berkshire still stands to reap a paycheck if the deal is squashed. As part of the deal, it would receive a breakup fee of \$270 million, though that fee would have to be approved by the bankruptcy court. A new offer for Oncor would be the latest twist in the long-running saga of the fate of Energy Future, formerly known as TXU, which has been under chapter 11

bankruptcy protection since 2014. The news of the new bidder came out as Elliott was attempting to learn more about the bid in its efforts to block the Berkshire deal. Elliott's purchase of more debt caught some Oncor customers and stakeholders who were following the case by surprise, a person familiar with the matter said. The fight for Oncor could come to a head on Monday, as a judge is scheduled to decide whether to approve Berkshire's \$9 billion offer. Groups of major Oncor customers and other market participants have publicly supported Berkshire's bid. Late Friday, five stakeholder groups announced an agreement with Berkshire that "resolves all issues" and asked Texas regulators to approve the deal, Berkshire said in a news release.

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| FUND NAME | GF | AT | LB | DATE | CR | NAV | —%RETURN— | YTD | 12-MO | 2-YR |
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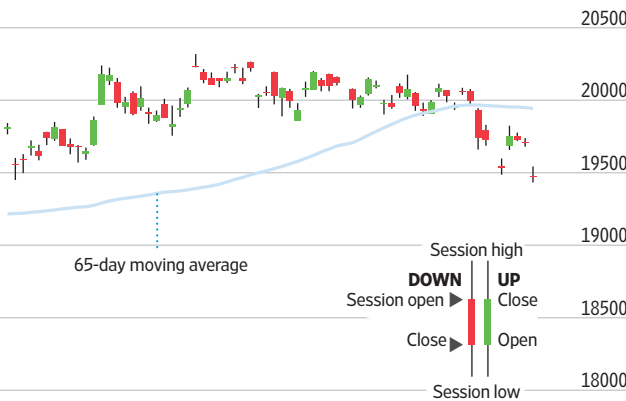
MARKETS DIGEST

Data as of Friday, August 18, 2017

Nikkei 225 Index

19470.41 ▼232.22, or 1.18%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

International Stock Indexes

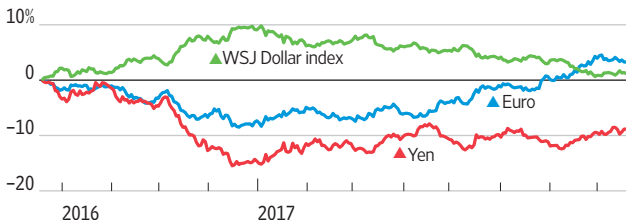
| Region/Country | Index | Close | | | Latest NetChg | | | % chg | | | Low | | | 52-Week Range Close | | | High | | | YTD % chg | | |
|----------------|--------------------------|-----------|---------|--------|---------------|--|--|-------|--|--|----------|--|--|---------------------|--|--|-----------|--|--|-----------|--|--|
| | | | | | | | | | | | | | | | | | | | | | | |
| World | The Global Dow | 2810.24 | -11.80 | -0.42% | | | | | | | 2390.11 | | | | | | 2878.99 | | | 11.0 | | |
| | MSCI EAFE | 1916.68 | -9.64 | -0.50% | | | | | | | 1614.17 | | | | | | 1955.39 | | | 13.8 | | |
| | MSCI EM USD | 1059.54 | -3.79 | -0.36% | | | | | | | 838.96 | | | | | | 1078.53 | | | 22.9 | | |
| Americas | DJ Americas | 583.63 | -0.79 | -0.14% | | | | | | | 503.67 | | | | | | 596.96 | | | 8.0 | | |
| | Brazil Sao Paulo Bovespa | 68714.66 | 737.86 | 1.09% | | | | | | | 56820.77 | | | | | | 69052.03 | | | 14.1 | | |
| | Canada S&P/TSX Comp | 14952.33 | -81.31 | -0.54% | | | | | | | 14349.10 | | | | | | 15922.37 | | | -2.2 | | |
| | Mexico IPC All-Share | 51075.46 | 81.28 | 0.16% | | | | | | | 44364.17 | | | | | | 51713.38 | | | 11.9 | | |
| | Chile Santiago IPSA | 3887.16 | 3.97 | 0.10% | | | | | | | 3127.54 | | | | | | 3905.76 | | | 20.6 | | |
| U.S. | DJIA | 21674.51 | -76.22 | -0.35% | | | | | | | 17888.28 | | | | | | 22118.42 | | | 9.7 | | |
| | Nasdaq Composite | 6216.53 | -5.39 | -0.09% | | | | | | | 5046.37 | | | | | | 6422.75 | | | 15.5 | | |
| | S&P 500 | 2425.55 | -4.46 | -0.18% | | | | | | | 2085.18 | | | | | | 2480.91 | | | 8.3 | | |
| | CBOE Volatility | 14.26 | -1.29 | -8.30% | | | | | | | 9.36 | | | | | | 22.51 | | | 1.6 | | |
| EMEA | Stoxx Europe 600 | 374.20 | -2.67 | -0.71% | | | | | | | 328.80 | | | | | | 396.45 | | | 3.5 | | |
| | Stoxx Europe 50 | 3041.78 | -21.36 | -0.70% | | | | | | | 2730.05 | | | | | | 3276.11 | | | 1.0 | | |
| | Austria ATX | 3178.13 | -40.54 | -1.26% | | | | | | | 2256.79 | | | | | | 3280.48 | | | 21.4 | | |
| | Belgium Bel-20 | 3924.78 | -18.96 | -0.48% | | | | | | | 3426.21 | | | | | | 4041.03 | | | 8.8 | | |
| | France CAC 40 | 5114.15 | -32.70 | -0.64% | | | | | | | 4332.45 | | | | | | 5432.40 | | | 5.2 | | |
| | Germany DAX | 12165.19 | -38.27 | -0.31% | | | | | | | 10259.13 | | | | | | 12888.95 | | | 6.0 | | |
| | Greece ATG | 824.85 | -7.21 | -0.87% | | | | | | | 551.93 | | | | | | 858.08 | | | 28.2 | | |
| | Hungary BUX | 36969.15 | -218.14 | -0.59% | | | | | | | 27476.40 | | | | | | 37187.29 | | | 15.5 | | |
| | Israel Tel Aviv | 1394.49 | ... | Closed | | | | | | | 1363.50 | | | | | | 1478.96 | | | -5.2 | | |
| | Italy FTSE MIB | 21814.96 | 26.10 | 0.12% | | | | | | | 16134.71 | | | | | | 22048.30 | | | 13.4 | | |
| | Netherlands AEX | 519.64 | -4.07 | -0.78% | | | | | | | 439.07 | | | | | | 536.26 | | | 7.5 | | |
| | Poland WIG | 62053.31 | 103.91 | 0.17% | | | | | | | 46756.18 | | | | | | 63351.24 | | | 19.9 | | |
| | Russia RTS Index | 1027.85 | -6.20 | -0.60% | | | | | | | 944.96 | | | | | | 1195.61 | | | -10.8 | | |
| | Spain IBEX 35 | 10385.70 | -58.10 | -0.56% | | | | | | | 8450.60 | | | | | | 11135.40 | | | 11.1 | | |
| | Sweden SX All Share | 551.72 | -3.88 | -0.70% | | | | | | | 496.66 | | | | | | 596.72 | | | 3.2 | | |
| | Switzerland Swiss Market | 8874.35 | -71.05 | -0.79% | | | | | | | 7593.20 | | | | | | 9176.99 | | | 9.0 | | |
| South Africa | Johannesburg All Share | 55304.23 | -111.04 | -0.20% | | | | | | | 48935.90 | | | | | | 56163.60 | | | 9.2 | | |
| | Turkey BIST 100 | 107202.43 | 377.10 | 0.35% | | | | | | | 72519.85 | | | | | | 109781.13 | | | 37.2 | | |
| U.K. | FTSE 100 | 7323.98 | -63.89 | -0.86% | | | | | | | 6665.63 | | | | | | 7547.63 | | | 2.5 | | |

| | | | | | | | | | | | | | | | | | | | | | | |
|--------------|--------------------|----------|---------|--------|--|--|--|--|--|--|----------|--|--|--|--|--|----------|--|--|------|--|--|
| Asia-Pacific | | | | | | | | | | | | | | | | | | | | | | |
| Australia | S&P/ASX 200 | 5747.10 | -32.10 | -0.56% | | | | | | | 5156.60 | | | | | | 5956.50 | | | 1.4 | | |
| China | Shanghai Composite | 3268.72 | 0.29 | 0.01% | | | | | | | 2980.43 | | | | | | 3292.64 | | | 5.3 | | |
| Hong Kong | Hang Seng | 27047.57 | -296.65 | -1.08% | | | | | | | 21574.76 | | | | | | 27854.91 | | | 22.9 | | |
| India | S&P BSE Sensex | 31524.68 | -270.78 | -0.85% | | | | | | | 25765.14 | | | | | | 32575.17 | | | 18.4 | | |
| Japan | Nikkei Stock Avg | 19470.41 | -232.22 | -1.18% | | | | | | | 16251.54 | | | | | | 20230.41 | | | 1.9 | | |
| Singapore | Straits Times | 3251.99 | -16.89 | -0.52% | | | | | | | 2787.27 | | | | | | 3354.71 | | | 12.9 | | |
| South Korea | Kospi | 2358.37 | -3.30 | -0.14% | | | | | | | 1958.38 | | | | | | 2451.53 | | | 16.4 | | |
| Taiwan | Weighted | 10321.33 | -48.04 | -0.46% | | | | | | | 8902.30 | | | | | | 10579.38 | | | 11.5 | | |

Source: SIX Financial Information;WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



| Country/currency | Fri in US\$ | Fri per US\$ | US\$ vs. YTD chg (%) |
|---------------------|-------------|--------------|----------------------|
| Americas | | | |
| Argentina peso-a | 0.0578 | 17.2960 | 9.0 |
| Brazil real | 0.3170 | 3.1542 | -3.1 |
| Canada dollar | 0.7955 | 1.2571 | -6.5 |
| Chile peso | 0.001548 | 645.80 | -3.6 |
| Colombia peso | 0.0003344 | 2990.25 | -0.4 |
| Ecuador US dollar-f | 1 | 1 | unch |
| Mexico peso-a | 0.0562 | 17.7801 | -14.3 |
| Peru sol | 0.3085 | 3.2415 | -3.3 |
| Uruguay peso-e | 0.0350 | 28.610 | -2.5 |
| Venezuela bolivar | 0.097316 | 10.28 | 2.8 |
| Asia-Pacific | | | |
| Australia dollar | 0.7932 | 1.2607 | -9.2 |
| China yuan | 0.1499 | 6.6713 | -3.9 |

| Country/currency | Fri in US\$ | Fri per US\$ | US\$ vs. YTD chg (%) |
|--------------------|-------------|--------------|----------------------|
| Hong Kong dollar | | | |
| | 0.1278 | 7.8233 | 0.9 |
| India rupee | | | |
| | 0.0156 | 64.0951 | -5.7 |
| Indonesia rupiah | | | |
| | 0.0000748 | 13362 | -1.2 |
| Japan yen | | | |
| | 0.009151 | 109.27 | -6.6 |
| Kazakhstan tenge | | | |
| | 0.003000 | 333.29 | -0.1 |
| Macau pataca | | | |
| | 0.1241 | 8.0554 | 1.8 |
| Malaysia ringgit-c | | | |
| | 0.2331 | 4.2895 | -4.4 |
| New Zealand dollar | | | |
| | 0.7331 | 1.3641 | -5.5 |
| Pakistan rupee | | | |
| | 0.0095 | 105.375 | 1.0 |
| Philippines peso | | | |
| | 0.0195 | 51.393 | 3.6 |
| Singapore dollar | | | |
| | 0.7334 | 1.3635 | -5.8 |
| South Korea won | | | |
| | 0.0008767 | 1140.66 | -5.6 |
| Sri Lanka rupee | | | |
| | 0.0065227 | 153.31 | 3.3 |
| Taiwan dollar | | | |
| | 0.03297 | 30.333 | -6.5 |
| Thailand baht | | | |
| | 0.03010 | 33.220 | -7.2 |

London close on Aug. 18

| Europe | | | | |
|--|----------|----------|---------|-------|
| Bulgaria | lev | 0.6006 | 1.6651 | -10.4 |
| Croatia | kuna | 0.1588 | 6.298 | -12.2 |
| Euro zone euro | | 1.1750 | 0.8511 | -10.5 |
| Czech Rep. | koruna-b | 0.0450 | 22.218 | -13.5 |
| Denmark | krona | 0.1580 | 6.3298 | -10.5 |
| Hungary | forint | 0.003873 | 258.20 | -12.3 |
| Iceland | krona | 0.009436 | 105.98 | -6.2 |
| Norway | krona | 0.1264 | 7.9098 | -8.5 |
| Poland | zloty | 0.2746 | 3.6418 | -13.0 |
| Russia | ruble-d | 0.01692 | 59.091 | -3.6 |
| Sweden | krona | 0.1233 | 8.1102 | -10.9 |
| Switzerland | franc | 1.0376 | 0.9638 | -5.4 |
| Turkey | lira | 0.2844 | 3.5165 | -0.2 |
| Ukraine | hryvnia | 0.0393 | 25.4700 | -6.0 |
| U.K. | pound | 1.2851 | 0.7781 | -3.9 |
| Middle East/Africa | | | | |
| Bahrain | dinar | 2.6523 | 0.3770 | -0.04 |
| Egypt | pound-a | 0.0563 | 17.7710 | -2.0 |
| Israel | shekel | 0.2762 | 3.6200 | -5.9 |
| Kuwait | dinar | 3.3135 | 0.3018 | -1.3 |
| Oman | sul rial | 2.5968 | 0.3851 | 0.03 |
| Qatar | rial | 0.2748 | 3.639 | -0.03 |
| Saudi Arabia | riyal | 0.2666 | 3.7504 | -0.01 |
| South Africa | rand | 0.0760 | 13.1635 | -3.9 |
| | | Close | Net Chg | % Chg |
| WSJ Dollar Index | | 86.17 | -0.20 | -0.24 |
| | | | | -7.28 |
| Sources: Tullett Prebon, WSJ Market Data Group | | | | |

Sources: Tullett Prebon;WSJ Market Data Group

Key Rates

| | Latest | 52 wks ago |
|-----------------------------------|------------------|------------|
| Libor | | |
| One month | 1.23500% | 0.52106% |
| Three month | 1.31472 | 0.81711 |
| Six month | 1.45639 | 1.21456 |
| One year | 1.72622 | 1.52322 |
| Euro Libor | | |
| One month | -0.40000% | -0.37143% |
| Three month | -0.37757 | -0.32029 |
| Six month | -0.30414 | -0.20229 |
| One year | -0.20471 | -0.07271 |
| Euribor | | |
| One month | -0.37100% | -0.36900% |
| Three month | -0.32900 | -0.29800 |
| Six month | -0.27100 | -0.18900 |
| One year | -0.15800 | -0.04700 |
| Yen Libor | | |
| One month | -0.03636% | -0.05671% |
| Three month | -0.03586 | -0.01864 |
| Six month | -0.00657 | 0.00679 |
| One year | 0.10943 | 0.10029 |
| | Offer | Bid |
| Eurodollars | | |
| One month | 1.3100% | 1.2100% |
| Three month | 1.3900 | 1.2900 |
| Six month | 1.5800 | 1.4800 |
| One year | 1.8300 | 1.7300 |
| | Latest | 52 wks ago |
| Prime rates | | |
| U.S. | 4.25% | 3.50% |
| Canada | 2.95 | 2.70 |
| Japan | 1.475 | 1.475 |
| Hong Kong | 5.00 | 5.00 |
| Policy rates | | |
| ECB | 0.00% | 0.00% |
| Britain | 0.25 | 0.25 |
| Switzerland | 0.50 | 0.50 |
| Australia | 1.50 | 1.50 |
| U.S. discount | 1.75 | 1.00 |
| Fed funds target | 1.00-1.25 | 0.25-0.50 |
| Call money | 3.00 | 2.25 |
| Overnight repurchase rates | | |
| U.S. | 113% | 0.48% |
| Euro zone | n.a. | n.a. |

Sources: WSJ Financial Data Group, SIX
WFSI Market Information, Tullet

FINANCE & MARKETS

A Wrong-Way Bet on Gas Costs Goldman

By **LIZ HOFFMAN**

Goldman Sachs Group Inc. lost more than \$100 million in a wrong-way wager on regional natural-gas prices this spring, a setback that played a large role in the New York bank’s subpar second-quarter trading performance.

Goldman wagered that gas prices in the Marcellus Shale in Ohio and Pennsylvania would rise with the construction of new pipelines to carry gas out of the region, people familiar with the matter said. Instead, prices there fell sharply in May and June as a key pipeline ran into problems.

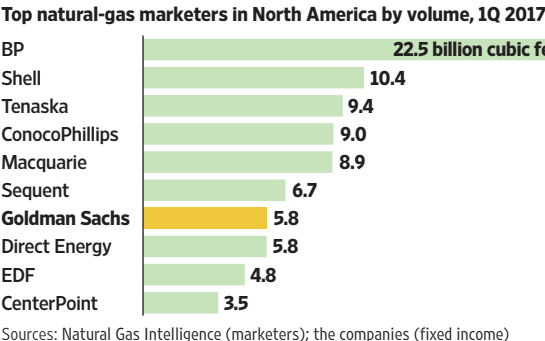
Goldman said in July that the quarter ended June 30 was the worst ever for its commodities unit, which has been one of the firm’s most consistent profit centers and a training ground for many of its top executives, including Chief Executive Lloyd Blankfein.

The setback extended a broader trading slump at a company once known as Wall Street’s savviest gambler. Goldman shares fell 2.6% on the day of the report despite a stronger-than-expected bottom-line profit.

The loss highlights the trade-offs Goldman made in sticking with the risky com-

Trading Places

Goldman Sachs is the only U.S. bank among the top gas traders in North America. The bank’s market share of fixed-income trading has been declining for years.



modities-trading business, even as other large banks retreated following the financial crisis. Trading oil, metals and other physical commodities is increasingly dominated by less-regulated companies such as Glencore PLC and Gunvor Group Ltd.

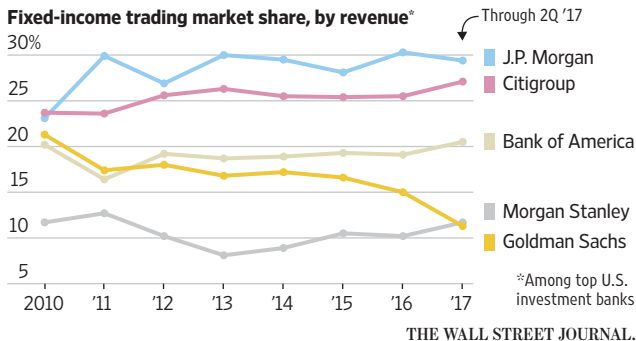
Goldman is the seventh-biggest marketer of natural gas in North America, up from 13th in 2011, according to Natural Gas Intelligence—bigger than U.S. energy giants such as Exxon Mobil Corp. and Chesapeake Energy Corp. It has been the only U.S. bank in the top 20 since 2013, when J.P. Morgan Chase & Co. left the business.

Goldman’s key miscalculation last quarter was betting that natural-gas prices in the

Marcellus Shale would rise relative to the national benchmark price in Louisiana known as the Henry Hub, the people familiar with the matter said. Essentially, it was a bet on the timely completion of pipelines under construction to ferry a glut of gas out of the region.

But one of those pipelines ran into trouble this spring: the 1,148-kilometer Rover, which would transport gas from the Marcellus to the Midwest and beyond.

Its developer, **Energy Transfer Partners**, in February bulldozed a historic Ohio home without notifying regulators, and scrambled to finish clearing trees before the roosting season for a protected bat species. In May, federal regulators



barred Energy Transfer from drilling on some segments of the route after a series of fluid spills. The first leg of the pipeline, which had been set to come online in July, isn’t expected until at least September.

Energy Transfer said it has “been working efficiently and nonstop to remediate” problems and expects to have the entire pipeline operational in January.

The delays in one case quadrupled the market discount on Marcellus gas prices. At one Pittsburgh-area hub, the Dominion South, the Marcellus discount rose from 29 cents per million British thermal units at the end of March to \$1.16 on June 16. Prices moved similarly for futures contracts

guaranteeing fall deliveries.

Goldman was in part likely catering to gas producers in the region that wanted to lock in steadier revenue through swaps and other contracts. Many Marcellus drillers reported big gains in the value of their derivatives portfolios in the second quarter—meaning their trading partners lost money in that period, at least on paper.

It isn’t clear to what extent Goldman attempted to hedge against possible losses. Hedging is an imperfect science in the best of circumstances, influenced by factors such as weather and trading volatility. It often gets harder and more expensive further into the future.

While the 2010 Volcker rule

prevents banks from betting their own money on changes in asset prices, they are allowed to facilitate trades for clients looking to buy or sell.

Whether a particular trade complies with the Volcker rule depends on many factors, including who initiated it and how long the bank intends to hold the position.

Goldman has been on the right side of large trades as well. Last year, it booked \$100 million in gains when one of its credit traders bought beaten-down corporate bonds before prices recovered.

Commodities hold a special place at Goldman. The division, which still operates as J. Aron, a coffee and metals trader that Goldman bought in 1981, gave Mr. Blankfein, President Harvey Schwartz and Chief Financial Officer R. Martin Chavez their starts at the company. J. Aron’s \$10 billion in pretax profit between 2006 and 2011 accounted for 15% of Goldman’s total profit over that period.

“Clients want to buy, so we sell. They want to sell, so we buy,” Mr. Chavez said on a July conference call with investors. He added that Goldman “remains committed in every way to help our clients manage their commodity risk.”

U.S. Drops Civil Case Connected to ‘London Whale’

By **REBECCA DAVIS O'BRIEN**

Federal regulators said they would drop civil charges against two former **J.P. Morgan Chase & Co.** traders at the center of the 2012 “London Whale” saga, ending the last U.S. case against traders involved in a debacle that cost the bank more than \$6 billion.

The decision by the Securities and Exchange Commission, disclosed Friday, follows a move in July by U.S. prosecutors to abandon criminal charges against the same employees, Javier Martin-Ar-

tajo and Julien Grout.

The former traders were accused of hiding the losses as they mounted inside a London outpost of J.P. Morgan. The government cases relied on a key witness, Bruno Iksil, who worked alongside Messrs. Martin-Artajo and Grout. Mr. Iksil, nicknamed the “London Whale” for his outsize bets, agreed in 2013 to testify against his former co-workers for their then-alleged roles in hiding the losses. The one-paragraph filing Friday from the SEC doesn’t disclose the reason for the SEC’s dismissal.

But people familiar with the case said the move reflected concerns about Mr. Iksil, who in recent public statements and deposition testimony stated the defendants hadn’t engaged in mismarking and had acted with assent from senior management. That potentially contradicted the government’s theory of the case, these people said.

The criminal case collapsed in July for similar reasons. On July 21, prosecutors in the Manhattan U.S. attorney’s office said the government “no longer believes that it can rely

on the testimony of Iksil in prosecuting this case” after a “review of recent writings and statements made by Iksil.”

Lawyers for Messrs. Martin-Artajo and Grout welcomed the decision to drop the civil and criminal cases. “At the end of the day there was no evidence against him that justified the charges,” said Edward Little, a lawyer for Mr. Grout. Bill Leone, a lawyer for Mr. Martin-Artajo, said his client was “grateful,” adding: “This was not an unfair or an unjust result.”

The U.S. Attorney’s Office

also cited extradition challenges in its decision to drop the criminal charges: Mr. Martin-Artajo is a Spanish citizen, Mr. Grout is a French citizen and neither appeared in the U.S. to face the charges.

Because of the extradition issue, the SEC was allowed to go ahead with civil proceedings before the criminal case against Messrs. Martin-Artajo and Grout was resolved—an unusual sequence of events. U.S. prosecutors asked the court overseeing the SEC case in 2015 to take “any available measures to prevent the defen-

dants from using the civil-discovery process to circumvent the criminal process while they remain fugitives from justice in the criminal case.”

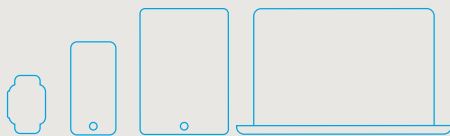
It was during discovery that Mr. Iksil’s changing account emerged. In a February hearing in the SEC matter, Mr. Little told the court that they had learned of a 400-page memoir by Mr. Iksil that appeared to contradict the government’s case. Mr. Iksil had also published some of his claims online.

—Gregory Zuckerman contributed to this article.



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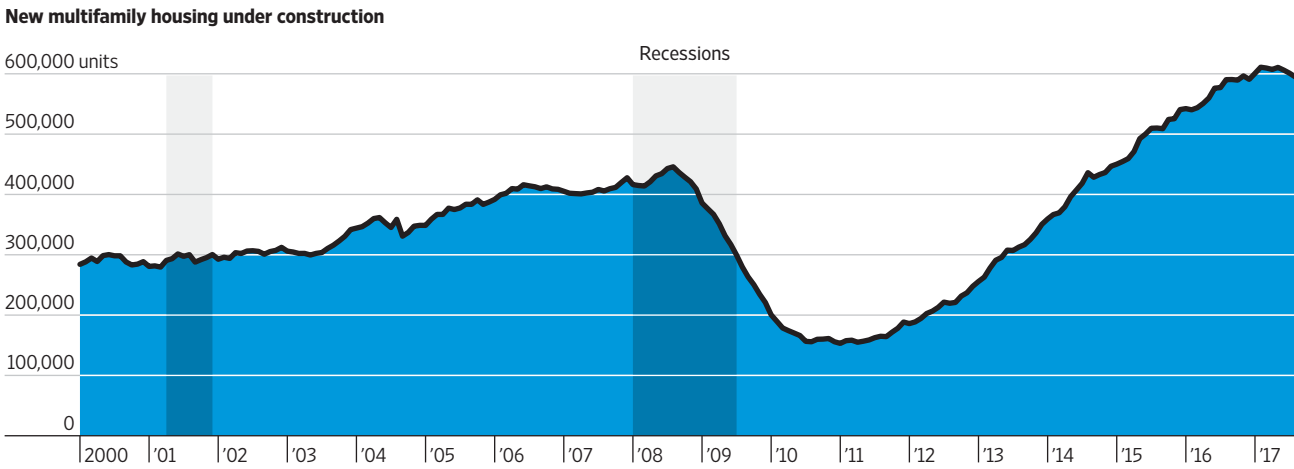
MARKETS

THE DAILY SHOT | By Lev Borodovsky and Amrith Ramkumar

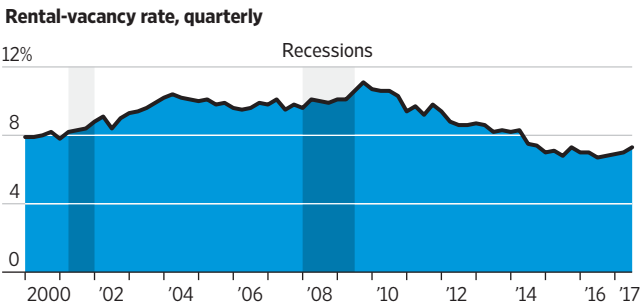
Complications Arise in the Housing Recovery

The U.S. housing market continues to improve, extending gains that began not long after the economy bottomed out in the wake of the financial crisis. But the pace of improvement is slowing and cracks are starting to appear, raising questions about what the end of 2017 may bring.

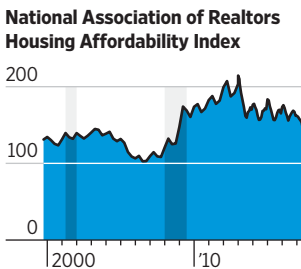
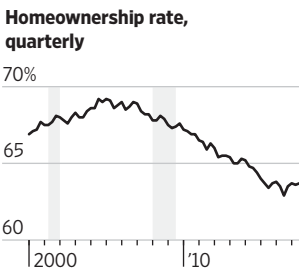
To meet the demand for rentals, the industry went on a building spree. Multifamily housing under construction recently hit its highest level in decades.



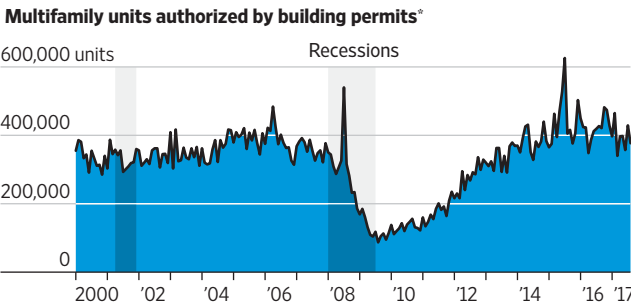
But renters have started to push back against rising costs. The rental-vacancy rate has reversed course.



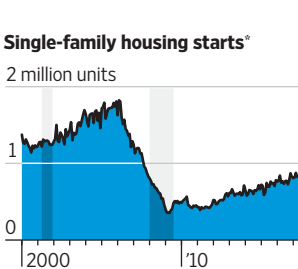
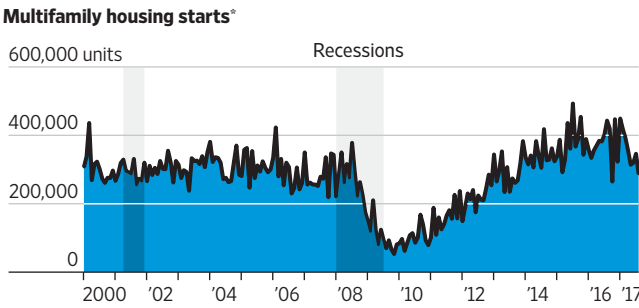
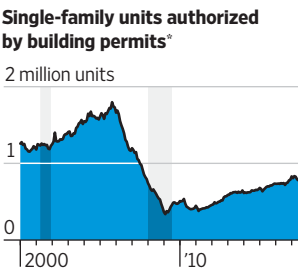
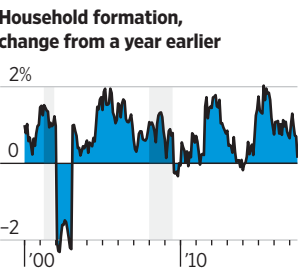
Homeownership has stabilized after a multiyear decline as Americans are buying homes with rents so expensive.



And with the vacancy rate climbing again after a long postrecession descent, new construction has declined.



But there are challenges ahead for new homeowners, who are faced with declining affordability. And tepid household formation and weak wage growth are holding back the supply expansion of new single-family homes.



*Seasonally adjusted annual rate. Note: Data not seasonally adjusted unless otherwise noted. *Multifamily* refers to structures of five units or more. Sources: U.S. Census Bureau via Federal Reserve (construction, vacancy, permits, starts, homeownership; formation); John Burns Real Estate Consulting (rent); National Association of Realtors via Federal Reserve (affordability)

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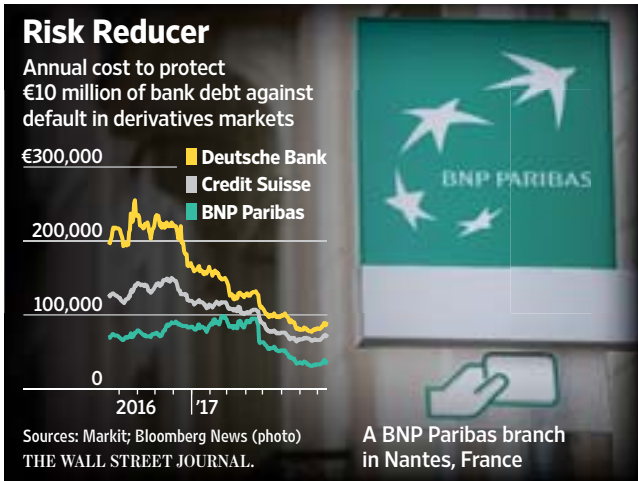
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The Case for Owning BNP Paribas Stock

Europe's banks have had a decent run as fears of a eurozone crackup have faded. But France's biggest bank has more to offer.

BNP Paribas shares enjoyed a sharp jump in the spring when Emmanuel Macron's pending victory in France's presidential race eased fears of a populist-led European breakup, but they have gone sideways since then.

BNP has had its troubles: Back in 2014, a \$9 billion penalty for busting U.S. sanctions added to concerns that it was short on capital. Since then, the bank has been quietly improving profitability, building its capital base and, in the past few quarters, emerging as a surprise winner from rivals' investment-banking woes. Since 2013, BNP's share of European capital markets revenue has risen to 11% from 9%, mainly during this year, according to analysts at



Goldman Sachs. That is mostly at the expense of **Deutsche Bank** and **Credit Suisse**. BNP has done especially well in equities trading, particularly servicing hedge funds. These may often be fickle clients, but there is a big reason BNP can continue to win share: It is more at-

tractive and cheaper to deal with as a counterparty. The cost of protecting BNP's debt against default is roughly half that of rivals Credit Suisse and Deutsche Bank. That translates into real savings for institutional clients. The third quarter of this year is likely to give investors more evidence of invest-

ment-banking progress. Going by the first half, BNP is on course to add more to its investment banking and markets revenues for all of 2017 than any European rival. Furthermore, it is growing revenues in this division while cutting costs. Expenses were down 6% in the second quarter versus the like period last year and the bank said it has found more opportunities for savings. At the same time, things should improve for France and BNP's big domestic retail bank. In September, Mr. Macron is expected to push through liberalization of labor laws to encourage new hiring, which should cut France's stubbornly high unemployment rate and help the economy—and credit growth. This year should also settle another worry hanging over banks, especially French ones. When the so-called Basel IV changes are com-

pleted, they will likely make minimal demands on the capital resources of BNP, at least in any of the next five years. BNP trades at less than 90% of its forecast book value for 2017 and 2018. That puts it slightly ahead of Credit Suisse, which trades for about 80%, and way ahead of **Barclays** and Deutsche Bank. But based on consensus earnings forecasts, it is those rivals that are overvalued. BNP's stock price implies a higher cost of equity than these rivals and other large European banks. But the French lender has demonstrated consistently that it hits its targets and produces more reliable returns. Over the next few months, investors should see that BNP ought to have a lower cost of equity—and that will mean a higher valuation than today.

—Paul J. Davies

OVERHEARD

You've got to spend money to make money, even in investment banking. But do you have to spend money to be told how to make money? If you are an institutional investor in the European Union, then new rules will require that you pay for all of the research reports bankers used to give away at no cost. This transparency will cost **Bank of America's** clients as much as \$80,000 a year per user, according to Bloomberg News. Just think how envious they will be of mom-and-pop clients of retail brokerage Merrill Lynch across the pond. The brokerage, owned by BofA, charges nothing to open a MerrillEdge account and has no minimum balance. They won't get to speak with analysts or meet company management like the big boys, but clients get all of BofA's global research free. Everything really does cost more in Europe.

Jack Ma Does It Again With MassMutual

Insurance is supposed to be big business, especially in Asia, and everyone wants a piece of it—including **Alibaba's** Jack Ma. **Yunfeng Financial Group**, which Mr. Ma co-founded, is joining the likes of **Sina** and an investment vehicle backed by Singapore's sovereign-wealth fund in a \$1.7 billion bid for the Hong Kong and Macau businesses of **MassMutual**, one of the oldest life insurers in the U.S. But while MassMutual is big at home—\$20 billion in annual premiums—it is small potatoes in Hong Kong and Macau, with about 2% of Hong Kong's \$45 billion insurance market. It also has a weak policy-distribution network. As for its investments, they are mostly bonds.

Still, for Mr. Ma et al, the deal is about getting into the insurance business without the hassle of capital regulatory commitments and a yearslong wait for a license. *The deal is about getting into insurance without the hassle of some commitments.* The Hong Kong market is crowded, especially with life insurers, which account for around 90% of all premiums, and earlier this year the city set up a more powerful independent insurance regulator that is preparing to issue rules that will raise stan-

dards—and costs. At this point, the deal is just option value. At 1.9 times book, the bid matches the average price for Hong Kong-traded Chinese insurers, so it seems like a fair price for Mr. Ma. Hong Kong insurance behemoth **AIA** trades at 2.5 times. In fact, it is an even better deal for Mr. Ma: While the other bidders are putting up cash, Yunfeng plans to pay for its 60% stake by issuing new shares and an interest-free, single-installment U.S.-dollar note backed by a letter of credit, for around \$1 billion. Investors seem convinced, sending Yunfeng shares soaring 20% in early Hong Kong trading Friday; they ended 5.4% higher. Jack Ma strikes again. —Anjani Trivedi

A Pillar of China's Growth Shows Cracks

Summer in the city is tough—especially if you're a construction worker in China's furnace-like interior. In July, as temperatures in China were breaking records, the economy showed distinct signs of slowing following a strong run in the first half. The heat itself may have been a factor. But July housing prices, out Friday, are another sign momentum is faltering: Prices in the multitude of medium-size cities in China's vast interior, which account for as much as 70% of the housing market by floor space, rose at a slower pace for the second month in a row. That is troubling for all the investment and commodities demand they drive. The deceleration in growth, from a rise of 0.9% on the month in June to

0.6% in July, is minor. But consumer-loan growth and tightening mortgage restrictions have already put the lid on rallies in coastal markets like Beijing and Shanghai. If prices in the interior begin falling, or if housing investment weakens again in August, it may be time to start hedging bets on China growth plays. Some vulnerable stocks include mining firms and U.S. construction-equipment maker Caterpillar. Some slowdown in the interior is to be expected. Credit has been gradually tightening in China for months. Steel prices are up, buoyed by mill-capacity cuts. That is fantastic for steel producers but bad for downstream industries like construction, which buy steel. Steel sector growth acceler-

ated in July, while most other sectors decelerated. The biggest bullish factor for Chinese construction remains intact: Massive housing inventories, which depressed construction growth for years, are still falling. Vacant, unsold housing floor space in China fell 10 million square meters in July to the lowest level since February 2014, according to data released earlier in the month. Vacant floor space is down 20% on the year. China's housing market looks close to an inflection point. If August data show sales and investment weakening again, or the fall in inventories leveling off, sentiment on China is likely to deteriorate rapidly—a chilly end to the dog days of summer. —Nathaniel Taplin