

# THE WALL STREET JOURNAL.

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THURSDAY, AUGUST 10, 2017 ~ VOL. XLI NO. 241

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ASIA EDITION

As of 12 p.m. ET DJIA 22037.92 ▼ 0.21% NIKKEI 19738.71 ▼ 1.29% STOXX 600 379.84 ▼ 0.73% BRENT 52.31 ▲ 0.33% GOLD 1272.40 ▲ 1.27% EURO 1.1745 ▼ 0.06% DLR \$109.97 ▼ 0.31%

## What's News

### Business & Finance

Tesla has raised billions of dollars in equity by selling stock investors a story of unlimited growth. Now the company is hoping the same playbook will work with bond investors. **A1**

◆ Google's firing of an employee who wrote a memo denouncing the firm's diversity push drew a whirlwind of both criticism and support. **B1**

◆ Bank of America is preparing to join the premium rewards card fray, planning a new twist on hot products like the Sapphire Reserve card from J.P. Morgan. **B5**

◆ Vantiv agreed to acquire U.K. payments processor Worldpay for about \$10.4 billion in cash and stock. **B1**

◆ Disney said it is starting two online streaming services to offer its content directly to consumers and that it would pull future movies from Netflix. **B3**

◆ Apple supplier Japan Display said it wouldn't rule out a partnership with a Chinese or Taiwanese company to survive. **B4, B8**

◆ Dairy makers are hoping pureed fruit and genetically screened cows can help win back consumers who have soured on milk. **B1**

◆ Mylan cut its forecast for the next two years as it faces increased competition from generic drugs. **B3**

◆ SoftBank and its Vision Fund are closing a \$1 billion investment in online sports retail firm Fanatics. **B4**

### World-Wide

◆ Trump boasted about the strength of the U.S. nuclear arsenal, prompting North Korea to announce that it is considering firing missiles at Guam, a U.S. territory in the Pacific. **A1**

◆ South Korea is threatened by any armed conflict between the U.S. and North Korea, but the country's general public has yet to show alarm about it. **A1**

◆ French authorities shot and arrested a man suspected of ramming a car into a group of soldiers in a Paris suburb. **A3**

◆ China's consumer inflation slowed in July, with softer nonfood prices signaling that economic activity may be cooling. **A2**

◆ Kenyan opposition leader Odinga said a hacking attack skewed the results of the country's general election. **A3**

◆ FBI agents raided the home of Trump's former campaign chairman. **A3**

◆ Arrests of people trying to illegally cross the Mexican border into the U.S. rose in July from the previous month. **A5**

◆ Trump pledged a tougher response to opioid addiction, and his officials plan to increase antiodio-dose treatment. **A5**

◆ Monkeys are pillaging a Thai naval base for food, damaging telephone cables and documents in a way that is causing disarray among the sailors. **A4**

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THURSDAY, AUGUST 10, 2017 ~ VOL. XLI NO. 241

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ASIA EDITION

## U.S.-North Korea Talk Heats Up



North Koreans shout slogans and carry banners at a rally in Pyongyang in support of their country's stance against the U.S.

## In Harm's Way, Seoul Carries On

By JONATHAN CHENG

general lack of public alarm.

SEOUL—Thirty-five miles from the world's most heavily fortified border, Song Young-kwon, 60 years old, isn't too concerned about the possibility of nuclear annihilation.

In South Korea, a close U.S. ally whose capital city risks bearing the brunt of any armed confrontation between Washington and Pyongyang, the most striking reaction on Wednesday to the latest escalation of nuclear threats was the

"I didn't see the news about Guam," said Mr. Song, while browsing at a stationery store in downtown Seoul. "Where's Guam located?"

Hours earlier, North Korean

leader Kim Jong Un ordered his military to examine a plan for a missile strike on the U.S. military base on Guam, making an unusually explicit threat to attack American soil.

The move came after President Donald Trump warned North Korea against making any more threats to the U.S., saying the country "will be met with fire and fury like the world has never seen."

In the event of a U.S. strike against Pyongyang, Seoul stands in the firing line. The

city of some 10 million people is a 45-minute drive from the border where North and South Korean forces face off and where the North has amassed artillery capable of inflicting severe damage on Seoul.

For many South Koreans, this has always been the case. Some say they find it difficult to keep track of the barrage of threatening language coming out of, and aimed at, Pyongyang.

But with North Korea edging closer to being able to deliver a

Please see MOOD page A4

Trump touts American nuclear arsenal after Pyongyang responds to 'fire and fury' remark

By PAUL SONNE  
AND LOUISE RADNOFSKY

WASHINGTON—A battle of rhetoric between the U.S. and North Korea that is raising alarm in Asia escalated on Wednesday as President Donald Trump boasted of the American nuclear arsenal's strength, vowing "there will never be a time that we are not the most powerful nation in the world."

"My first order as president was to renovate and modernize our nuclear arsenal," he said on Twitter. "It is now far stronger and more powerful than ever before," adding, "Hopefully we will never have to use this power."

The president's social media comments came the morning after he bluntly warned North Korea against making any more threats to the U.S., saying the country "will be met with fire and fury like the world has never seen."

Hours after Mr. Trump's remarks on Tuesday, North Korea made its most specific threat against the U.S. yet—saying through official media that it was considering firing missiles at Guam, a U.S. territory in the Pacific.

Mr. Trump responded Wednesday morning by retweeting a Fox News story about U.S. Air Force jets taking off from Guam for training earlier in the week, ensuring

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◆ Yen role as haven defies danger ..... B1  
◆ Worries over Korea drag stocks down ..... B8

## Tesla Sale Of Bonds Tests Faith Of Buyers

By MATT WIRZ  
AND SAM GOLDFARB

Tesla Inc. has raised billions of dollars in equity by selling stock investors a story of unlimited growth. Now the company is hoping that the same playbook will work with bond investors.

It isn't yet clear how effective the approach will be. The bond sale is being proposed at a yield of 5.25%, low considering the company's junk rating. That reflects investors' willingness to accept modest yields in a market starved for new deals, but some are concerned about the company's losses and aggressive financial projections.

Although the electric-car maker's stock could produce high returns if Tesla succeeds in competing with conventional auto makers, bondholders will collect only interest on their investments, and could be wiped out if the company flops. That capped return means potential bond buyers are focused mostly on the risk the company won't repay them.

"This is basically an equity story," said Michael Cazayoux, a high-yield analyst at KDP Asset Management. "The bond market is more of a professional market and we're looking at it from credit metrics."

Debt investors who have heard Tesla's pitch for the eight-year, \$1.5 billion unsecured bond this week say it is a little different than those they normally get from potential borrowers. Executives and bankers have focused on Tesla's near-\$60 billion market value and lofty ambitions while placing less emphasis on the details of its actual financial performance.

Trying to assuage investors' concerns during a meeting in Manhattan on Monday, Chief Executive Elon Musk compared the Tesla's near-term production challenges to sau-

## CHINA DREAM IS NIGHTMARE FOR APPLE

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## MANAFORT'S HOME RAIDED IN PROBE

U.S. NEWS, A5

## KONDO YOUR CHILDREN

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## Sorry to Miss Your Wedding—I Was Wearing Eclipse Glasses

\* \* \*

Couples tying the knot on Aug. 21 will issue safety specs, dance to Bonnie Tyler

By DANIELA HERNANDEZ

During most weddings, all eyes are on the bride.

Halfway through the ceremony joining Haley Cohen and Phil Schembri in Wilson, Wyo., however, the couple expects everybody to turn away. For at least two minutes and 15 seconds.

Ms. Cohen and Mr. Schembri are among the couples who have gone to great lengths to schedule their nuptials during the Aug. 21 solar eclipse, which will cast a shadow of darkness across the U.S. from Oregon to the Carolinas as the moon passes directly between the Earth and the sun. And, yes,

"Weddings are so cookie-cutter now," Ms. Cohen said, "you have to make sure it's something special."

Some couples are astronomy nerds. Others just want a bit of solar flair. The last eclipse to traverse the continental U.S. was in 1918.

The once-in-a-lifetime opportunity does present some logistical challenges: corralling guests to a Monday wedding for one, repeated calls for the DJ to play the 1980s song "Total Eclipse of the Heart" and dark wedding photos featuring guests in near-blackout eclipse glasses.

One complication, notes Mr. Schembri, a 29-year-old aerospace engineering student,

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## BILL FORD FEELS FORD NEEDS A VISION—HIS

Chairman led management shake-up to shift faster into electric vehicles, self-driving cars

By CHRISTINA ROGERS  
AND JOANN S. LUBLIN

Two decades ago, when Bill Ford took the helm of his family's auto company, he was ready to talk about the coming shift to electric vehicles and the eventual demise of car ownership.

His ideas were dismissed. At one point, when he wanted Ford Motor Co. to invest in developing alternative transportation, "the board kind of looked at me like once again I was over my ski tips," Mr. Ford said in an interview.

As years went by, other auto makers and tech companies got on board with his thinking. They overtook Ford in electric and self-driving technologies, and in April, Tesla Inc., which sells stylish electric cars, passed Ford in investor value, a dashboard warning signaling Wall Street's skepticism about the growth prospects of traditional car makers.

Ford was being left behind, and the man with his name on the door, who for years had largely deferred to management, decided to intervene.

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## Oracle #1 SaaS Enterprise Applications Revenue

#1  
Oracle Cloud 14.5%

#2  
Salesforce Cloud 12.4%

1,000+ Employees Segment, 2015

ORACLE®

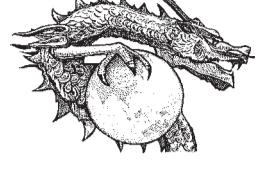
oracle.com/applications

Source: IDC "Worldwide SaaS Enterprise Applications Market Shares, 2015: The Top 15 by Buyer Size," doc #USA1913816, Dec. 2016, Table 4. For the purposes of this report, SaaS enterprise applications include the following application markets: CRM, engineering, ERP, operations and manufacturing, and SCM.

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WORLD NEWS

# Beijing's Dream Is a Nightmare for Apple



## CHINA'S WORLD

By Andrew Browne

SHANGHAI—In his 2005 book "One Billion Customers," a how-to guide for navigating the China market, James McGregor offered this advice: "Never 'tremble and obey' if doing so will damage or destroy your business in China."

Tell that to today's American CEOs.

When authorities ordered Apple Inc. to pull

unauthorized apps that help internet users get around censorship controls, it agreed. Chief Executive Tim Cook defended the move by saying the company was merely following Chinese law. His compliance, though, illustrates a challenge that the Trump administration faces as it builds a case against unfair Chinese trading practices.

Washington has a CEO problem. U.S. corporate chiefs are focused on preserving their short-term profits in China by trying to stay on the right side of a hard-line—and increasingly antiforeign—regulatory regime. If, as expected, the White House goes after China's rampant intellectual property abuses, the companies will be torn.

Just about everybody in

the U.S. capital is complaining about how China forces foreign companies to give up technology in return for market access.

Everybody, that is, except the immediate targets of the state-directed heist—the companies themselves.

CEOs of U.S. high-tech companies have been notably silent. That is the case even though their operations are highly vulnerable: China makes no secret of wanting their technology so it can replace them on its way to building itself into a manufacturing superpower.

Yet, not only do they refrain from criticism, some actually cooperate.

Call it the Stockholm

syndrome, whereby

hostages start to identify with their captors. U.S.

tech giants have invested

billions of dollars in tie-ups

with state entities at the

forefront of projects like

"Made in China 2025" aimed

at gaining Chinese domi-

nance in emerging indus-

tries from driverless cars to

robotics.

Among U.S. companies

that have fallen in behind

China's ambitions to make

leading-edge computer

chips are Qualcomm, Intel

and AMD.

For a long time, U.S. tech

executives have been reluc-

tant to admit the scale of

their intellectual property

losses in China.

In 2011, then Microsoft

Chief Executive Steve Ballmer

put a figure on it in com-

ments he thought were off-

the-record. That year, he pre-

dicted, China revenues would

be about 5% of the U.S., even

though personal-computer

sales back then were almost

equal in the two markets.

Why the passivity? China

now owns the world's fast-

est-growing consumer mar-

kets by far, and U.S. CEOs be-

lieve they must be there

come what may. They expect

retaliation for complaining.

But there is also a psychol-

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THOMAS PETER/REUTERS

Apple CEO Tim Cook at the China Development Forum in March.

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Why the passivity? China now owns the world's fastest-growing consumer markets by far, and U.S. CEOs believe they must be there come what may. They expect retaliation for complaining.

But there is also a psychology at work that reflects the new dynamics of power in the global economy.

A China making rapid technological strides is feeling supremely confident, and this is reflected in its attitudes toward international investors.

A figure like Mr. Cook commands a great deal of respect, even deference, in Washington. In Beijing, he's treated like any other business executive—as a supplicant, angling for favors to

keep his market hopes alive.

Mr. Cook addressed the difficult business environment in China last week on an earnings call with analysts, saying: "We believe in engaging with governments even when we disagree."

In any U.S.-China trade conflict, U.S. CEOs will be caught in a tough bind between two arch-nationalists—U.S. President Donald Trump and Chinese President Xi Jinping. And it isn't at all clear how the companies will position themselves.

"Actually, you can say that Xi Jinping is more important than Trump to many U.S. CEOs," says Mr. McGregor, the book author who is also chairman for greater China of business consulting firm

APCO. Previously he worked as The Wall Street Journal's bureau chief in Beijing, and later ran Dow Jones's business operations in China.

There is virtually no recent precedent for U.S. corporate resistance in China. Those who point to Google as a brave exemplar—it exited the country in 2010 rather than censor its searches—miss quite a bit of nuance. Google pulled its search engine only after Chinese hackers broke into its systems in search of source code. In other words, it fled an existential threat as much as an ethical dilemma.

Now Google and its parent company, Alphabet, want back in, even going so far as to holding major public events in China in efforts to

endeavor itself with government officials, raise its public profile and attract Chinese engineering talent.

If Google gets its wish—or Facebook Chief Executive Mark Zuckerberg makes the entry he so clearly craves—it will be on Chinese censorship terms more onerous than ever. As Lu Wei, the former head of the Cyberspace Administration of China, once put it: "I have a choice about who comes to be a guest at my home."

And for how long they can stay: Increasingly, high-tech companies assume that, in the end, all their products are in mortal danger; once they've achieved a certain market share, and Chinese companies are strong enough to compete, the technology is liable to be nationalized in one form or another, or shoved aside.

By this logic, Apple is on a risky trajectory. Local smartphone brands like Vivo and Oppo are closing in.

Apple's decision to pull apps that circumvent the Great Firewall drew sharp condemnation from a key group of consumers. Research by Molly Roberts, a professor at the University of California San Diego, shows that up to 20% of Chinese internet users in their 20s rely on such devices. Many buy them from the iPhone store.

In his earnings call last week, Mr. Cook said he hoped for fewer restrictions in China in the future. Apple declined to comment further.

But obedience, in this case, has damaged Apple's public image if not its bottom line. And the rewards for compliance are far from certain.

## China Inflation Slows Down

BEIJING—China's consumer inflation slowed a notch in July, with softer non-food prices signaling that economic activity may be cooling as Beijing works to reduce debt levels.

China's consumer-price index rose 1.4% in July from a year ago, compared with a 1.5% gain in June, the National Bureau of Statistics said on Wednesday. The result was also lower than a 1.5% increase expected by economists polled by The Wall Street Journal.

Food prices, the biggest component of the consumer inflation index, declined 1.1% from the same time a year ago, less steeply than their 1.2% drop in June. Prices of vegetables and eggs rose, driven up by a widespread heat wave and flooding, the statistics bureau said.

Meanwhile, the rate of increase in the price of nonfood items fell to a seven-month low of 2.0% last month, as health care and services became less expensive, the bureau said.

The absence of price pressure means Beijing may have



AGENCE FRANCE PRESSE/GETTY IMAGES

A market in Hangzhou. Food prices declined less steeply in July.

to look for levers other than raising key interest rates in its campaign to bring down high rates of corporate debt, some economist said.

"Overall, China's inflation pressure is ebbing. That's a sign that shows monetary policy cannot be tightened further," said Yang Weixiao, an economist at Founder Securities.

July's consumer inflationary rate is well below Beijing's 3% target set for 2017. Some economists said the rate still has room to fall, to

around 1%, before affecting monetary policy.

Beijing has made reducing financial risk and leverage its priority this year. After securing a higher-than-expected economic growth rate in the first half, many economists expect the momentum to ebb in the second half of the year as policy tightening dampens economic activity.

Mr. Yang said there will be a risk of deflation if China's monetary policy tightens more.

Meanwhile, China's pro-

ducer-price index stayed unchanged at 5.5% for a third consecutive month in July, and turned positive in month-over-month terms for the first time since March.

After falling for nearly five years, China's producer-price index only turned positive last September. A decline of producer prices has burdened factories with shrinking profits and increasing debt.

While July's gain was the 11th in a row, the index is expected to sag in the months ahead amid slackening domestic demand and softening commodity prices, said Liu Xuezhi, an economist with Bank of Communications.

"With growth likely to slow further in the coming quarters, we think the pickup in price pressures witnessed during the past year will continue to unwind. This will disappoint those hoping for a sustained period of reflation that could help to erode corporate debt burdens," said Julian Evans-Pritchard, an economist with Capital Economics.

Grace Zhu and Liyan Qi contributed to this article.

## TESLA

Continued from Page One  
sage-making, saying a somewhat ugly process would ultimately pay dividends.

Tesla's leadership in the electric-vehicle industry and its status as the most valuable U.S. auto maker are both factors that will help some bond buyers overlook the company's lack of profitability, some fund managers said. And the bond deal is small enough that the underwriter, Goldman Sachs Group Inc., is expected to find buyers for it, especially given this summer's scarcity of other new bond sales in the market.

The trouble for bond analysts evaluating Tesla is the uncertainty about when the company will start making cash rather than spending it. The firm had about \$3 billion of cash in June—and would increase that by 50% with the bond offering—but is projected to spend \$2 billion in the second half of 2017.

"The early-stage nature of Tesla makes it something we're not interested in," says William Zox, chief investment officer at the mutual-fund firm Diamond Hill Capital Management Inc.

The cash burn is likely to continue throughout next year and the company could return to bond markets for more funds to pay for its new product line, the moderately priced Model 3, says Nishit Madlani, an analyst for S&P Global Ratings, which rates the company B-minus.

Tesla's leverage, a measure that compares debt to earnings before interest, taxes, depreciation and amortization, is about six times but will likely rise to eight times by the end of the year, Mr. Madlani said.

Tesla is burning through cash at a rapid pace to ramp up production before traditional auto makers catch up. That means the company is likely to keep issuing junk bonds in coming years to keep growing, and subsequent debt sales could be harder to place, fund managers say. The more debt the company takes on, the riskier the investment becomes for bondholders.

Tesla has already borrowed \$4.5 billion via loans that would rank ahead of the bonds if the company ever defaulted.

Debt markets are typically inhospitable to startup ventures because bond investors put a priority on getting repaid on a fixed schedule,

something nascent companies can rarely guarantee. The trouble for bond buyers is the uncertainty about when the company will start making cash rather than spending it. The firm had about \$3 billion of cash in June—and would increase that by 50% with the bond offering—but is projected to spend \$2 billion in the second half of 2017.

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# WORLD NEWS

## Driver Plows Into Soldiers in Paris Attack

Six are injured and a suspect is arrested after a suburban car chase and gunbattle

By NOEMIE BISSEBRE

PARIS—A man suspected of ramming a car into a group of soldiers in a Paris suburb, injuring six, was shot and detained on a highway hours after the attack, potentially ending a manhunt in a case prosecutors are treating as an act of terrorism.

The attacker ambushed the soldiers, waiting behind the wheel of a dark-colored BMW in an alley near the soldiers' local barracks and then slamming into a group as they walked to their vehicles to begin their morning patrol, officials said.

The car initially crept around a corner to approach the soldiers, then in a burst of acceleration mowed them down and sped off, added French Interior Minister Gérard Collomb.

"We know it was a deliberate act. This was no accident," Mr. Collomb said on French television.

The attack in Levallois-Perret is the latest in a string—including the Nov. 13, 2015, assault by Islamic State militants that killed 130 people in Paris and the truck attack in Nice that killed 86 on Bastille Day in July 2016—that has put France on edge.

Levallois-Perret, with a



CHRISTOPHE PETIT TESSON/REUTERS/EUROPEAN PRESSPHOTO AGENCY

Police and soldiers guarded the scene where a man in a BMW hit and injured troops in the Paris suburb of Levallois-Perret on Wednesday.

population of more than 65,000, is a wealthy suburb of Paris that is also home to the country's domestic-intelligence agency, the DGSI, which is less than half a mile from the scene of the attack. The suburb's clean streets are monitored by a large number of security cameras.

The soldiers who were attacked were among some

7,000 who have been deployed across the country to protect sensitive targets such as government offices, schools, places of worship and tourist attractions.

Witnesses speaking on French TV described hearing a loud crash like a car accident, followed by shouts of military officers and the quick arrival of emergency

services.

Three were seriously injured but their injuries weren't life-threatening, Defense Minister Florence Parly said. She told journalists Wednesday afternoon that the prognosis for the three was "reassuring."

Mr. Collomb said that according to soldiers it appeared that there was only

one man in the car, but he couldn't immediately confirm their account.

The suspect was detained on a highway north of Paris, after police spotted and followed the car used in the morning attack, according to a police officer. The suspect, who tried to flee, was shot during the arrest, but is alive, the police officer added.

Paris prosecutors are

treating the attack as an act of terrorism, a spokeswoman for the prosecutor's office said.

French President Emmanuel Macron was following the situation closely, said government spokesman Christophe Castaner.

The government has declared and renewed a state of emergency, but the crackdown hasn't stopped the drumbeat of periodic attacks.

There have been roughly a dozen in France since November 2015, and more than half of those targeted military patrols or police. Three police officers have been killed.

In June, two separate attackers targeted armed patrols near the Notre Dame Cathedral and on the Champs-Élysées, causing only minor injuries.

In April, a gunman opened fire on the Champs-Élysées, killing a police officer and wounding two other people. Police returned fire, killing the gunman, who was later identified as Karim Cheurfi, a French national. Islamic State claimed responsibility for the April attack, said SITE Intelligence Group, which monitors the extremist group's communications.

Wednesday's incident is the second potential terrorist attack in just a few days in the Paris region. On Saturday night, a knife-wielding man attempted to force his way into the Eiffel Tower.

—Sam Schechner  
contributed to this article.

## Opposition Claims Fraud in Kenya Vote

By MATINA STEVIS  
AND JOE PARKINSON

NAIROBI, Kenya—Kenyan opposition leader Raila Odinga said Wednesday that a hacking attack had slanted the results of the country's general election in favor of President Uhuru Kenyatta, fueling fears of a repeat of the violence that has marred previous balloting in the East African nation.

With nearly all polling stations reporting, Mr. Odinga trailed Mr. Kenyatta by 54% to 45% of the vote from Tuesday's election, according to the website of the Independent Electoral and Boundaries Commission.

Speaking at a news conference, Mr. Odinga rejected the commission's figures, saying its computer system had been hacked in "an audacious attempt to overrule the power of Kenyans."

Mr. Odinga produced a 52-page document that he said substantiated his claims. He also asserted that last week's gruesome killing of the election commission's top information technology official, Chris Msando, was part of an attempt to return to Mr. Kenyatta to power at any cost.

"Chris Msando's blood has been shed on the altar for thirst for absolute power," Mr. Odinga said. "You can only cheat a people for so long. This election is illegal."

The head of the electoral commission, Wafula Chebukati, said the agency was looking into the claims of computer tampering.

"As of now I cannot say whether or not the system has been hacked," Mr. Chebukati said. "We shall come with a methodology to find out whether or not those claims are correct, but we have faith in the system."

A senior official from the governing Jubilee coalition

said Mr. Odinga had no evidence for his claims and was simply lashing out after his election loss to Mr. Kenyatta, who is seeking a second four-year term as president.

"This is disinformation. It comes after months of promising his supporters that the only way he could lose is if the poll was rigged," said Raphael Tuju, Jubilee's secretary-general.

"I'm not concerned about widespread violence. He has campaigned to incite people, but he has failed and will be isolated."

Election monitors from the Carter Center, the National Democratic Institute and the European Union were scheduled Thursday to issue formal statements about the conduct of the elections and the vote count.

While Kenya's dollar bonds rallied early Wednesday amid initial predictions of a comfortable victory for Mr. Kenyatta, many commentators warned that the swelling controversy over the validity of the vote count, stoked by Mr. Odinga's comments, risked triggering violence.

"This is a dramatic statement. It isn't quite a call to arms, but it is putting people on notice," said Justin Willis, an Africa specialist at Durham University. "I'm worried by the rhetoric, but his evidence for these charges doesn't at present come across as powerfully credible. I'm unclear about his next move."

In 2007 elections, allegations of vote rigging and voter intimidation escalated into tribal-related violence that left 1,100 people dead and drove hundreds of thousands of others from their homes.

While both Messrs. Kenyatta and Odinga pledged during the campaign to spend heavily on development projects for all of Kenya's 48 million people, tribal divisions continue to frame Kenyan politics.

## Zuma Survives a Strong Challenge

By GABRIELE STEINHAUSER

JOHANNESBURG—South African President Jacob Zuma survived his eighth motion of no-confidence on Tuesday, displaying his control over the ruling African National Congress in the face of mounting allegations of corruption against him and his government.

A total of 177 lawmakers voted in favor of ousting the president, while 198 voted against the motion to remove him. Nine lawmakers abstained from the vote.

Even before Baleka Mbete, the speaker of the National Assembly, announced the results, ANC deputies started dancing and chanting, leaving little doubt that their embattled president had shrugged off yet another challenge.

Although the result fell short of the ANC's majority of 249 members in the 400-member assembly, the vote still leaves Mr. Zuma strengthened, showing that he can rein in dissent within the storied liberation movement when it matters.

Many prominent ANC members had urged lawmakers to oust the president in an effort to save the party from sagging approval ratings and opposition parties marked a surprise win Monday, when Ms. Mbete announced that the motion would be voted in secret.

It wasn't enough.

"We reject the craven opportunism and hypocrisy of members of the political opposition who have consistently sought to portray our [members of parliament] as unprincipled and cowardly," the ANC said in a statement, congratulating Mr. Zuma on his victory.

The vote had captivated a country that has been pounded by almost daily revelations, stemming from a huge email leak, of how the president, his family and several ministers have allegedly helped the controversial Gupta family make billions from fraudulent government contracts.

Mr. Zuma, the Guptas—a family of Indian immigrants that has built a corporate empire stretching from media to mining—and the implicated ministers have all denied the allegations.

Sharing a minibus taxi in Johannesburg, more than a dozen commuters were listening intently to the radio, where lawmakers were debating the motion of no-confidence. "The ANC is no longer the ANC of



NIC BOTHMA/EUROPEAN PRESSPHOTO AGENCY

Jacob Zuma celebrated winning a vote of no-confidence Tuesday in front of supporters in Cape Town.

lating Mr. Zuma on his victory.

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Sharing a minibus taxi in Johannesburg, more than a dozen commuters were listening intently to the radio, where lawmakers were debating the motion of no-confidence. "The ANC is no longer the ANC of

the people. Zuma must just go," an elderly woman said, earning a few supportive "yeses" from those around her.

But in parts of Soweto, a poor township south of Johannesburg where Nelson Mandela and Desmond Tutu once lived, ANC supporters took to the streets after the vote, dancing and blowing vuvuzelas.

Opposition parties first called for the vote in April, shortly after Mr. Zuma dismissed popular Finance Minister Pravin Gordhan and his deputy, Mcebisi Jonas, sparking nationwide protests and two downgrades of South Africa's credit rating to junk. But the vote was delayed as they awaited a Constitutional Court ruling on whether a secret ballot was possible.

During the debate, Mmusi

Maimane, the leader of the opposition Democratic Alliance, urged ANC lawmakers to vote against the president and repeatedly quoted ANC members who had spoken out against Mr. Zuma. "It is not about who tabled this motion and who didn't," he said. "Today our choice is between right and wrong, between good and evil."

Minister of Arts and Culture Nathi Mthethwa, meanwhile, rejected the motion as an attempted coup d'état by "agents of apartheid," saying it was "founded on fake news."

Mr. Zuma's term as president runs out in 2019; the ANC will elect a new party leader—and candidate for the next national elections—to succeed him in December.

—Nthabiseng Gamede  
contributed to this article.

## WORLD WATCH

### UNITED KINGDOM

#### BOE to Change Policy On Conflict of Interest

The Bank of England said Wednesday it will implement in full a suite of recommendations to overhaul its approach to managing conflicts of interest, after the failure of a senior official to disclose a potential conflict led to her resignation.

Charlotte Hogg resigned in March from her dual role as chief operating officer of the U.K. central bank and its deputy governor for markets and banking after lawmakers criticized her for failing to disclose during four years at the BOE that her brother worked in a senior role at U.K. lender Barclays PLC.

Ms. Hogg said her failure to inform the BOE's directors of the

potential conflict of interest was an oversight, but accepted that it breached the central bank's code of conduct for senior officials. They were rules she herself had helped draft.

—Jason Douglas

### VENEZUELA

#### Latin America Forum Assails Maduro Move

Governments from across Latin America agreed not to recognize Venezuela's powerful new constituent assembly, saying it represented a breakdown in the country's democratic order.

Foreign ministers and other top officials from 12 countries, including Canada, said in a statement the decisions by Venezuela's 545-member constituent assembly will be considered ille-

gitimate. The assembly was installed on Friday after an election widely called fraudulent amid concerns that it will be used by embattled President Nicolás Maduro to wipe out dissent as it rewrites the constitution.

On Tuesday, it passed a decree saying its decisions will override those of all other government branches. The assembly agreed to convene for the next two years, which the opposition fears will result in the suspension of the 2018 presidential election.

—Ryan Dube

### MEXICO

#### Development Banks Back Clean Energy

Mexican development banks are helping to finance large re-

newable-energy projects that are bringing new players into the fledgling power market as a result of the government's long-term electricity auctions, officials said Tuesday.

Zuma Energía and Cubico Sustainable Investments were among the winners of contracts to sell power to state-owned utility Comisión Federal de Electricidad at an auction held in September 2016.

Zuma Energía, backed by private-equity firms Actis and Mesoamerica, will build a 424-megawatt wind farm in north-eastern Tamaulipas state and two solar-energy plants elsewhere in northern Mexico with a combined capacity of 273 megawatts. The company also has a 49.5-megawatt wind farm in southern Oaxaca state.

—Anthony Harrup



Ballot boxes from Tuesday's general election are stacked at a tallying center in Mombasa, Kenya, on Wednesday.

SIEGFRIED MODLA/REUTERS

## WORLD NEWS

# Tensions Don't Faze Investors in Korea

By MIN SUN LEE

Warlike rhetoric is intensifying on the Korean Peninsula, but that doesn't faze avid stock investor Park Young-sook.

The 60-year-old private-school owner from the Seoul suburb of Suwon has been putting money into South Korean stocks for more than a decade, and has seen tensions with the country's northern neighbor rise and fall. She sees North Korean belligerence as largely irrelevant to the performance of her portfolio—or a chance to buy more if the market dips.

"In the long term, North Korea risk is an investment opportunity," Ms. Park said. "Our country or companies will not fail because of North Korean risk."

People like Ms. Park are a big reason South Korea's stock market remains near record highs despite an escalating war of words between U.S. President Donald Trump, who on Tuesday threatened North Korea with "fire and fury," and North Korean leaders, who responded that the country was considering a missile strike at a U.S. military base in Guam.

Korea's benchmark stock index, the Kospi, has fallen slightly since its record high of 2451.53 in July, and dropped a further 1.1% on Wednesday to 2368.39. The won also weakened to a four-week low of 1,135 per dollar. The cost of South Korean credit-default swaps—derivatives that let investors hedge against sovereign default—increased in July, in a sign that some investors thought risks in the country were rising.

Yet the Kospi is up 17% this year, making it one of the best-performing indexes in the world. In July, it notched its first eight-day winning streak in six years, despite a string of North Korean missile tests and the prospect that South Korea's most powerful businessman, Samsung conglomerate heir Lee Jae-yong, could be sentenced to years in prison.

Far from feeling cowed, South Korea's mom-and-pop investors are taking on more risk, with an unusually large increase this year in the number of people making big stock trades of 100 million won (around \$89,000) or more, and \$76.3 billion—a record

amount—of borrowing to fund stock purchases at the end of July.

Stock-investing seminars are packed. On a Saturday afternoon at the end of July, about 80 people, mostly retirees, crammed into a room in downtown Seoul to hear cable broadcaster MBN Gold stock analyst Kim Sung-nam give his advice on the country's markets. The bottom line: After years of underperformance, it is time to buy.

"It has been a Korea discount situation and there are no other risks left to emerge," Mr. Kim told the overflow crowd, some of whom were sitting on the floor and window sills.

Part of the reason for the current bullishness is that, after years of market doldrums, Korean stocks look relatively cheap. After an upheaval earlier in the year, the government is stable and growth is strong, particularly for exports.

Ms. Park, the investor, lost money during the financial crisis of 2007 and 2008. But now, she says she is making enough to expand her business and treat co-workers to dinner.



South Korea's stock market remains near record highs despite rising tensions over North Korea's nuclear weapons program. Above, investors at a study group in the Seoul suburb of Bucheon in July.

Ms. Park said she held off on trading during Wednesday's downturn. South Korean "investors know from experience that geopolitical risks don't play for long," she said.

Kim Sung-woo, who quit his job as a software developer to become a full-time stock investor last year, said his only concern about the escalating rhetoric from North Korea and the U.S. is that it will spook foreign investors who have flooded into South Korean stocks this year. South Koreans are "used to it," he said.

The 44-year-old started a

study group in 2014 to share information and tips with other day traders. At a meeting a few weeks ago, Mr. Kim waxed philosophical about the risks of conflict with the North. "If war breaks out with North Korea and they fire a nuclear weapon, it becomes a matter of life or death, and at that point, what happens in the stock market is meaningless," he said.

Sunny Lee, 31, who was at the study group with her husband, said the couple keep their stock investing a secret from their parents, who worry about the risk of losses. After two

years she is now making money on her portfolio and recently took out a loan so she could almost double her investments to 150 million won (\$133,000). Most of her holdings are in companies that make organic light-emitting diode displays and semiconductors.

"I usually don't think too much about North Korean risk," said Ms. Lee, who dreams of making enough money to quit her job as a conference organizer. "When North Korea does something provocative, it's a good time to buy new stocks at a lower price."

continental ballistic missiles.

Go Myung-hyun, a research fellow at the Asan Institute for Policy Studies in Seoul, said South Korean concerns about President Donald Trump launching a strike on the North without first notifying the South have receded.

"What he has shown is that he is not that irrational on security and policy issues," Mr. Go said. "So far, he has surpassed our low expectations, and that's the reason the South Korean security establishment believes that Trump will do the right thing."

Few South Koreans believe Pyongyang would actually use its growing nuclear arsenal on the South, where longtime bonds of history, ethnicity and culture offer some measure of assurance, Mr. Go said.

The escalation in tensions didn't crack the top 10 trending news topics on Naver, South Korea's most popular online news portal. "Guam," though, was one of the fastest-rising search terms, behind a popular television variety show and news of a television anchor's drunk-driving case.

Not everyone is upbeat. Noh Su-ji, a 27-year-old office worker in Suwon, near Seoul, expressed concern, pointing to the mention of Guam as a target.

"If war does happen, then the whole Korean Peninsula is in danger and there's nothing I can do to prepare," she said. "Before, I used to think that the tensions will stop at some point. But this time, they are being really tough and I wonder about if they might actually provoke [armed conflict] this time."

—Min Sun Lee and Paul Sonne contributed to this article.



North Korea said it was considering firing missiles at Guam. Above, a base in the U.S. territory.

called the situation "complicated and sensitive" and appealed for calm and an early resumption of dialogue, as it usually does when tensions climb on the Korean Peninsula.

In an editorial published online Wednesday, the populist, state-owned tabloid Global Times condemned Mr. Trump's remarks, saying they threatened to exacerbate matters.

"Now that President Trump has used a strong metaphor like 'fire and fury,' the North Korean nuclear train, going through a dark cave, will continue to run forward towards an even darker destination," said the tabloid, which is published by the Communist Party's flagship newspaper People's Daily.

The editorial said that no matter the warnings from the

U.S. or sanctions from the U.N. Security Council, "the likelihood of Pyongyang stopping missile tests is very small."

On social media, many Chinese commented that the U.S. and North Korea were now in a "spitting war"—or literally "a saliva war" in Chinese. Hong Huang, a popular lifestyle commentator with more than 11 million followers on her Weibo social media feed, said Mr. Trump and "Fatty Kim" were engaged in a "madmen's dialogue." Many suggested that Mr. Trump's rhetoric won't have an impact.

In Japan, Prime Minister Shinzo Abe's government responded favorably to the "fire and fury" language. Japan has built close ties with Mr. Trump over the North Korea issue since Pyongyang launched a missile in February

while the two leaders were having dinner together in Florida.

Asked to comment on the "fire and fury" comments, Chief Cabinet Secretary Yoshihide Suga, who acts as the main government spokesman, said: "As the regional security environment grows more severe, it is extremely important to secure American deterrence. From this perspective, the U.S. has said that all options are on the table, and our government views this stance favorably."

Australian Prime Minister Malcolm Turnbull, whose government has imposed its own and U.N.-agreed sanctions against North Korea, criticized Pyongyang sharply. "They are the ones that are threatening the peace of the region," he said.

## MOOD

Continued from Page One  
nuclear-tipped missile halfway around the world, and an unpredictable president in the White House, there are signs the mood may be shifting.

At times South Korea has become "a passenger, not really able to control the rhetorical escalation" between Washington and Pyongyang, says Andrew Gilholm, a Seoul-based director of Northeast Asia analysis for Control Risks, a consultancy. He points to the months following President George W. Bush's 2002 speech naming North Korea as a member of the "axis of evil."

"But it's worse for them on this occasion—the context that it's taking place in now is so much more serious than the period during the first George W. Bush administration, just because of the advanced state of the North Korean weapons program," Mr. Gilholm said.

More than in previous U.S. administrations, the mixed messages from different members of the Trump administration has worried South Korean policy makers, he added.

On Wednesday, senior government officials in Seoul sought to tamp down the tensions. An unnamed spokesman for the presidential Blue House, speaking to domestic media, acknowledged that tensions were high, but stressed that they didn't constitute a crisis, according to the semi-official Yonhap News Agency.

President Moon Jae-in has called for dialogue between the two Koreas, while condemning Pyongyang's tests of two inter-

continental ballistic missiles.

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—Min Sun Lee and Paul Sonne contributed to this article.

# Thailand Wields Secret Weapon Against Unusual Foe

When marauding macaques pillage a naval base for food, sailors turn to a long-term solution: monkey vasectomies

By JAMES HOOKWAY

SATTAHIP NAVAL BASE, Thailand—Here at Thailand's largest navy base, an enemy lurks within: packs of marauding monkeys that have taken over parts of the facility in their search for chips, nuts and maybe a bar of chocolate or two.

The navy has tried sterilizing the macaques before.

Three years ago Cmdr. Suranart brought in a team of veterinarians to trap males and then castrate them. It didn't work.

The vets found that castrating the males overturned the monkeys' social hierarchy. Dominant males who were castrated were sometimes ostracized from the troop and females would simply find a fertile male to mate with. The population continued to grow.

Culling, or hunting, the population wasn't an option, either. Most Thais are Buddhists and frown upon the practice.

Now the navy is pursuing a different tactic. Vasectomies, while trickier to perform, make the monkeys easier to control and doesn't upset the



A navy officer poses with a monkey in Sattahip, Thailand.

tribe's social order.

Praphat Sathitwat, who works on the problem for the local civilian government of the Thai district of Sattahip, says the new approach seems to be working.

Around 280 monkeys have had vasectomies so far, and the navy plans to recruit a veterinarian to handle the procedures full time.

It is a neat solution to a

problem prevalent across Asia. As economies grow, wild animal populations increasingly find themselves competing with humans for habitats. Snakes slither through subdivisions in Bangkok, while tigers in India slink closer to people and wild boar run loose in parts of Hong Kong.

In Thailand, monkeys have become a nuisance in various

towns and Sattahip is a good example of the trend. The area around the base is a popular weekend getaway and is expected to become an even more attractive tourist destination, as the government develops a nearby airfield into another international gateway. It is also an ideal place for monkeys, with thickly forested hillsides sloping down toward aqua-blue waters of the bay, where the navy's frigates, corvettes and a helicopter wait primed for action.

Vasectomies, however, work only if you can catch the monkeys in the first place. And that is becoming something of a problem.

Sailors used to set cages with the door open and lure the macaques inside with fruit and other treats. If they were lucky, they were sometimes able to slam the door shut and cart them off for surgery.

But the monkeys are getting wise to that. They won't enter the traps if they sense humans are nearby. Others

try to get the food out without setting foot in the trap.

Sailors sometimes now resort to firing pebbles from slingshots to keep the monkeys at bay. At a recent ceremony to commemorate the navy's anniversary day, a petty officer stood guard with a wooden catapult as white-suited officers laid out offerings of jasmine, roast duck, and brandy before a monument to the navy's founder, the 19th-century Prince of Chumphon, Admiral Abhakara Kiatiwongse.

Another sailor attempted to distract the macaques by laying out a plate of spicy Thai curry.

Worse, there is another threat lying just offshore. For years, the navy dumped the few monkeys they could catch on a small island called Monkey Island, a short boat ride from the Sattahip base. They reproduced quickly, eating up the few resources available there and now wait for tourist boats to drift by so they can beg for snacks.

And, they can swim.

## U.S. NEWS

# Trump Vows Tough Response to Opioids

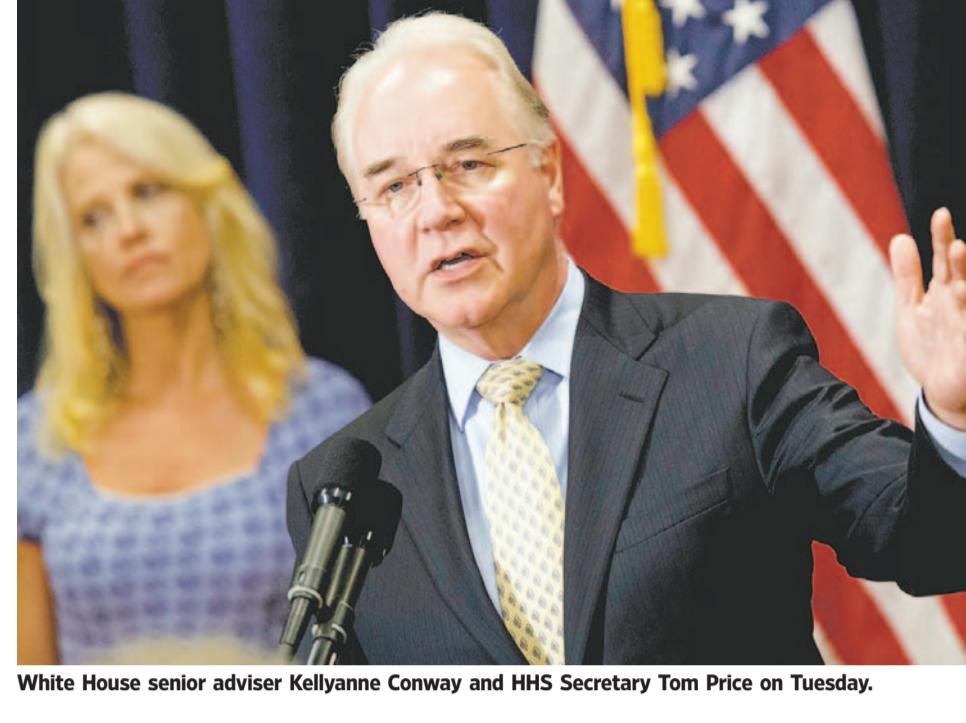
Top officials want to increase availability of antioverdose treatment in response to crisis

By LOUISE RADNOFSKY  
AND ARIAN CAMPO-FLORES

BRIDGEWATER, N.J.—President Donald Trump pledged a tougher law-enforcement response to an epidemic of opioid addiction, and top officials in his administration said they were reviewing medical privacy laws and wanted to increase the availability of an antioverdose treatment in response to the crisis.

"Nobody is safe from this epidemic that threatens all—young and old, rich and poor, urban and rural communities. Everybody is threatened," Mr. Trump said on Tuesday from the clubhouse at Trump National Golf Club, where he is spending a working vacation.

Mr. Trump cited a dramatic rise in opioid overdose deaths in the past two decades and a decline in federal drug prosecutions and drug offender prison sentences in recent years. The president appeared



White House senior adviser Kellyanne Conway and HHS Secretary Tom Price on Tuesday.

to fault the Obama administration for a role in the crisis.

A White House commission on the opioid crisis led by New Jersey Gov. Chris Christie, a Republican onetime rival and subsequent backer of Mr. Trump, had recommended that

Mr. Trump declare a national emergency in a preliminary report released last week.

Declaring an emergency would "empower" the administration, Mr. Christie's commission said. The report also proposed that Mr. Trump's

administration eliminate a Medicaid rule that prohibits federal Medicaid funds from being used to finance much inpatient treatment of mental illnesses, including substance-use disorders. It also suggested increasing access to antiaddic-

tion medications such as buprenorphine and methadone.

Health and Human Services Secretary Tom Price said such emergencies were typically reserved for more discrete or time-limited crises such as Zika, and that the administration didn't need to formally declare an emergency to take action, including the steps Mr. Christie had suggested.

Mr. Price said the administration also wanted to make the overdose reversal drug naloxone available "present as needed and possible" everywhere in the U.S., and that federal officials were reviewing health privacy regulations to see if changes could be made to inform addicts' families of overdoses that had successfully been treated.

Mr. Trump has regularly highlighted the opioid problem, which has ravaged many counties that strongly backed his candidacy. Other recent moves by his administration include the Justice Department's formation of a new opioid fraud and abuse-detection unit and a Drug Enforcement Administration proposal to reduce production quotas for many prescription painkillers.

In announcing the new unit, Attorney General Jeff Sessions also mentioned plans to step up investigation and prosecution of opioid-linked healthcare fraud.

Linda Rosenberg, president of the National Council for Behavioral Health, said she and others in the addiction-treatment field were disappointed by Mr. Trump's failure to announce specific policies after the commission's report. "This kind of takes the wind out of that sail," she said.

Democrats have also criticized Mr. Trump's approach amid his other proposals on reshaping U.S. health policy, saying that reducing federal spending on Medicaid and changing the way private insurance is priced and sold would likely harm opioid addiction treatment.

Also on Tuesday, New Hampshire became the latest state to sue the painkiller industry for allegedly misrepresenting the addictive risks of opioid painkillers, filing a civil lawsuit against OxyContin maker Purdue Pharma LP over the marketing of its drugs.

—Jeanne Whalen contributed to this article.

## FBI Agents Raided Manafort's Home

BY DEL QUENTIN WILBER  
AND BRETT FORREST

Federal agents working with Special Counsel Robert Mueller raided the Virginia home of Paul Manafort, President Donald Trump's former campaign chairman, to obtain documents and other material last month, according to people familiar with the matter.

"FBI agents executed a search warrant at one of Mr. Manafort's residences," Jason Maloni, a spokesman for Mr. Manafort, confirmed in a statement. "Mr. Manafort has consistently cooperated with law enforcement and other serious inquiries and did so on this occasion as well."

The raid occurred July 26 at Mr. Manafort's home in Alexandria, a suburb of Washington, D.C. Federal Bureau of Investigation agents executed the search warrant a day after Mr. Manafort met with the staff of the Senate Intelligence Committee. The Washington Post reported earlier Wednesday the execution of the search warrant.

Mr. Maloni declined to comment further. He and Reginald Brown, a lawyer for Mr. Manafort, said on July 27 that they knew nothing about raids on Mr. Manafort's properties.

Mr. Mueller and the FBI are scrutinizing Mr. Manafort for possible violations of lobbying and money-laundering laws, according to people familiar with the matter. A person familiar with the investigation said that agents were seeking detailed records related to foreign bank accounts and tax matters.

Mr. Manafort has maintained he has done nothing wrong.

The execution of a search warrant requires that prosecutors and agents convince a federal judge that they have probable cause to believe a crime has been committed.

Mr. Manafort has turned over records to Senate committees, including notes he took while attending a meeting with the president's eldest son, Donald Trump Jr., and a Russian lawyer who had promised to provide damaging information on Democratic presidential nominee Hillary Clinton.

Mr. Mueller was tapped by the Justice Department to spearhead the investigation into Russia's alleged meddling in the 2016 presidential election and whether any associates of Mr. Trump colluded with the Kremlin, as well as any matters arising from that investigation.

Russia has denied interfering in the election, and Mr. Trump has repeatedly called the investigations a "witch hunt."

## President Weighs Candidates for Prosecutors

The Trump administration has identified its leading choices for two top federal-prosecutor posts in New York, including one who is a law partner of White House ally Rudy Giuliani and another who is a law partner of the president's personal attorney, according to a document sent to the state's U.S. senators.

By Erica Orden  
in Washington  
and Nicole Hong  
in New York

The White House's choice to succeed former U.S. Attorney Preet Bharara in the Southern District of New York, based in Manhattan, is Geoffrey Berman, a partner at Greenberg Traurig LLP, which also employs Mr. Giuliani, according to the document, which was described to The Wall Street Journal by a person who has seen it.

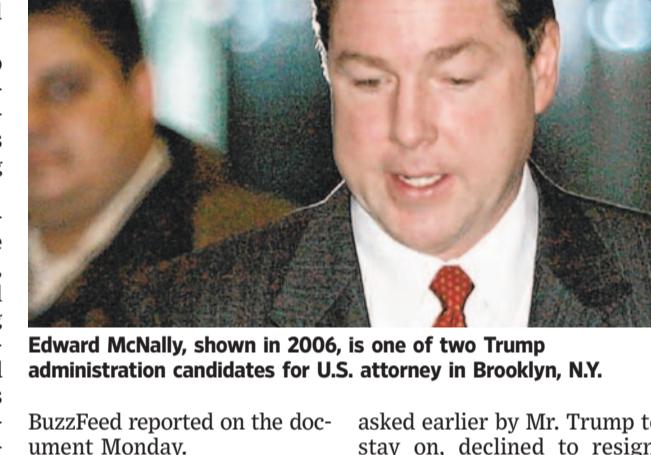
Mr. Giuliani, a former New

York City mayor, has been an outspoken advocate of President Donald Trump, a fellow Republican, and had been under consideration for several posts in the White House.

The White House also named two potential candidates to lead the Eastern District of New York, which is based in Brooklyn, according to the document.

One of them is Edward McNally, a law partner at the same firm as Marc Kasowitz, one of Mr. Trump's personal attorneys who is handling some aspects of the president's response to Special Counsel Robert Mueller's probe of Russia's alleged interference in the 2016 U.S. election and whether associates of Mr. Trump colluded with Moscow. Russia and Mr. Trump have denied the allegations.

The other Eastern District candidate is Richard Donoghue, a former chief of the criminal division of that office.



Edward McNally, shown in 2006, is one of two Trump administration candidates for U.S. attorney in Brooklyn, N.Y.

BuzzFeed reported on the document Monday.

In early March, the Justice Department issued a directive ordering all of the 46 remaining U.S. attorneys appointed by Mr. Trump's Democratic predecessor, President Barack Obama, to step down. Mr. Bharara, who said he had been

asked earlier by Mr. Trump to stay on, declined to resign, which resulted in his firing.

Mr. Trump has nominated more than 30 people to occupy U.S. attorney positions around the country; to date, three have cleared the Senate confirmation process. They were approved during the chamber's

final day of action in Washington before an August recess.

Mr. Berman, a former assistant U.S. attorney in the Southern District of New York from 1990 to 1994, has been under consideration for the top job in the office since early summer, according to people familiar with the matter.

A White House official said in a statement that "we do not comment on unconfirmed, leaked documents." A spokeswoman for Greenberg Traurig declined to comment on Mr. Berman's behalf. Mr. Giuliani didn't respond to a request to comment.

Neither Mr. McNally nor Mr. Donoghue responded to requests to comment. Mr. Kasowitz declined to comment.

If Mr. McNally is ultimately nominated, Democratic senators may scrutinize any possible conflicts of interest from his connection to Mr. Kasowitz. All U.S. attorney positions require Senate confirmation.



A Border Patrol agent detains a man who entered the U.S. by crossing the Rio Grande in Roma, Texas, earlier this year.

## Arrests at Southern Border Continue to Rise

By ALICIA A. CALDWELL

Arrests of people caught trying to illegally cross the Mexican border into the U.S. rose in July from a month earlier, the third straight monthly increase, according to federal figures.

U.S. Border Patrol agents arrested 18,198 people caught sneaking across the border in July, compared with 16,087 in June.

President Donald Trump has

made a priority of border security, including building a wall along the Mexican border, and a crackdown on illegal immigration.

During Mr. Trump's first few months in office, arrests at the border did drop—11,125 people were detained in April, which the administration said was a record low for a single month. Border agents made 12,197 arrests in March and 18,755 in February. Border apprehensions have been steadily increasing since May.

President Donald Trump has

Despite the uptick, arrests at the border remain at historic lows, a trend that started during Barack Obama's presidency. Since October 2016, arrests at the border are down about 36%, compared with a year earlier.

Arrests at the border, the best available gauge of how many people are trying to sneak into the U.S., typically increase in the spring and early summer only to level off in the late summer before declining during the colder fall and winter months.

David Lapan, a Department

of Homeland Security spokesman, said Tuesday it is too soon to tell if the increases in arrests are a signal that more people will try to cross the border illegally in the future or if this is a seasonal trend.

The number of immigrant children caught traveling alone and immigrants traveling as families have been on the rise, with nearly 3,400 immigrants in families and 2,500 children arrested in July. Most of the children and families are from Honduras, El Salvador or Guatemala, according to DHS, which tracks the numbers.

That has been the case for several years, as immigrants from countries other than Mexico have outnumbered the number of Mexican nationals caught crossing the border illegally.

Mr. Lapan said U.S. Immigration and Customs Enforcement has removed about 102,000 immigrants from the U.S. since the start of the budget year in October. During that period, about 171,300 immigrants have been arrested by ICE agents. During the 2016 budget year, ICE removed about 240,000 immigrants and arrested 114,434.

## IN DEPTH



SEAN PROCTOR FOR THE WALL STREET JOURNAL

Bill Ford, executive chairman of the auto maker, at his office in Dearborn, Mich. The model is a 1957 Lincoln Continental Mark II. Mr. Ford has become a more visible steward of the company.

# FORD

Continued from page A1

In the past, the family heir let CEOs take the center stage. But what was leading the industry forward—new concepts in fuel efficiency and transportation—had been his focus for years. Plus, he was changing, spurred by the death in 2014 of his father, William Clay Ford Sr., who was a presence at Ford for more than 50 years.

His passing “made me realize it is me now,” said Mr. Ford, referring to securing the family’s leadership. “I’ve got to do this.”

A month after the Tesla milestone, Mr. Ford led a rare management shake-up, people familiar with the decision said. Chief Executive Mark Fields, a 28-year veteran, was out, and Jim Hackett, the executive brought aboard in 2016 by Mr. Ford to run the car maker’s innovation unit, was elevated to the chief’s job.

“The role we’re in now requires us to stick our necks out,” said Mr. Ford, the executive chairman, who has taken a more commanding role over the past year. “We’ve got to place bets. We’ve got to have a point of view about the future.”

Mr. Ford believed the company was losing direction and that Mr. Fields didn’t have a clear long-term strategy, the people said. Executives were bitterly divided about how to make progress, they said.

Analysts, though, are still waiting to hear from Mr. Hackett on his broader strategic plan—details are expected later this year—and point out Ford still faces a laundry list of near-term challenges. Shares haven’t budged since the CEO change, and Ford said it expects pretax operating profit to fall between 16% and 25% this year.

Mr. Ford’s leadership has had ups and downs. He had operational control as CEO in the early 2000s, and worked to untangle the complex and splintered organizational model that he inherited from predecessors. But high labor costs and excess capacity hurt finances, and he turned to an outsider to accelerate the turnaround.

**GM and others have raced past Ford in launching long-range electric cars.**

Ford and much of the car industry remain dependent on sales of cars and trucks powered by internal combustion engines and designed to be sold for private use. That model is being upended by Tesla and other Silicon Valley tech companies, including Uber Technologies Inc. and Alphabet Inc. They are leading the shift to electric vehicles, autonomous-driving cars and ride-sharing services, which auto makers fear will reduce the need for individuals to

own cars.

A third of all cars produced in 2025 are expected to be electric and hybrids, up from about 4% in 2016, according to IHS Markit, a market analysis firm.

Ford is now undergoing a 100-day review of all its operations, with the goal of becoming leaner and more agile. In his first weeks as CEO, Mr. Hackett rolled out a “shot clock” policy to enforce deadlines to implement plans faster.

Mr. Ford, 60 years old, has spent more than half his life trying to push the Dearborn, Mich., based auto maker founded by his great-grandfather to think about the environment and new forms of transportation. He conceded his timing wasn’t always right—including during his own stint as CEO from 2001 to 2006.

In 2008, in the throes of the auto industry’s collapse, the board didn’t take up his proposal that Ford invest in nontraditional transportation businesses. He said he realized the struggling company at that time was thinking about “the next week, not the next 30 years.” He had lined up billions of dollars in financing two years earlier that helped keep the company afloat.

Ford came through that crisis on firmer financial footing due to a restructuring led by former CEO Alan Mulally that eliminated brands, streamlined global operations and refocused attention on the core Ford and Lincoln lineups.

When Mr. Fields took over in mid-2014, Ford was solidly profitable but needed to switch gears to better prepare for its future. The company pivoted from Mr. Mulally’s focus on core business efforts, turning attention to “mobility,” a term Mr. Ford started using nearly 20 years ago that creates new forms of transportation.

Mr. Fields, who had been groomed for the job for years, struggled. Projects appeared disjointed, without a clear path to profitability, and shares tumbled 40% during his tenure.

Mr. Fields didn’t respond to requests for comment.

Mr. Ford turned to Mr. Hackett, an office furniture executive and member of the Ford board whom Mr. Ford had helped tap to lead Ford’s Smart Mobility alternative transportation unit a year earlier. Ford started the unit after the company’s talks to build self-driving cars with Alphabet fizzled.

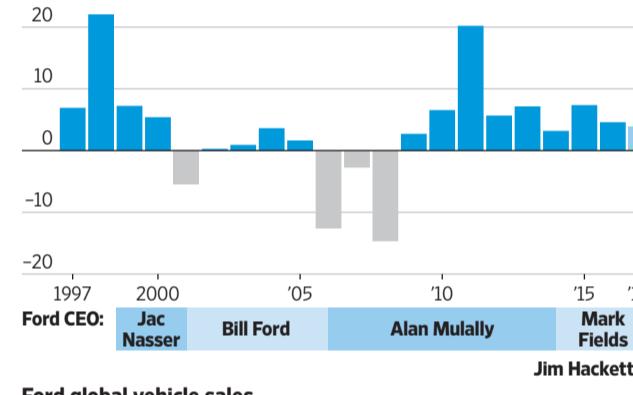
“Jim always made me think,” showing depth he rarely saw in the car business, Mr. Ford said. “So many people I meet in this job I hear the same thing over and over again.”

The mobility unit is working with a bike-sharing firm in San Francisco and is crunching data on how people in various settings get from Point A to Point B. It purchased Chariot, an app-based shuttle service that plots out routes based on user demand, which has a growing presence in San Francisco, New York, Seattle and

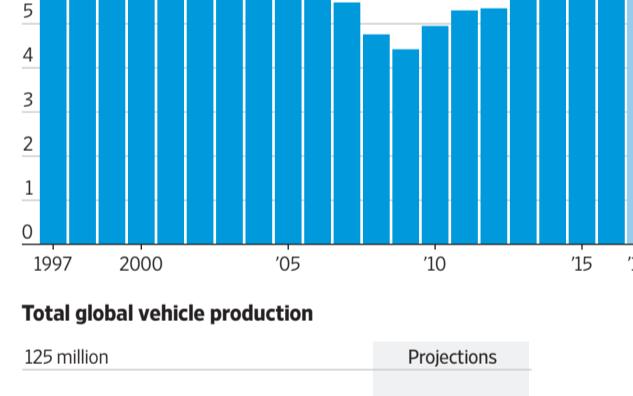
## A Changing Industry

Ford’s sales and profits have flattened, and its stock price has hardly budged in the past decade. Electric and hybrid vehicles are quickly taking share from gas-powered cars. Electric-vehicle maker Tesla surpassed Ford and GM in market cap as its stock price soared.

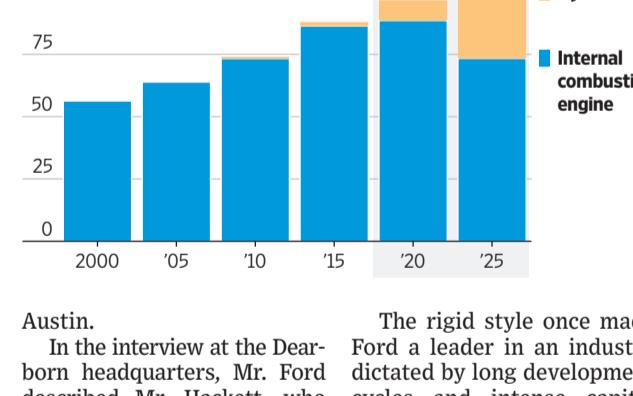
### Net income



### Ford global vehicle sales



### Total global vehicle production



Austin.

In the interview at the Dearborn headquarters, Mr. Ford described Mr. Hackett, who helped transform office spaces away from cubicles into flexible plans during nearly 20 years as CEO at Steelcase Inc., as a like-minded ally in the quest to reinvent the car business.

“We’re just very much in sync,” Mr. Ford said. “I never have to wonder, and he doesn’t have to wonder, what the other guy is up to.”

Ford’s sales of hybrids and electrics grew 17% last year—the genre made up 3% of company sales—and Ford plans to sell 13 more electrified vehicles in the next five years, including hybrids of its Mustang sports car and top-selling F-150 truck.

The auto maker said earlier this year it will invest \$1 billion in artificial-intelligence startup Argo AI to develop autonomous-driving technologies. Ford said it plans to put a fully autonomous car on the road by 2021 for commercial use.

Mr. Ford said that when he took over as chairman in 1999, 20 years after joining the company as a product planning analyst, the culture was “hierarchical, almost militaristic.”

The rigid style once made Ford a leader in an industry dictated by long development cycles and intense capital needs, but eventually made it too insular and slow to compete with fast-moving technology companies.

As part of the management shuffle, Mr. Ford has become a more visible steward of the company. He attends and weighs in at meetings to discuss strategy.

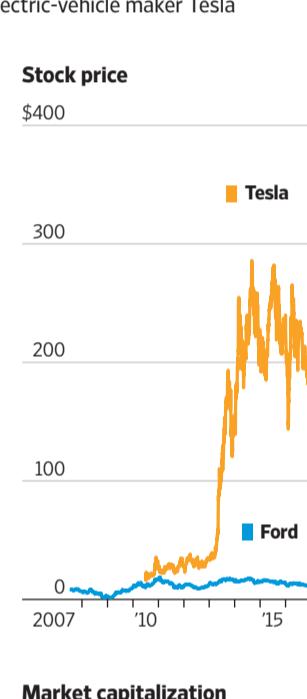
He has direct responsibility for communications and government relations—he worked to defuse President Donald Trump’s criticism of the company’s plans to move production of the Ford Focus to Mexico. Ford now plans to move production to China.

Last fall, Mr. Ford met with a small group of dealers at a restaurant in Dearborn to talk about Ford’s push into new ventures, such as ride-sharing and autonomous cars.

Dealers were nervous the company was shifting too much attention away from its core business.

“It was a very frank discussion to let the dealers know where all this is going,” said Jim Seavitt, whose Ford dealership is located a few miles from Ford’s headquarters. Mr. Ford assured the dealers that

### Stock price



### Market capitalization



\*First half of 2017 †Estimate ‡As of Aug. 7

Sources: FactSet (profit, stock price, market cap); LMC Automotive (sales);

IHS Markit (forecast)

THE WALL STREET JOURNAL.

new models were coming and that Ford was still focused on producing vehicles they could sell, said Mr. Seavitt, who has sold Mr. Ford Mustang sports cars and recently delivered to him a new GT supercar.

In his younger days, Mr. Ford would often shy away from the spotlight, an acquaintance said. As he gained management experience, he spoke with more authority, and came across as particularly passionate “when he’s talking about something of importance to him like the environment and mobility,” the person said.

“Bill may be quiet, he may be modest, but he will step up without fear of consequence or risk when he feels it is important to do so,” said Irv Hockaday, a former Hallmark Cards Inc. CEO who served on Ford’s board from 1987 to 2013.

The Ford family holds a separate class of stock that gives the members 40% of the voting power at the 114-year-old auto maker. Mr. Ford himself owns 17.7% of the supervoting shares.

As a young executive Mr. Ford spent time studying Toyota Motor Corp.’s manufacturing techniques and focus on efficiency and precision.

Later, he spent a decade on the board of eBay Inc., when the online retailer was scrambling to respond to new e-commerce rivals.

“He understood that Silicon Valley was doing something different, and that old-line companies were being disrupted,” said Meg Whitman, who was chief executive when he joined the board in 2005.

Mr. Ford and then-CEO Jacques Nasser showed off Th!nk electric cars at the 2000 Detroit auto show. Ford had purchased a Th!nk stake as a nod to the belief the auto industry would go electric but sold it in 2002 after failing to have much impact.

Mr. Ford ousted Mr. Nasser in 2001, after leadership blunders, including the mishandling of a tire recall, sank Ford’s financial results and hurt employee morale.

Mr. Ford continued to push for more fuel-efficient cars, and Ford in 2004 was the first U.S. auto maker to put a hybrid, a version of the Escape, on the market. He also increasingly spoke out about the problems of traffic congestion in the world’s major cities.

In 2009, a year after the board ignored his idea to invest in nontraditional transportation, he separately launched Fontinalis Partners LLC with colleagues to provide seed money to companies such as ride-hailing service Lyft Inc. and self-driving software firm nuTonomy Inc., two tech startups edging in on established auto makers.

“Usually our business plans and time horizons [at Ford] were five years out,” said Mark Schulz, a former Ford executive who helped co-found Fontinalis. “Bill would always be looking at what happens in 10 years or 20 years.”

In recent years, General Motors Co. and other auto makers have raced past Ford in launching long-range electric cars, such as the Chevrolet Bolt, which can be driven more than 200 miles on a single charge. Ford has said it doesn’t expect to have a long-range electric car out until 2020.

Toyota and Nissan Motor Co. offer strong-selling electrics and hybrids, some of which are priced for entry-level buyers. Nissan plans to unveil a redesigned electric Leaf next month.

Tesla, which is a fraction of Ford’s size, launched the Model 3, a cheaper electric sedan that Chief Executive Elon Musk views as akin to the Model T, which Henry Ford designed to be affordable to the masses. As of Monday, Tesla’s market cap was \$59.3 billion, compared with Ford’s \$43.4 billion.

Mr. Ford said he still had a long way to go. “I feel I can and should provide a long-term view for the company in the way the management can’t,” he said, pointing to his role in the founding family and in the boardroom. “When we need some course correction, I will stand up and be counted.”

—John D. Stoll contributed to this article.

## U.S. NEWS

# Recovery Leaves Out Some Cities

BY JON KAMP

SPRINGFIELD, Mass.—This city's perch along the Connecticut River was once considered such prime real estate, President Washington put the first national armory there in the late 1700s.

But today, as Springfield tries to shake off decades of postindustrial malaise and capitalize on fresh economic energy downtown, its geography has turned into a liability.

The city of 154,000 is about 90 miles west of Boston, too far to double as a bedroom community, and New York City is also remote.

For decades, Springfield had chugged along as a dynamo of innovation, with inventions ranging from gasoline-powered cars to adjustable wrenches to the sport of basketball. Now it is among many small and mid-size cities dotting the Northeast and Midwest that have struggled to rebound from industrial decline and reap the same benefits as large cities from the U.S. economic recovery.

**Skilled workers and large employers are flocking to bigger cities.**

"We've been left out of the red-hot gains that you've seen in Boston," said Eric Lesser, a Democratic state senator from the Springfield region.

In Ohio, cities like Dayton and Canton haven't shown the same hints of momentum of larger peers like Cleveland and Cincinnati, according to the nonpartisan Greater Ohio Policy Center. President Donald Trump triggered a debate recently when he suggested residents of struggling upstate New York, long the focus of economic-revival efforts, might simply leave.

Skilled workers and large employers are flocking to bigger cities. Health insurer Aetna Inc. underscored the trend in June when it said it would move its headquarters to New York City from longtime home Hartford, Conn. Connecticut already lost General Electric Co.'s headquarters to Boston last year.

"Size has mattered more and more to economic success," said Alan Berube, a senior fellow at the Brookings Institution. Many smaller cit-

ies "have failed to launch into the new economy," he said.

Proximity to booming cities has at least offered some small cities a lifeline. In Massachusetts, rail lines radiate from pricey Boston, easing the commute from cheaper locales. Worcester and Lowell are two other old cities—but with commuter-rail links to Boston—and they boast significantly higher median household incomes and postrecession climbs in home values when compared with the more remote Springfield, according to data from the Census Bureau and Zillow.

Springfield is "fairly isolated from the kind of prosperity in Boston," said Robert Triest, an economist with the Federal Reserve Bank of Boston. The isolation remains a hurdle even as city leaders try to build on recent economic initiatives. The refurbished Union Station, a train and bus depot that dates to the 1920s and mostly closed down in the 1970s, anchors one end of downtown after a \$95 million overhaul. On the other end, a \$950 million MGM Resorts International casino is scheduled to open next year. Outside the city core, Chinese train maker CRRC Corp. expects to soon open a factory to make subway cars for Boston.

Springfield has also benefited from an improved national labor market. Its unemployment rate was 5.4% in June, according to the U.S. Bureau of Labor Statistics. The city in 2009 regained control from a state finance board installed five years earlier to help avert bankruptcy.

"We have to take advantage of this window" and sustain the momentum, said Domenic Sarno, Springfield's Democratic mayor.

Meantime, Springfield's rebound is still tenuous. U.S. Census data show that the percentage of residents who live below the poverty level—30% in 2015—is nearly triple the state average, while median family income trails many other Massachusetts cities. Downtown remains checkered with vacant storefronts.

Springfield has historically suffered inattention from the state's power center in Boston, argued Ben Forman, research director at MassINC, a nonpartisan think tank that studies Massachusetts cities.

While the capital city has benefited greatly from state investments, "Springfield hasn't gotten the same love," he said.

### Weaker Rebound

Springfield, Mass., is about 90 miles from Boston, further away than other Massachusetts cities that have seen stronger housing gains. Median home value of the state's five largest cities:



Source: Zillow Home Value Index

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Construction delays on I-69 have frustrated residents and businesses near the still-incomplete road, who are tired of traffic woes.

# Road Fix Hits Potholes

**Public-private deals for infrastructure, like one in Indiana, can fail; backers cite successes**

BY CAMERON MCWHIRTER

At a time when Washington is promoting private investment in roads, bridges and other infrastructure, a 21-mile stretch of highway in Indiana provides what critics say is a cautionary tale.

The project, a partnership between the state and private investors, was signed by Vice President Mike Pence in 2014 when he was the state's governor. It is two years behind schedule and only 60% built. The state is in the process of taking it over and will have to help avert bankruptcy.

"It became clear that the only way to ensure completion in a reasonable time frame would be to put it back under the state's control," said Stephanie Wilson, spokeswoman for current Republican Gov. Eric Holcomb. "As with any project, we must pivot and change course when needed. That's what we did here."

Asked about the failed partnership, Vice Presidential

spokesman Mark Lotter said Mr. Pence "was proud of Indiana's many accomplishments during his tenure as governor" including investments in infrastructure.

The road's troubles come as more cash-strapped states explore deals with the private sector as an alternative to finance and fund infrastructure projects. More than 30 states have created rules for such deals to be possible. These arrangements, known as public-private partnerships, are still new to the U.S., where states typically have used bonds to pay for such deals. Some of these projects have saved states time and money. Others have landed in bankruptcy.

The Indiana project had a raft of setbacks early on. The state selected a consortium that included a Spanish construction company, Grupo Isolux Corsán SA, that hadn't worked on a road project in the U.S. Its \$325 million winning bid was nearly \$75 million below the next-lowest one. The company quickly ran into unrelated legal difficulties in Europe that hurt its finances.

President Donald Trump is calling for \$1 trillion in infrastructure investments over the

next decade—funded mostly from the private sector—to upgrade America's roads, bridges, ports, airports and railroads.

Supporters of this approach say one troubled project shouldn't tarnish the rest. They say the private sector has financial incentives to build the projects cheaply and on schedule.

"For every I-69 that gives the industry a bit of a black eye, there are many more successes with on-time, on-budget projects," said Dolly Mirchandani, a partner for law firm White & Case LP and an expert on infrastructure and public-private partnerships.

Indiana has another public-private partnership for a bridge over the Ohio River that was recently completed ahead of schedule and \$200 million below the state's estimated cost.

There have been some notable public-private failures. Toll-road partnerships in Alabama, Texas and California declared bankruptcy in recent years after revenue from tolls used to finance these projects fell short of projections. Indiana's first major public-private partnership, a deal with Ferrovial SA's subsidiary Cintra to

operate the Indiana Toll Road, fell into bankruptcy after revenue missed targets. It has since been bought by new owners.

"I might caution on drawing conclusions regarding all projects based on some individual project circumstances, as the role of private capital is undeniable in bringing large-scale congestion relief projects to market that otherwise may not exist," said Patrick Rhode, U.S. vice president for corporate affairs for Cintra, which now has projects in Dallas, Fort Worth, Texas, Charlotte, N.C., and Toronto, Canada.

For Indiana, the I-69 partnership's failure and delays in construction puts the responsibility for maintaining the road back on the state.

Matt Pierce, a Democratic state representative from Bloomington, said the private structure gave the state less ability to oversee the project and its finances. "I have never understood how putting a for-profit entity in the middle of a public-works project advances things," he said.

Despite the problems, Indiana will continue to team with private investors for future needs, according to the governor's spokeswoman.

# South Carolina Sues Over Plutonium

BY VALERIE BAUERLEIN

South Carolina's attorney general is suing the federal government for \$100 million, saying it hasn't removed plutonium, a new tack in a battle over a Cold War-era nuclear weapons site.

Attorney General Alan Wilson, a Republican, said in a complaint filed in the U.S. Court of Federal Claims that the Energy Department shouldn't be allowed to "leave South Carolina as the permanent dumping ground for weapons-grade plutonium."

The state is seeking to collect a \$1 million-a-day fine set by Congress more than a decade ago as a way to force the Energy Department to either

start removing weapons-grade plutonium from the Savannah River Site near Aiken or start using it to make mixed-oxide fuel, or MOX. Mixed oxide is a way to convert weapons-grade plutonium into fuel for nuclear energy.

The Savannah River Site covers 310 square miles and was built in the early 1950s to produce plutonium and tritium for nuclear weapons. It is now primarily a waste-management site.

The Obama and Trump administrations have said they didn't intend to continue with earlier plans to make mixed-oxide fuel at the Savannah River Site. President Donald Trump's fiscal 2018 budget proposal recommends termini-



Radioactive waste stored under concrete at a site near Aiken, S.C.

nating the MOX program and finding "an alternative disposition method that will achieve significant long-term savings."

For now, South Carolina is stuck with a failed and incomplete MOX conversion plant and with plutonium that was shipped from other places for reuse, said Tom Clements, di-

rector of Savannah River Site Watch, an environmental group. "The feds have taken this in a nonchalant manner, so the state is acting," Mr. Clements said.

The Energy Department doesn't comment on pending litigation, according to a representative.

# Chicago Warms Up to Its Picasso

BY QUINT FORGEY

CHICAGO—For five decades, a giant Picasso sculpture has stood as the most prominent piece of public art in this city. But even as Chicagoans celebrate the anniversary of its unveiling this week, many remain puzzled by what the sculpture depicts—and what it means.

The 50-foot work, which sits in a plaza, is made of welded steel, like the city's famous skyscrapers. It has a long face and a quizzical look. But is it a horse? A cow? A woman?

The 50-foot work, which sits in a plaza, is made of welded steel, like the city's famous skyscrapers. It has a long face and a quizzical look. But is it a horse? A cow? A woman?

Bill Drendel, the 78-year-old former director of the Center for Book and Paper Arts at Columbia College Chicago, isn't sure, but he remembers the reaction 50 years ago, when he sneaked out of work to see the unveiling. "They hated it. Hated it," he said. "There were so many people that said,

"What's that piece of shit?"

Joe Mankowski, a Chicago native who thinks the sculpture looks female, recalled similar outrage. "People didn't like it," he said. "They thought it was a joke Picasso was making on the city."

On Tuesday, Mayor Rahm Emanuel and other city leaders restaged that 1967 unveiling—and the reaction this time was warmer.

"We come together to revisit the past and to bring fresh eyes to this iconic artwork," said Mark Kelly, commissioner of the Chicago Department of Cultural Affairs and Special Events.

Eileen Ordas said she walks across the street every day to eat lunch at Daley Plaza and admire the sculpture. She still doesn't know what it means.

"I have no idea," she said. "I think it looks stunning."

Michael Darling, chief curator at Chicago's Museum of Contemporary Art, said the sculpture's ambiguity allows its meaning to morph with the times and reflect changing social and political conditions.

"It kind of is slippery in the best sense," he said. "I think that art that can't be pinned down like that has sort of guaranteed its own survival because people can keep bringing their own meaning to it."

Sharon Gaston, who studied art appreciation at Chicago's Harold Washington College and works checking coats at the Civic Opera House during show season, teared up when discussing the sculpture.

"It brings me joy," she said, gesturing toward a group of laughing children sliding down the sculpture's slanted base.

Since Mr. Drendel first witnessed Chicagoans' horrified



Mayor Rahm Emanuel spoke Tuesday at the 50th anniversary commemoration of a Picasso sculpture. The public artwork initially bewildered many Chicagoans but most since have come around to it.

reaction 50 years ago, he said he has seen the city come to embrace and even adore the

public art piece. He said the statue reminds him more of the city itself than any woman,

animal or stringed instrument. "I don't care what it is," he said. "It is what it is."

## LIFE & ARTS

WORK & FAMILY | By Sue Shellenbarger

# Use Your Seat to Get Ahead

Sitting next to a star at work improves your performance, research shows; finally, something to like about open offices

### WANT TO BOOST your performance at work?

Pick out a colleague who is really good in an area where you want to improve—and move your desk next to him or her.

Proximity to high achievers can lift people's performance in various jobs, via inspiration, peer pressure or new learning, a growing body of research shows. The findings offer a silver lining to anyone annoyed at the current fad of flexible office-seating arrangements; employees can use them to their advantage.

Simply sitting next to a high achiever can improve someone's performance by 3% to 16%, according to a two-year Northwestern University study of 2,452 help-desk and other client-service workers at a technology company.

The study is the first to tease apart different aspects of performance in an office job and analyze spillover in each. Productive employees—those who finished tasks quickly—raised the output of slower colleagues by 8%. Effective employees, who could handle customers' problems without referring them to co-workers to finish, lifted their neighbors' effectiveness by 16%. Quality workers, who received high ratings on customer surveys, inspired 3% improvements in colleagues' quality ratings, says the study, published last year by the Harvard Business School. Researchers analyzed data from personnel files, seating-arrangement reports, task-tracking software and customer-satisfaction surveys in several U.S. and European offices of the company.

Lead author Dylan Minor sees a combination of inspiration and peer pressure at work. He compares it to the impact of a charismatic leader. Also, high performers weren't dragged down by low achievers nearby, says Dr. Minor, an assistant professor of managerial economics at Northwestern University's Kellogg School.

For skills that have no upper limits, such as creativity, sitting elbow-to-elbow with a star may spark bigger gains, Dr. Minor says. People who are working from home or on the road might find a Starbucks and surround themselves with caffeinated high achievers.

When Hoon Oh was hired last year as a creative director in the Philadelphia offices of the ad agency Allen & Gerritsen, "we started riffing off each other's thinking" right away, says Hilary Sedgwick, who is also a creative director. Mr. Oh and Ms. Sedgwick were seated across the office at first but soon slid their desks together. Their boss Jennifer Putnam, chief creative officer for the Boston-based agency, says both are passionate about their work, and "they're teaching that to each other and teaching that to the team."

Jobvite, a San Mateo, Calif., recruiting-software company, often seats new employees next to a high achiever. "It's a form of orientation," says CEO Dan Finnigan. He has noticed engineers gravitating



FROM TOP: ZOHAR LAZAR (ILLUSTRATION); JESSI THORNE



Allen & Gerritsen creative directors Hoon Oh and Hilary Sedgwick slid their desks together. They say it helps both of them come up with creative ideas.

toward their strongest co-workers, or those with the freshest skills. "You can pretty quickly figure out who's got the extra juice, or the greatest insight. People are drawn to it. You can almost see the pathways on the floor," Mr. Finnigan says.

David Blacker seated a new hire near his desk on a recruiting team

he led at a previous employer. Within a month, "I started to hear my words coming out of her mouth" as she built his techniques into her own interviews, says Mr. Blacker, managing principal of Venerable Media Group, a digital-marketing company in Tampa, Fla.

Weak teachers whose colleagues teaching the same grade in the

same school were highly skilled posted sharper gains in students' math and reading test scores, compared with those surrounded by weaker colleagues, says a 2009 study of 11 years of test data on third- and fifth-grade students and teachers at 1,545 North Carolina schools. The weak teachers may have learned by watching their

peers, or been inspired by them to get more training, the study says.

Newcomers to a high-performing team also can pick up good work habits, such as meeting deadlines and listening carefully, says Marc Landsberg, CEO of the Chicago social-media agency Social Deviant. When teammates' cubicles adjoin each other, "those pods take on tribal effects" that can have a big impact, positive or negative, on the whole team, he says.

There are some catches. In sales, people can benefit from being teamed with star performers, says a 2014 study at Washington University in St. Louis—but only if their pay is based on overall team performance. When top salespeople at department-store cosmetics counters were paid based on their team's results, they helped less-skilled teammates by handing off loyal customers and turning their skills to luring new clients. Low performers suffered when pay was based on individual sales, however: Stars kept loyal customers for themselves and discounted prices to pump up their own sales.

Working under a colleague's watchful eye can be especially potent. Supermarket cashiers who worked where star co-workers could see them posted performance gains, says a 2009 study of 370 cashiers in six stores. They may have been afraid their high-performing colleagues would ostracize them or report them to the boss, or they may simply have wanted to be liked, according to the two-year study, which was led by Alexandre Mas, a professor of economics and public affairs at Princeton University.

## FROM PAGE ONE

# ECLIPSE

Continued from page A1

is that the glasses, which the couple will provide as wedding favors, filter out so much light that only the brightest objects will be visible. That, he says, means their 30 guests aren't "going to be able to see us."

In any event, Mr. Schembri is certain that he and Ms. Cohen will only have eyes for each other. They're very much in love. Also, they don't plan to wear their glasses at the altar for most of the ceremony, and staring at the eclipse in its partial phase could cause permanent eye damage.

Wedding guests need not worry. Ms. Cohen, a 29-year-old training manager at a car dealership, notes that safety instructions will be printed in the wedding program.

As long as guests don't look at the partially eclipsed sun without protective gear, "they're not in any danger at all," said Ralph Chou, a professor emeritus of optometry and vision science at the University of Waterloo in Canada.

Mr. Chou added that his colleagues and astronomy enthusiasts would be "horrified" at



Phil Schembri and Haley Cohen participate in an impromptu wedding rehearsal.

the idea of splitting their attention between a wedding and the eclipse. "They're going out of their way to make sure nothing distracts them from the actual eclipse," he said.

Beeb Ashcroft, 33, a social-media manager from Seaside, Ore., doesn't mind sharing the spotlight. It was also a surefire way that she and fiance Jai Merrill, a 47-year-old astronom-

omy buff, could guarantee their families and friends didn't miss the eclipse.

The couple started looking for the perfect venue a year ago, cross-referencing maps of the total eclipse's predicted path on their many road trips, before settling on a church in Grand Ronde, Ore. The dream spot is on the so-called path of totality, where the sky will

turn darkest, but is also big enough for all their guests. Darkness will likely permeate some of her wedding photos, but at least they will be "non-traditional," Ms. Ashcroft said.

Evan Mehne and Jazmin Pruneda decided to delay their backyard eclipse wedding in Alliance, Neb., until evening, well after the celestial spectacle. "We're not here to steal

the universe's thunder, but we're here to celebrate it," said Mr. Mehne, 27, a local newspaper reporter.

Instead they'll host a viewing party and lunch earlier in the day, said Ms. Pruneda, 21, who works in information technology. Their invitations and cake topper feature a sun and moon, and they're planning to dress in red and blue, their favorite colors, which they say will evoke the aligning orbs and make the ceremony more personal.

The stars aligned for Katie Iaeger, 24, and Dan Carroll, 27, when Mr. Carroll, a supervisor at a Starbucks, entered an "elope at the eclipse" contest, and won. The prize was a chance to be wed, with 15 guests, during the eclipse in the Galactic Gardens at the Adventure Science Center in Nashville, Tenn.

The couple will have to marry before the celestial show in order to avoid being overrun by the thousands of museum visitors expected to jam the place for the big moment. "We both love science and space," said Ms. Iaeger, a fine-arts student at Middle Tennessee State University. "No matter what, we wanted to do it on this day."

Back in Wyoming, Ms. Cohen and Mr. Schembri will soon start their wedding festivities in earnest, with a road-trip next week in their white Subaru Crosstrek, which they've named "The Spaceship," from their home in Spokane Valley, Wash., to Wyoming.

At the wedding, Ms. Cohen plans to wear a shimmering silver dress that mimics moonlight. The ceremony will feature a reading entitled "Moon of My Life," that the bride-to-be saw on the TV show "Game of Thrones." Guests will be able to pose for pictures in a photo booth with a handheld cardboard cutout of an eclipsed sun.

The decor will also include a handmade model meant to resemble Audrey II, the human-eating plant that appeared following an eclipse in the musical "Little Shop of Horrors."

One thing that will be missing from the festivities: booze.

"You have to go through a mountain pass to get to and from the venue, and I don't want that on my conscience," said Ms. Cohen. She'll be serving lemonade with dark huckleberries—meant to evoke the color of the eclipsed sun.

# LIFE & ARTS

LIFE

## Should You Kondo Your Kids?

Marie Kondo, the decluttering guru, now has two children and offers advice about how to reconcile a well-organized life with the messiness of parenting



"When children go through the sadness of letting things go, that can be a good experience for them," Ms. Kondo says. She's pictured here, with 10-month-old Miko, left, and 2-year-old Satsuki.

BY MEGUMI FUJIKAWA

**AFTER MARIE KONDO** became an international star with her book "The Life-Changing Magic of Tidying Up," she went through another life-changing experience. She gave birth to a baby girl.

Then she had a second one.

Could Ms. Kondo's decluttered world survive the havoc wrought by two babies? Here is her status report on older daughter Satsuki, 2 years old:

"I was surprised to see her putting books, stuffed animals and toys for playing house back in their place more precisely than I expected," says the proud mother. "She is also trying to copy me folding clothes, though I secretly fix them when she's not looking."

Yes, Marie Kondo is starting to kondo her own children.

The 32-year-old guru, known to her fans as KonMari, is more than just an author these days. Joined by her husband, she is running a business, KonMari Media Inc., based in New Jersey, that employs about 20 people to train consultants in her tidying methods with a mission to "organize the world."

The couple are looking at introducing KonMari-branded goods in the U.S. as soon as next year. She envisions her fans filling their rooms or closets—in a tidy way, of course—with items like aroma dif-

fusers and hangers.

All this is happening while Ms. Kondo and family adapt to life in a new country. She is living mostly in Northern California these days and learning English, seeing the biggest opportunities in the U.S. market.

It has been a dizzying ride the past few years since her book, originally in Japanese, was published in the U.S. in 2014. The book has been translated into dozens of languages and together with its sequels has sold more than eight million copies worldwide, according to its Japanese publisher. Fans turned Ms. Kondo's name into a verb, "to kondo," which refers variously to purging one's home of unneeded items or folding clothes meticulously.

It was her unique tidying-up method that drew global attention. Readers were told to pile up all of their belongings in the same category, pick up each item and ask themselves whether it sparked joy. If not, she wrote, they should express thanks to the item and send it on its way.

No sooner was she a celebrity than she got pregnant with her first child, and her method was poised for a test.

"When we found out we were having a child, my husband and I went through a decluttering festival by reviewing things we had. And we discussed how much space—for example, how many

drawers—we could give to our daughter," says Ms. Kondo.

By creating clear boundaries for the children's things, she says, they made it easier to decide how much was too much.

So far, she says, the house is tidy—though she declined a request by The Wall Street Journal for an inspection tour—and 2-year-old Satsuki is already playing her part.

**'When my daughter is crying, I try to ask her what she wants and fulfill her wishes.'**

"It's never too early to learn how to tidy up. You can let your children take on a challenge when they turn about 1 year old, after they learn how to walk," she says.

That's what Satsuki did. The tot sometimes wields a mop and knows how to use a duster to get at those hard-to-reach corners. Younger sister Miko, 10 months, will get her turn soon.

That isn't to say that the 2-year-old always shares her mother's Zen-like calm. Satsuki was filled with energy during the photo shoot for this article, playing with her sister and initially disinclined to add to the orderliness of the cloth-

ing pile before her. But then she focused on the task and demonstrated her folding technique with clinical precision.

Ms. Kondo says she isn't the nagging type and values what makes her children joyful. "For example, when my daughter is crying, I try to ask her what she wants and fulfill her wishes as much as possible," she says.

Ms. Kondo's husband, Takumi Kawahara, 33, handles the cooking. He says he fancied himself a proficient hand at household chores, relative to the average Japanese man, before marrying Ms. Kondo, "but my skills got polished after I met her."

What about parents who are coming to Kondo-ism late? Ms. Kondo says she has realized her method needs a tweak for parents with kids because it's unrealistic. "Through my first parenting experience, I learned that I had no time to spare at all," Ms. Kondo says.

She now suggests busy parents start organizing in stages by tackling, say, just shirts at first instead of the entire closet. Though her normal technique calls for doing it all at once—it's more efficient that way—she says she carved out this exception for families with little children.

Ms. Kondo got her start during college by going to people's houses and helping them straighten up their things. These days, she is too

busy for her own house calls and focuses on training others. Over the past year, Ms. Kondo has licensed about 30 consultants in the U.S., while her company lists more than 70 certified tidiness professionals in Japan.

Part of the business strategy is signing up luxury apartment buildings to pitch the service. Instrata Lifestyle Residences, a brand of Invesco Ltd.'s real-estate arm, has been encouraging tenants to consider a \$500 session in which a consultant spends five hours walking clients through the KonMari method.

Morgan Gilbert, who lives in an Instrata building in New York City and has a 1-year-old boy, said the method let her work through her things in stages and left the most sentimental category—in her case, her son's clothes—for the end. She said she kept some maternity clothes because they made her feel good when she was pregnant and sold shoes, purses and other items that didn't spark joy through a consignment website she owns.

Ms. Kondo says she is in discussions to publish a picture book for children around the middle of next year. One of her messages: Learning to clean up is part of growing up.

"When children go through the sadness of letting things go, that can be a good experience for them," she says. "I wouldn't want to eliminate such emotions."

MY RIDE | By A.J. Baime

## THIS MOTORCYCLIST LOVES A BIKE WITH BITE

**Shayna Texter, 26, a professional motorcycle racer from Willow Street, Pa., on her Honda CRF450R, as told to A.J. Baime.**

Flat track motorcycle racing is probably the oldest form of motorcycle racing in America. We race on dirt ovals all over the country. I am one of only two women competing in the American Flat Track single-cylinder series and I am leading the points championship. No female has ever won this championship, and I hope to change that this year.

My father raced professionally and he owned a Harley-Davidson dealership, so he had me riding a motorcycle at 3 years old. My brother Cory (also a pro racer) and I were given a choice when we were growing up: help my dad work on bikes or go to the gym. I always loved working on motorcycles, and it is still my favorite hobby when I am not racing.

The bike I am riding now is a showroom 450cc single-cylinder Honda motocross bike [Ms. Texter is sponsored by a Dallas Honda dealership.] that we converted to a competition bike. We put racing suspension and 19-inch wheels on, so the bike sits a lot lower than a stock bike. We also took off the front brake.

On the track, riders wear full leather suits, leather gloves, a full-face helmet and boots, plus a steel shoe that attaches to the left boot, as we use the left leg to slide



through turns when we are turning left.

The bike can hit 130 mph, and there are literally times when riders are bouncing off each other, racing handlebar to handlebar and wheel to wheel. This requires a lot of trust in your competitors, because one little bobble and you can be on your way. It's your body hitting the ground. I have never had any major injuries. I broke my foot a couple times and my shoulder blade once.

When I put my helmet on, I do not think of myself as a female. I am just a motorcycle racer. But when that helmet comes off and I hear the crowds screaming and cheering for me, I get so inspired. Because I feel like I am inspiring other people to push harder and to go after their dreams.

Contact A.J. Baime at [Facebook.com/ajbaime](http://Facebook.com/ajbaime).



Shayna Texter with her Honda CRF450R racing bike in July at the Calistoga Speedway in Calistoga, Calif., above. Ms. Texter in action, above left, at the Lima Half-Mile in Ohio in June.

## OPINION

### REVIEW & OUTLOOK

#### Trumpian Fury on North Korea

**W**hen Donald Trump threatened North Korea with "fire and fury" Tuesday if it continues to menace the U.S. with nuclear weapons, he provoked almost as much backlash at home as in Pyongyang. The usual diplomatic suspects, including some American lawmakers, claimed his remarks hurt U.S. credibility and were irresponsible.

The President's point was that the North's escalating threats are intolerable; he didn't set any red lines. True to form, Pyongyang responded by putting the U.S. island of Guam in its cross hairs. Mr. Trump may be guilty of hyperbole (*quelle surprise*), but that is far less damaging to U.S. credibility than Barack Obama's failure to enforce his prohibition on the Assad regime's use of chemical weapons in Syria. The foreign-policy elite who claim to be shocked also don't have much credibility after their policy of appeasement across three Administrations led us to the current North Korean danger.

While the President's words were unusually colorful, the Communist-style language may have been part of the message: Kim Jong Un isn't the only one who can raise the geopolitical temperature. The U.S. has military options to neutralize the regime's nuclear threat if it continues to develop long-range missiles, and the U.S. is considering those options.

National Security Adviser H.R. McMaster said as much in an interview with MSNBC Saturday. He explained that North Korea's nuclear threat is "intolerable from the President's perspective. So of course, we have to provide all options to do that. And that includes a military option."

Last week Senator Lindsey Graham told a morning television program, "There is a military option to destroy North Korea's program and North Korea itself." The South Carolina Republican revealed that Mr. Trump told him there will be war if the North continues to develop long-

**China needs to know  
that the threat of  
military action is real.**

range missiles: "He has told me that. I believe him. If I were China, I would believe him, too, and do something about it."

The mention of China is a tip-off that the main audience for this rhetorical theater is in Beijing. Kim Jong Un won't change course now that he's so close to his goal of a nuclear deterrent. But

China might restrict the flow of oil to the North, for example, if it believes that stronger action on its part could forestall a U.S. preemptive strike.

The other audience for Mr. Trump's remarks is the North Korean leadership around the young Kim. If they believe they are doomed by Kim's nuclear course, their best chance of self-preservation is to remove him. Regime change and then reunification is the ultimate solution to the North Korean problem.

One statement isn't going to change minds in Beijing or Pyongyang. The Trump Administration can also signal its seriousness by imposing secondary sanctions on more Chinese companies, financial institutions and individuals. The U.S. also needs to move more military assets into the region to make the use of force credible.

Striking North Korea remains a last resort because the regime can hit the South with nuclear, chemical and conventional weapons. Yet in 1994 then-President Bill Clinton used the threat of military action as he tried to force the North to give up its nuclear program. But former President Jimmy Carter exceeded his diplomatic mandate and helped to maneuver Mr. Clinton to accept an agreement that propped up Pyongyang and didn't provide for adequate inspections.

Diplomacy works best when there is a credible stick to go with the carrots. The Trump Administration has the right idea, even if the President's words lack the usual diplomatic politesse.

#### Would You Like a Job?

**M**ore evidence of a tight American job market arrived Tuesday with the Labor Department's report of 6.2 million job openings at the end of June. The so-called Jolts report, which many economists view as the best measure of labor-market health, showed an increase of 461,000 openings from the previous month.

That 6.2 million figure is subject to revision, but if it holds it would be a record since Labor began reporting the Jolts numbers in December 2000. We don't often write about the Jolts figures, but in this case they add to

the evidence of the tight labor market that has been building for months.

This suggests a potential bottleneck for future economic growth. Labor and capital are the two main engines of expansion, and it's hard to know where the workers will come from as more Baby Boomers retire. The tight labor conditions certainly underscore the folly of limiting legal immigration, as President Trump has proposed. To return to the 3% annual GDP growth that Mr. Trump has promised, he may need to increase guest worker visas by the tens of thousands.

#### Google's Diversity Problems

**G**oogle professes a commitment to diversity, inclusion and openness, so there is no small irony that it now finds itself in the hot center of America's diversity culture wars. The tech giant's dismissal of a contrarian software engineer this week also raises deeper questions about the atmosphere of ideological conformity in corporate America.

Google computer scientist James Damore triggered the uproar when he published a memo last week blasting the search company's "politically correct monoculture" and progressive gender policies. After his *cri de coeur* went viral, Google CEO Sundar Pichai fired Mr. Damore for violating the company's code of conduct by "advancing harmful gender stereotypes in our workplace."

Mr. Damore, who says several times that discrimination exists and is a problem, could have used an editor to soften his stridency and to fact-check some of his many pop-psychology claims about emotional differences between men and women. But even Mr. Pichai wrote that "much of what was in that memo is fair to debate," and posts on Google's internal messaging board support Mr. Damore for some of the issues he raised.

His main argument is that Google's policies have created a conformist culture. Silencing alternative viewpoints, he says, "has created an ideological echo chamber where some ideas are too sacred to be honestly discussed." He writes that "discrimination to reach equal representation is unfair, divisive and bad for business." That, essentially, is Supreme Court Justice Clarence Thomas's criticism of racial preferences.

Mr. Damore proposes steps Google could take to increase intellectual diversity, such as "stop alienating conservatives," "confront Google's biases," "de-moralize diversity," and "reconsider making Unconscious Bias training mandatory."

To what extent Mr. Damore's former colleagues would agree or disagree with any of this in the privacy of their cars on the way home is unknowable. But what got him tossed out the door were his musings on women in the workplace.

In a note to employees, Mr. Pichai wrote that "we strongly support the right of Googlers to express themselves," but "to suggest a group of our colleagues have traits that make them less biologically suited to that work is offensive and not OK." In other words, it's OK to express views as long as they are not antithetical to Google's political culture.

Mr. Pichai's note sounds like an increasingly familiar form of legal cover. Mr. Damore doesn't belong to a union, and private companies aren't bound by the First Amendment, so Google was within its right to fire him. But before his firing,

**Progressive cultural  
taboos have migrated  
from campus to business.**

Mr. Damore had complained to the National Labor Relations Board about superiors "misrepresenting and shaming me." Now he is arguing that his dismissal constitutes retaliation. This is a stretch, since the labor board's purview doesn't extend to individual workplace disputes. But Mr. Damore could still try to take Google to court.

Google's lawyers, on the other hand, may have noted the Justice Department's definition of sexual harassment as "activity which creates an intimidating, hostile, or offensive work environment for members of one sex." Once female workers complained, Google may have felt it had a legal obligation to fire Mr. Damore.

The liability imperative doesn't stop there. Google is under pressure from an Obama-era Labor Department investigation of its pay practices, which then-Labor Secretary Tom Perez initiated and the Trump Administration has continued. In April, Labor officials claimed they had uncovered "systemic compensation disparities" and "compelling evidence of very significant discrimination against women." In this brave new legal world, a James Damore is collateral damage.

One irony, though, is that Google in its defense against the government has advanced one of Mr. Damore's arguments—that gender disparities to the extent they exist are a result of factors unrelated to discrimination. As to the underlying reality: The American Enterprise Institute reports that more than 80% of computer-science and engineering majors are men, but women receive about 60% of biology and 75% of psychology degrees. Enforcing gender parity by the numbers could inadvertently cause more discrimination.

Google's leftwing biases are hardly news. Recall YouTube's censorship last fall of PragerU's conservative educational videos on topics such as university diversity and the Iraq war. The Google subsidiary deemed the videos "potentially objectionable." Potentially?

The Damore firing underscores why so many don't think Google should be trusted as an arbiter of content. Google enjoys a quasimonopoly in search, which it uses to subordinate paid content to free media. Its algorithms are secret and supposedly aim to make information useful. Determining utility, however, invariably involves value judgments. So the question: Does Google deprioritize content it deems objectionable or antithetical to its values?

Many on the left are dismissing Mr. Damore as an alt-right nut. But the monolithic progressive culture incubated on college campuses clearly has spread to corporate America. The emergence of a backlash is no surprise.

### OPINION

#### Some Second Thoughts On Trade With China



**POLITICS  
& IDEAS**  
By William  
A. Galston

Some policies undertaken with the best of intentions don't work out as expected. In March 2000, President Clinton (for whom I worked during his first term) said of China's accession to the World Trade Organization: "Economically this agreement is the equivalent of

a one-way street.... It requires China to open its markets... to both our products and services in unprecedented ways. All we do is to agree to maintain the present access which China enjoys."

The gains would be more than economic, he added: "By joining the WTO, China is not simply agreeing to import more of our products; it is agreeing to import one of democracy's most cherished values—economic freedom."

In his remarks later that year, when U.S. Congress effectively ratified China's entrance into the WTO, Mr. Clinton predicted that "10 years from now we will look back on this day and be glad we did this." He wasn't alone; I could fill this column with optimistic predictions from senior officials of both political parties.

Ten years later, the U.S.-China Economic and Security Review Commission convened to examine the effects of this momentous agreement. In lengthy testimony, Robert Lighthizer, a Reagan administration trade official who now serves as President Trump's U.S. trade representative, argued that this policy had failed in virtually every respect.

Mr. Lighthizer attributed part of the blame to an underestimation of the extent and persistence of China's mercantilist practices. He argued that the very structure of the WTO cannot accommodate countries that deploy large state sectors to advance their national interest at the expense of others.

Although Mr. Lighthizer is a China hawk, developments in the seven years since he testified have led other officials on both sides of the aisle to similar conclusions. Now the Trump administration wants to press the issue. To make progress toward a solution, the administration must focus on the core of the problem.

Currency manipulation to promote exports is yesterday's issue. Much of the damage China has inflicted on the U.S. manufacturing sector will be hard to reverse, even with the aggressive use of existing antidumping statutes.

It is China's techno-nationalism that poses the greatest threat to America's future. In 2006 the Chinese government adopted a long-term plan to promote what it called "indigenous innovation." As James McGregor, a leading expert on the Chinese economy, writes, China's leading-edge

firms were directed to obtain technology from their multinational partners through "co-innovation and re-innovation based on the assimilation of imported technologies." This meant giving American firms an offer Don Corleone would have recognized—either to "share their technologies with Chinese competitors—or refuse and miss out on the world's fastest-growing market." China's ultimate goal is to use forced technology transfer to replace the U.S. as the world's leading economy.

The Obama administration recognized this. In November 2015, Robert Holleyman II, then the U.S. deputy trade representative, declared that China "continues to adopt measures to promote indigenous innovation that contradict its stated commitment to promote intellectual property protection and enforcement."

#### Inviting Beijing into the WTO seemed like a win-win. It didn't turn out that way.

Earlier this year, as the Trump administration was getting under way, research centers in Europe and the U.S. issued scathing critiques of China's signature technology initiative, "Made in China 2025," which calls for Chinese companies to produce 40% of the components and materials in the manufacturing chain by 2020, and 70% by 2025.

In the view of its foreign critics, says Mr. McGregor, this is a "protectionist blueprint aimed at gutting high-end manufacturing in the United States, Europe, Japan, and other developed economies."

Existing legal tools may not suffice to end these discriminatory practices. Although the WTO prohibits mandatory technology transfers, the Chinese government's position is that trading technology for market access is purely a business decision.

Protectionist government purchases are a key part of China's strategy. When China entered the WTO in 2001, it promised to sign the Government Procurement Agreement, which requires government purchases to be made on a nondiscriminatory and transparent basis, "as soon as possible." Sixteen years later, this still hasn't happened.

The Trump administration should demand the Chinese government sign the GPA without further delay. But down the road, the administration may be forced to ask Congress for additional authority.

If turning over America's technological crown jewels to a foreign power is against the national interest, then the U.S. government should have the power to prevent it. But wielding this power without blowing up the international trade regime won't be easy.

### LETTERS TO THE EDITOR

#### End Qatar's Policy of Strategic Ambiguity

Regarding "Tillerson Can End the Qatar Standoff" (op-ed, Aug. 3): Dennis Ross posits two reasons for the U.S. to resolve the Qatar standoff—restore unity among Sunni states and score a diplomatic success for Secretary of State Rex Tillerson. But success requires the resolution of the standoff that promotes U.S. strategic interests. Pressuring Riyadh to help Qatar save face without making any meaningful concessions on the Saudi-led Coalition's 13 demands doesn't achieve this goal.

For decades, Qatar has been the leading Middle East practitioner of a policy of strategic ambiguity, cooperating with the U.S. on some issues, while placating terrorist groups, inciting religious extremism through Al Jazeera and other channels, and cooperating with Iran. This policy has always been harmful to U.S. interests but has become particularly untenable given Tehran's intensifying drive to dominate the Persian Gulf. Getting Qatar's ruling Al-Thani family to abandon this policy will be difficult and time-consuming. But it would be a strategic coup for both American and Saudi statecraft.

The criticisms against this course of action are wrong. Avoiding strife within the Sunni world is desirable, but not the only consideration. The risks that Qatar will prevent the U.S. military from using Al Udeid Air Base are negligible, since Qatar views America's mili-

tary presence as its ultimate security guarantee. The danger of Qatar evolving into a full-fledged Iranian client state is vastly overblown; this isn't something that the Al-Thani family would find palatable. The notion that it is somehow unfair to squeeze Qatar for sins that are not unique to it is best rebutted by U.S. long-standing policy against Cuba, which has dealt harsher with a Castro junta than with many other communist regimes.

The key U.S. strategic priority is to stop Iran's drive for regional domination. Bolstering Iranian sanctions and opposing Tehran's proxy forces in Syria, Iraq and Lebanon and bleeding the Revolutionary Guards are the key components of this effort. But, as President Trump said during his May Jeddah speech, the U.S. also needs a militarily viable and committed Sunni coalition that puts "boots on the ground" and opposes religious extremism, with Saudi Arabia, Egypt and Jordan as the key pillars. Cooperating fully with Saudi Arabia's new leadership—which is pursuing domestic reforms and working to stabilize the Gulf by opposing pro-Iranian forces in Yemen—playing the leadership role within the Gulf Cooperation Council and ending Qatar's policy of strategic ambiguity is an indispensable part of creating such a coalition.

DAVID B. RIVKIN, JR.  
Falls Church, Va.

#### U.S. Exporters Need the Export-Import Bank

Your editorial "Reformers Not Welcome at Ex-Im Bank" (July 26) seems fast and loose. It isn't accurate that "46 public employees were convicted of defrauding the bank"; its inspector general has explained to U.S. Congress that 46 outside parties attempted to defraud it. Further, under accounting rules established by Congress, Ex-Im has sent to the Treasury \$7 billion more than it has received in appropriations since 1990; the notion that the bank should use alternative accounting methods at odds with those required by law is dangerous.

U.S. exporters need Ex-Im because export credit agencies (ECAs), maintained by 80 nations, have issued trillions of dollars in trade finance in recent years. China's three ECAs have provided more financing in the past three years than Ex-Im has in the past

80. Access to such financing often determines which firm, from which country, gets the sale.

The campaign to kill Ex-Im delights foreign enterprises competing with U.S. exporters and has left American executives astonished at how divorced our "opinion elites" are from modern business realities.

NEIL BRADLEY  
Senior VP and Chief Policy Officer  
U.S. Chamber of Commerce  
Washington

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to [wsj.ltrs@wsj.com](mailto:wsj.ltrs@wsj.com). Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

## OPINION

# Putin's Goal: Revenge and Restoration

By Leon Aron

**A**s the Russian hacking and "collusion" sagas consume Washington elites and the media, a more important question has gone unanswered: Why is Vladimir Putin engaging in such activity, and what should Americans expect next?

By temperament and KGB training, Mr. Putin isn't an easy man to read. Secrecy is an integral part of the regime he has forged, as in all authoritarian states. Yet surmise about his motives and goals we must, since the alternative is to be unpleasantly surprised every time he acts.

### What ties hacking and election meddling to Syria and Ukraine? A nostalgia for Soviet-era power.

"Who is Mr. Putin?" was the refrain in the early 2000s after this obscure director of the FSB—the post-Soviet successor to the KGB—became first prime minister and then a phenomenally popular president.

Seeking clues to his behavior, experts labeled him an "authoritarian modernizer," a spy-agency "operative," a "bureaucrat" and a Russian "nationalist."

Yet what seemed to explain his policies most consistently was another gradually emerging identity: that of an ardent Soviet patriot. Mr. Putin's speeches and off-the-cuff remarks seem to indicate that, unlike Western and Russian democrats, he never bought into the narrative that there were no winners in the Cold

War. He appears to view the global order as unfair and immoral, having been hijacked by America. This conviction solidified in 2003 after the U.S. invaded Iraq. Then in 2011 the West helped topple Libya's Moammar Gadhafi, an intervention Mr. Putin likened to the Crusades.

The Russian president acts as if he imposed on himself a historical mission to rebalance the world's "correlation of forces," as the Soviets used to say in Brezhnev's time. Resentment and restoration looked like his twin mottos.

While leaving the door open to cooperation with the U.S. on antiterrorism, arms control and nuclear non-proliferation, Mr. Putin came to view the rest of geopolitics as largely a zero-sum game: If the West wins, Russia loses—and vice versa.

What happened during the 2016 U.S. presidential election, then, was not an anti-American one-off. It was part of a sustained policy, a tile in the giant geopolitical mosaic of Russian resurgence that Mr. Putin has set out to construct.

Moscow has perpetrated cyber-warfare, hacking, fake news and political interference for years. Last year, in addition to meddling in America's election, Russia was behind an attempted coup in Montenegro meant to prevent it from joining NATO.

Since 2007, Russia has hacked the servers of government, industrial or financial institutions in Bulgaria, Estonia, Georgia, Lithuania and Ukraine. The International Olympic Committee and unclassified computers at the U.S. State Department have been attacked as well. Now Germany's leaders are alarmed enough about potential interference in their September parliamentary



TASS/ZUMA PRESS

At a meeting in the Russian Far East on Aug. 3.

elections to have issued stern warnings to Moscow.

Judging by all this—and especially by what followed his election to a third term in 2012—Mr. Putin's overarching foreign-policy objective is to weaken Western democratic institutions and alliances by relentlessly chipping away at their legitimacy and popular support. His answer to the Russian saying *protiv kogo my za?* ("against whom are we for?") looked more and more like "against the West" and "for Russia!"

Mr. Putin would avenge the Soviet Union's fall and lead Russia to reclaim its glory as a geopolitical, military, and moral counterbalance to the U.S.

His policies bear out this reading: Ukraine wants to join Europe? This would be a gain for the West (Mr. Putin once called Ukraine "NATO's Foreign Legion") and must be re-

versed by seizing Crimea and initiating a proxy war. The U.S. wants to remove Bashar Assad from power in Syria and supports pro-Western rebels? Russia will ally with America's sworn enemy, Iran, to keep Mr. Assad in power. Hillary Clinton is likely to be elected president? Moscow must find and release *kompromat* (compromising materials) to hobble her campaign and delegitimize the election.

This is a dangerous game. At home Mr. Putin has come to depend on foreign-policy successes and military triumphs for his legitimacy. The Russian economy is stagnant, incomes are falling, poverty is up and revulsion at the regime's corruption is widespread and intense. The next presidential election comes in March, and Mr. Putin's victory is assured, but he wants more than a win. He wants a resounding affirmation.

tion of his popularity, an outpouring of loyalty and adulation that can carry his regime through the next six years.

Russian proxies have upped their attacks on Ukrainian troops since last month's Trump-Putin summit in Hamburg. Another catalyst for Russian patriotic hysteria could be Belarus, a "fraternal Slavic state," which would be "saved" from imminent NATO conquest by valiant Russian soldiers and local "patriots."

But the largest score would be to invade, most likely by proxy, Estonia, Latvia or Lithuania, thereby exposing NATO as a paper tiger, unable or unwilling to mount a military response. As the world passes the 55th anniversary of the Cuban missile crisis, Mr. Putin may overreach and miscalculate, bringing Russia and the U.S. to the brink of war, just as Nikita Khrushchev did.

Addiction to victories must be among the hardest habits to break. Doubly so if one perceives them, as Mr. Putin does, as a means to right an enormous wrong done to his country—and to remain in power. America's newly adopted anti-Russian sanctions, though morally correct and damaging in the long term, won't change Mr. Putin's strategy. If anything, he could up the ante.

The West's best option, the only one that has a chance of forcing Mr. Putin to abandon his zero-sum game of revenge and restoration, is to engineer for him unambiguous setbacks and reversals—in Ukraine, Syria and wherever else he chooses to go next. If only the West can muster the will.

Mr. Aron is director of Russian studies at the American Enterprise Institute.

## Memo to a Google Engineer



### BUSINESS WORLD

By Holman W. Jenkins, Jr.

Try as we might, we can't find anything truly objectionable in what a now-fired Google engineer had to say about the company's diversity efforts.

Throughout his memo, James Damore repeatedly makes a point that will be purposely lost on many journalists, because they are afraid of it: The distribution of traits within a population says nothing about the traits of any particular person.

Men, on average, may be taller than women. Systematic science tells us so. But this doesn't allow anyone to accuse Julie Newmar of being shorter than Mickey Rooney. Neither does it allow Ms. Newmar's admirers to complain about the science of height distributions.

Google says it dumped Mr. Damore for perpetuating "gender stereotypes," which implies it's forbidden to mention scientifically validated variations in the distributions of traits as they relate to gender. Why? Because it's easier than re-

minding those who wish to feel aggrieved that such findings say nothing about their own traits or how they will fare at Google.

Which brings us to the real reason Mr. Damore's prospective employment lawsuit won't be the great air-clearing this issue needs: Google will pay him off handsomely because it knows it doesn't have a leg to stand on.

The gist of his memo wasn't to insist on gender stereotypes but on the folly of directing people into jobs for which they are not suited purely to meet diversity goals. Especially when, as he says, a better alternative is to rethink how jobs are structured if the goal is to make them more attractive to people with a different set of traits than they attract now.

Inconveniently, Mr. Damore also points to the discriminatory nature of Google "programs, mentoring and classes only for people with a certain gender or race." Inconveniently, he notes the intrinsic unfairness of treating trait-based disparities as gender-based.

Example: Studies suggest women, on average, may be more anxious and more concerned about work-life bal-

ance than men, but plenty of men share these traits too. Where are the programs to help these men advance in a culture that naturally tends to reward those who are single-mindedly focused on their jobs?

### Shut up. Google is fighting the diversity furies and you're not helping.

"Philosophically, I don't think we should do arbitrary social engineering of tech just to make it appealing to equal portions of both men and women," Mr. Damore writes. "For each of these changes, we need principled reasons for why it helps Google."

He insists it's not intellectually defensible to assume all differences are the product of "oppression" and "sexism."

Guess what? Founders Larry Page and Sergey Brin aren't stupid. They know this. Mr. Damore's real offense is exposing a necessary hypocrisy in Google's plan for fending off the societal attacks that began in 2014 when

its workforce was revealed to be 70% male and 61% white.

Mr. Damore is an embarrassment to the company's strategy of appeasing the diversity furies with tokenism, perfectly acceptable to Google's critics as long as it affirms their insistence that any and all disparities arise from discrimination and victimization.

Its critics don't really care about outcomes. They care about Google endorsing their ideological and political fixations.

For all the world, this controversy is a dead ringer for the political correctness (before the term was commonplace) that descended on E.O. Wilson with his 1975 book "Sociobiology," which made the now-undisputed claim that many human behavioral traits are shaped by evolution and passed along genetically.

Mr. Wilson was accused of every retrograde impulse, from Nazism to eugenics to a desire to keep women in the kitchen, though nothing could be further from the truth.

He was physically attacked at a meeting of the American Association for the Advancement of Science, later writing, with excessive optimism, that

it was the only case in America of a scientist being physically assaulted for "the expression of an idea."

Here's where we don't blame Google, though, for living in the world. Companies do lots of things in the service of "community relations" that amount to payola for critics. Yes, it's an uncomfortable position for a company that prides itself on scientific rationality to be found practicing deliberate irrationality to placate politically motivated activists. But unless business gets more help from the larger culture, what can you expect?

The Harvard of his day bravely stood by Mr. Wilson, though it's debatable whether it would today. It even (if quietly) congratulated itself in 2000 for rereleasing what it called a "classic work" whose controversial nature "reverberates to the present day."

If you can't expect universities any longer to be brave in defense of reason, how can you ask a company whose stock is traded in the public market and whose relations with politicians and regulators are crucial to its ability to adapt and grow?

But at least Mr. Damore is likely to get a nice settlement.

By John Tamny

**W**hen Donald Trump was elected in November, the dollar rallied. Although the New Yorker had given mixed signals about currency policy throughout his presidential campaign, the price of an ounce of gold (historically the best proxy for the dollar's value) closed the month down more than \$100.

The greenback has since given back all its gains. Not only has it weakened against most foreign currencies, the price of gold has crawled back to where it was in the days before Mr. Trump's election. None of this should come as a surprise to those who have been paying attention.

Presidents generally get the dollar they want. In Mr. Trump's case, his

comments since entering the White House have indicated his desire for a weaker currency.

In April he concluded that the dollar "is getting too strong." Last month he told this newspaper that he likes "a dollar that's not too strong," and that "lots of bad things happen with a strong dollar."

Mr. Trump would be wise to temper this rhetoric. He has promised to boost American exports, create jobs and return the country to broad prosperity. A weak dollar runs counter to all three goals. To see why, it's important to look beyond the initial effects of devalued money.

On its face, a weak dollar might appear wise in that it makes American products cheaper for customers abroad, boosting exports. Yet no country can devalue its way to prosperity.

Robert Mundell, a Nobel laureate in economics, once stated a simple truth: "The only closed economy is the world economy." This matters a great deal because production is increasingly globalized. The Jeep Wrangler, Ford Taurus and Ford F-150 are among the most American-made cars in the world, but nearly a third of their parts are imported. A weak dollar increases the cost of these inputs, limiting any supposed gains from the initial devaluation.

Oil prices have a similar effect. When the dollar is in decline, oil prices are on the rise. The weak-dollar policies of Presidents Nixon, Carter and George W. Bush are what explain high oil prices during the 1970s and 2000s. It's not as though crude suddenly became scarce. A shrunken dollar under Mr. Trump would also push energy prices up—which increases the cost of exporting.

The quickest path to competitive exports is investing to improve productivity. Investment is the greatest enemy rising prices have ever known. Think of Henry Ford, pour-

### How does it help U.S. workers to erode the value of the currency in which they're paid?

ing his initially slim profits back into his assembly line. Or modern factory automation that allows workers to do more in an hour. When investors put dollars to work, they're buying a future income stream denominated in dollars. Devaluation acts like a tax on the investment needed to improve Ameri-

can competitiveness. The same goes for job creation, since work opportunities are similarly a function of investment.

A final simple point is that American workers are paid in dollars. Devaluing the currency erodes their ability to buy the necessities and pleasures of life, whether they're created across the street or across the globe.

This obvious truth has long eluded proponents of a weak currency, who are prone to limiting their analysis to first-stage implications. They focus on the economy as an abstract blob, forgetting that it's made up of millions of individual workers who earn dollars. Never explained by Mr. Trump or any backer of a weak currency is how eroding its value will help these people and companies.

Devaluation proponents can't rationalize the irrational. The reality, seemingly ignored in the discussion of economic growth, is that workers produce in order to consume. The making is all about the *getting*. But if the dollar is in decline Americans will, at best, be exporting more in return for fewer imports. It would be hard to conceive a more impoverishing policy.

Yet that is what Mr. Trump is proposing. A weaker dollar will harm American competitiveness, raise prices, tax job creation and sap workers' earnings and savings. It doesn't work in theory, and it has never worked in practice.

Unless Mr. Trump changes course, it sounds like the path to a one-term presidency.

Mr. Tamny is director of the Center for Economic Freedom at FreedomWorks, editor of RealClearMarkets, and author of "Popular Economics" (2015, Regnery).

## THE WALL STREET JOURNAL.

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## Notable & Quotable: Humor

*The abstract of "The Funny Side of Drug Dealing: Risk, Humor, and Narrative Identity," a paper published by the scholarly journal Criminology, July 11:*

In this study, we explore the role humor plays in the narrated identities of drug dealers, in their negotiation of the threat of formal punishment, and in their cultural membership and authority. By drawing from interview and observation data gathered from 33 active drug dealers residing in St. Louis, Missouri, we find that humor facilitates identity work among illicit drug dealers in several ways. Humor is an important symbolic boundary marker distinguishing dealers from others they consider "stupid" or less

circumspect. It also indicates dealers' identities as "smart" and simultaneously establishes and validates their subcultural authority and membership in the symbolic group of "smart" dealers. Furthermore, drug dealers use denigrating humor in their narratives to distance their former and virtual identities from their present identities. Finally, humor also reduces dealers' perceptions of the threats posed by police and potential snitches by casting dealers' present identities and former reactions to the threat of punishment in a positive light. We conclude by discussing implications for narrative criminology, extant humor research, and current understanding of symbolic boundaries, identity work, and deterrence.

## LIFE & ARTS

THE MIDDLE SEAT | By Scott McCartney

# Hate Basic Economy Fares? More Are Coming

Delta, United and American like the early results of the restriction-heavy tickets enough to expand them

**BUYING AIRLINE TICKETS** is getting even more dastardly: Basic Economy fares are spreading nationwide.

Only in the increasingly complex airline world is there a big difference between "basic" and "standard." Travel agencies have scrambled to display differences in coach fares so travelers don't buy the lowest price without realizing they won't get what they used to get.

What is Basic Economy? Delta, United and American, the three largest U.S. airlines, sell discounted fares about \$30 to \$50 less than standard coach tickets.

But there are major catches: Fliers are stripped of basic amenities like advance seat assignments and overhead bin space. Remember when airlines posted great-looking fares, only to reveal in the small print that they required a Saturday-night stay? Basic Economy is the new Saturday-night stay. Some people make it work, but the constraints push many to higher fares.

Now the big three airlines are rolling out Basic Economy across their entire domestic networks and some international routes. They're betting even more travelers will then buy up to higher coach fares.

Frequent fliers complain Basic Economy basically creates a loyalty-program tax—they have to pay more to get the amenities they used to get free. Fares have been rising this year, so to many, Basic Economy looks like a ketchup bottle with fewer ounces at the same price.

"You see that upcharge and it's kind of a kick in the teeth," says Scott Nealey, a San Francisco attorney who takes about 40 trips a year.

He says United's Basic Economy has shown up in his searches more than other airlines, even on expensive business trips. When he is paying \$600 to \$700 to go to Seattle, he wonders why any business traveler would agree to cede bene-



Basic Economy fares, spreading to all domestic markets, prohibit use of overhead bins on United and American. United says that's streamlined boarding. But unsuspecting travelers could get burned paying \$25 to check a carry-on bag.

fits to save \$40. "It takes United off my map," Mr. Nealey says.

With Basic Economy, you can't get a seat assignment until right before departure and you can't make same-day flight changes. On Delta, you board in the last group and aren't eligible for upgrades or extra legroom seats, even if you have elite status. On United and American, you're last in the boarding line unless you have elite status or a qualifying credit card that gets you earlier boarding. You can bring a full-size carry-on for the overhead bin on Delta. You can't on United and American, unless you have elite status.

The fares are fraught for unsuspecting travelers who blindly book

the lowest price. Slip up and bring a full-size carry-on to the gate and United and American will charge you \$25 to check it when flying on Basic Economy. There go your savings, especially if you also check a bag on your return flight.

Families and groups should avoid Basic Economy tickets. There's no hope of sitting together. If you're worried about getting bumped from a flight, don't buy Basic Economy—cheap fares and no seat assignment make you an instant target for involuntary denied boarding. If you have elite status, you'll lose some benefits.

Many travelers are willing to give up perks to save some dollars on tickets. Still, airlines say when

offered a Basic Economy fare, which they initially started to compete with discounters like Spirit and Frontier, half of all customers click to a higher fare.

American says the average up-sell so far has been \$23. Delta says it got an extra \$100 million in revenue in the second quarter from its fare strategy, but that includes upsells to extra-legroom and first-class seats. On United's second-quarter earnings call, President Scott Kirby said the airline wasn't getting the expected revenue boost yet because it has been more aggressive rolling it out and was losing customers to airlines offering the same fares without reduced benefits. Still, United said it ex-

pects Basic Economy to boost revenue by \$200 million in 2017.

Many companies have removed Basic Economy fares from corporate travel-booking sites, and online travel agencies and even some airline apps let you opt out. **American Express** Global Business Travel says 66% of its clients suppressed Basic Economy fares at the end of December. That has grown to 75%. One reason: fares that are completely unchangeable or nonrefundable end up being expensive to companies when travelers have to make changes.

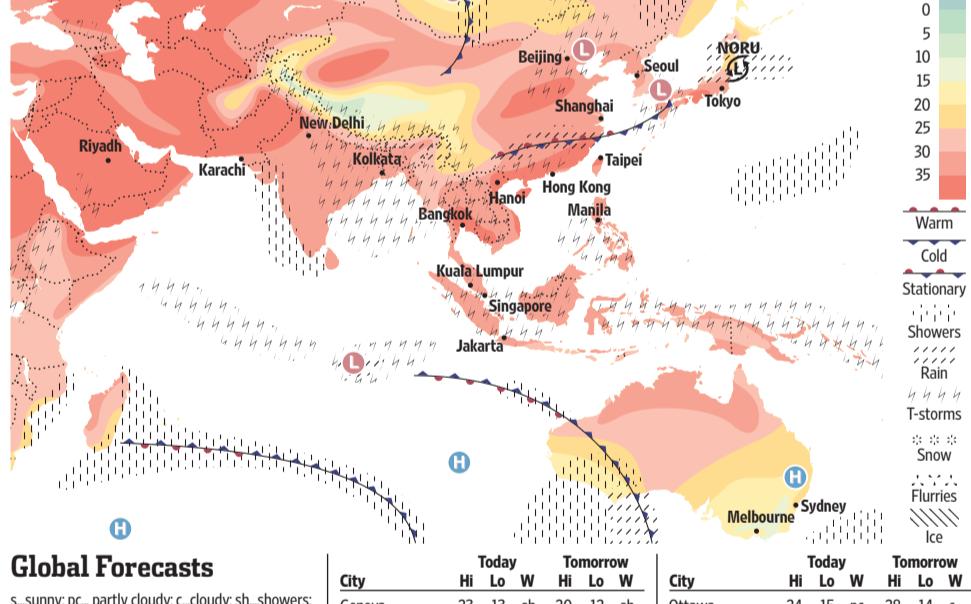
Airlines say Basic Economy is another step in stripping down their product to core transportation, then letting customers add the services they want, like checking bags, early boarding or selecting seats in advance.

A Delta spokesman likens Basic Economy to selling a hamburger, then asking customers if they want fries, too. "We feel like it's been transparent and straightforward," spokesman Morgan Durrant says.

United says an added benefit, since most Basic Economy passengers don't get overhead bin space, has been a 30% decline in flights where overhead bins end up full and a 50% reduction in the number of bags tagged and checked at the gate. That means quicker boarding and more on-time departures. "The majority of customers who purchase a Basic Economy ticket are arriving at the airport aware of the details this fare entails," spokeswoman Maggie Schmerin says.

Tom Farmer, a Chicago-based communications consultant, finds Basic Economy tickets are indeed presented as the new normal in coach. He avoids them, but doesn't want to explain to clients why he bought a pricier ticket. Instead, he's avoiding United and flying more with American, which has a much more limited rollout so far, as well as Southwest and **JetBlue**. "It propels more guys like me into free agency," he says.

## Weather



## Global Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers; t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	20	12	t	19	12	r
Anchorage	18	14	r	18	11	c
Athens	34	27	pc	35	26	pc
Atlanta	27	21	c	28	22	t
Bahrain	50	32	s	50	30	s
Baltimore	27	16	s	27	19	pc
Bangkok	35	27	t	35	27	pc
Beijing	30	22	c	33	23	pc
Berlin	26	16	pc	22	16	r
Bogota	20	7	pc	21	8	r
Boise	35	19	pc	34	19	pc
Boston	28	18	s	28	19	pc
Brussels	21	12	t	18	12	r
Buenos Aires	18	13	c	18	13	r
Cairo	36	26	s	37	26	s
Calgary	25	11	s	26	11	pc
Caracas	33	26	pc	32	27	pc
Charlotte	26	19	c	27	20	t
Chicago	29	18	pc	28	19	pc
Dallas	33	24	pc	36	26	pc
Denver	26	13	t	26	13	pc
Detroit	29	18	pc	30	18	pc
Dubai	44	34	s	43	34	s
Dublin	19	8	pc	19	12	pc
Edinburgh	19	8	pc	18	11	pc
Frankfurt	25	13	pc	19	12	r

## AccuWeather.com

## The WSJ Daily Crossword | Edited by Mike Shenk



## NOTHING LEFT | By Peter A. Collins

Across	25	Daughter of Cronus	48	Sammy with 609 homers
1	How some things are...	27 Expenses	49 Lenten purchase	
6	Indian address	50 Stuck		
9	It might be brushed in...	53 Foment unrest, in a way?		
14	Expressed awe	54 Bush bounder		
15	#50 on a table	55 Tour de France section		
16	Lightened up?	58 It's west of the Taiwan Strait		
17	Heat home	61 Keyboardist Saunders		
18	Insurance co. worker	62 Pair of hearts?		
19	Subject for une chanteuse	63 Wrong		
20	Symbol resembling a pitchfork	64 Scott Turow title		
21	Ties	65 Fluorish		
24	Home of the ACC's Noles	66 JFK guesses		

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](http://WSJ.com/Puzzles).

69 Intersection points

70 Once, once upon a time

**Down**

1 Energetic extra

2 Meaningless information

3 Department runner

4 Sleeper's state

5 ...purchased

6 Current condition

7 With 55-Down, sign at some corners, and a hint to four places in this grid

8 Do a calculus calculation

9 Where sweaters hang?

10 Tropic Thunder setting, for short

11 Up in the air

12 Part of an eco-friendly routine

13 ...a concert hall

22 Abbr. indicating a fair hirer

23 Future flounder

26 QB's try

28 Skater Midori

30 Fruity drink brand

31 Break off

32 Bookstore features, often

33 Midas offering

34 Hold

37 Paris instigated it

# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Thursday, August 10, 2017 | B1

**Yen vs. Dollar** 109.9680 ▼ 0.31%

**Hang Seng** 27757.09 ▼ 0.35%

**Gold** 1272.40 ▲ 1.27%

**WTI crude** 49.22 ▲ 0.10%

**10-Year JGB yield** 0.059%

**10-Year Treasury yield** 2.229%

## Deals Pile Up in Payments Sector

Vantiv will acquire Worldpay Group for more than \$10 billion in cash and stock

BY BEN DUMMETT

LONDON—**Vantiv** Inc. agreed to acquire U.K. payments processor **Worldpay Group** PLC for about £8 billion (\$10.4 billion) in cash and stock, marking one of the biggest deals in the rapidly consolidating sector.

The tie-up, according to a joint statement, will create a trans-Atlantic payments-processing giant with a combined market value of more than \$20 billion. The companies disclosed their negotiations last month as Ohio-based Van-

tiv warded off a potential bid from **J.P. Morgan Chase & Co.**

Payments businesses are under pressure to join forces to cut costs, develop new products and add customers as greater regulatory scrutiny and rising competition from technology startups squeeze fees.

In April, Mastercard Inc. received regulatory approval to acquire payment-technology firm **VocaLink Holdings Ltd.** for about \$920 million. Last week, Atlanta-based **Global Payments** Inc. agreed to acquire certain assets of **Active Network** Inc. for about \$1 billion from the private-equity firm Vista Equity Partners.

On Friday, Blackstone Group LP and CVC Capital Partners struck a deal to acquire U.K. online-payments

processor Paysafe Group PLC for \$3.89 billion. That deal gives the private-equity giants significant exposure to the online gambling sector as a result of Paysafe's digital-wallet technology.

"Scale and having a cost-efficient [operation] is key in a consolidating industry and we need to take advantage of that," Vantiv Chief Executive Charles Drucker said in an interview. Mr. Drucker will lead the new company, which will be called Worldpay, as executive chairman and co-CEO. Reporting to him will be Worldpay CEO Philip Jansen, who will also take on the title of co-CEO.

Negotiations between the two companies date back to before Worldpay's initial public offering in October 2015.



A Worldpay payment machine

The companies initiated detailed discussions this year.

Vantiv helps merchants, banks and credit unions accept credit- and debit-card pay-

ments, as well as gift cards and online payments mainly in the U.S., where it is the biggest payments processor by transactions handled. Worldpay is about No. 9.

While further cementing Vantiv's U.S. position, the deal gives its U.K. rival the added scale needed to remain competitive in the U.S. market. It also gives Vantiv access to the British and international markets where Worldpay processes millions of payments daily in stores, online and on mobile phones.

Worldpay shareholders will receive 55 pence in cash for each Worldpay share held and 0.0672 of a new Vantiv share.

They will also receive an interim dividend of 0.8 pence a Worldpay share, and a special dividend of 4.2 pence a share.

## Yen Role As Haven Defies Danger In Korea

BY SURYATAPA BHATTACHARYA

TOKYO—Just a few hundred miles of sea separate Japan from North Korea, so market news Wednesday baffled even some expert investors: Japan's currency gained ground against the dollar and euro just hours after U.S. President Donald Trump warned Pyongyang that it faced "fire and fury like the world has never seen."

The market's move, which has also occurred in earlier cases of Korean Peninsula tension, shows that to a certain brand of investor, the yen's status as a safe-haven currency outweighs any considerations about Tokyo's proximity to a nuclear-armed dictator.

On Wednesday afternoon in Tokyo, the yen was trading at ¥109.85 to the dollar, 0.7% higher than late Tuesday in Tokyo. The yen rose 1.4% against the euro over the same span.

North Korea frequently threatens Japan, and some of the missiles Pyongyang has tested have landed inside Japan's exclusive economic zone. North Korea's official media said Wednesday that North Korean leader Kim Jong Un ordered his forces to carefully examine a plan to strike the U.S. military base in Guam.

"If they can make it to Guam, Japan's a third of the way there. I don't understand the safe-haven role it would play if an actual missile was fired," said Bart Wakabayashi, Tokyo branch manager for State Street Corp.

It isn't the first time Mr. Wakabayashi found the market's logic confounding. After North Korea tested an intercontinental ballistic missile on the morning of July 4 Tokyo time, the yen took a small jump up at one point on speculation about rising tensions, as was the case on April 10 after the U.S. said it was sending an aircraft carrier, the USS Carl Vinson, toward the Korean Peninsula.

Odd though it might seem, some market players say there is a certain logic to buying the currency of a slow-growing country like Japan when global fears escalate.

During peaceful times, investors' appetites for risk grow, and they are apt to seek out emerging-country currencies or the dollar, because the U.S., compared with Japan, offers more high-risk, high-return investments. Some investors may borrow yen at near-zero rates and turn the yen into other currencies to make investments elsewhere.

The flip side: When there is talk of war, those risky investments look less attractive. Investors may seek haven in relatively stable stores of value—above all gold, but also currencies like the Swiss franc and the Japanese yen. Those who borrowed yen for bets outside of Japan may unwind

Please see YEN page B2



A bottling line at an A2 Milk plant in Sydney last year. A2 CEO Blake Waltrip says the dairy industry needs more innovation.

## Milk Firms Move to Fix Sour Sales

BY MIKE CHERNEY  
AND HEATHER HADDON

Dairy makers are hoping puréed fruit and genetically screened cows can help win back consumers who have soured on milk.

U.S. milk sales are down 11% by volume since 2000, according to U.S. Department of Agriculture data. Plant-based milk substitutes have taken some of the remaining market share. And a turn away from packaged foods has sapped sales of breakfast cereal, a key milk accompaniment.

Milk companies are fighting back with products they are billing as an improvement on the original.

"Innovation is the only way out," said Blake Waltrip, chief executive for the U.S. at **A2 Milk** Co., a New Zealand-based company that sells milk that lacks a protein that might cause digestion for some.

Big food makers are testing new products, too. **Danone** SA's Sir Bananas product combines milk with puréed fruit, which it hopes will stand out from other flavored-milk drinks and is now available nationwide. **Fairlife LLC**, a partnership between **Coca-Cola** Co. and **Select Milk Producers Inc.**, is selling "ultra-filtered" milk it says contains

more calcium and protein than regular milk. It is also offering milkshakes containing antioxidants and prebiotic fiber, which is intended to aid digestive health.

A2 uses genetic tests on its

cows to make sure they will produce milk that contains only a protein known as A2, not the additional A1 protein that some research suggests could cause indigestion. The company has captured more

than 8% of the market in Australia, up from about 3% in 2012, according to Euromonitor International, in one of the few developed markets where milk sales continue to grow.

In Australia, where agriculture plays a bigger role in the economy than the U.S., "milk is still seen as a staple," said Alice Yu, research analyst at Euromonitor in Sydney. "Everyone has a bottle of milk in their fridge," she said.

A2 Milk hopes to convince U.S. consumers that its milk can help them avoid the indigestion many people associate with lactose intolerance. "Literally within an hour, the consumer knows whether this solves their issue," Mr. Waltrip said.

The company, which started selling milk in California in 2015, has struck distribution deals with Whole Foods Market Inc. and Publix Super Markets Inc.

Competitors and some scientists question A2's claim that milk without the A1 protein is easier to digest.

In Australia, A2 Milk sued competitor Lion Dairy & Drinks alleging that the rival's advertising misled customers into thinking Lion's milk didn't contain the A1 protein. Lion filed a countersuit challenging claims that milk without the

Please see MILK page B2

\*Includes lactose-free

†Units include various container sizes.

Note: 2017 figures are estimates

THE WALL STREET JOURNAL.

## Memo on Diversity, Gender Sparks Firestorm at Google

BY JACK NICAS  
AND YOREE KOH

Google found itself under fire Tuesday, with critics saying the company squelched free speech by firing a male employee who wrote a divisive memo denouncing its diversity push, while others said his views showed that the company's diversity policies were needed.

The company elaborated on its reasons for firing software engineer James Damore, saying he violated company policies banning harassment and

discrimination by writing and distributing a lengthy memo that criticized the search giant's efforts to attract more women and minority engi-

neers and female tech workers and that the company's approach to diversity itself reflected biases.

Mr. Damore initially shared

Google, a unit of Alphabet, has built its business on the tenets of free speech.

neers. Among other things, Mr. Damore, whose Facebook profile says he is 28, wrote that biological differences explain some of the gap between

senior management, a Google spokesman said. Criticism of the memo gained steam internally on Friday and eventually spilled into public view with several employees denouncing it on Twitter and portions leaked to a tech news site.

Google Chief Executive Sundar Pichai said in a Monday email to employees that the memo advanced "harmful gender stereotypes in our workplace," and that to suggest "colleagues have traits that make them less biologically suited to that work is offensive and not OK."

Mr. Damore argued in his memo that a liberal bias among employees and executives at Google made it difficult to openly discuss the company's approach to diversity. He told The Wall Street Journal in an email that he believed his termination was politically motivated. A Google spokesman responded by email, "He violated our Code of Conduct, period."

Mr. Damore on Tuesday updated a complaint made to the National Labor Relations Board a day earlier, although

Please see GOOGLE page B2

SUMMERTIME PICKS

**Chipotle**

Share price: \$333.64

Recommendation: Sell

Why: Won't meet growth expectations

Please see HEARD page B2

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## YEN

Continued from the prior page those bets, which leads to demand for yen to pay back the loans.

Compared with other Asian currencies or even the U.S. dollar, "it would make sense to come back to the yen," said Takahiro Sekido, Japan strategist with Bank of Tokyo-Mitsubishi UFJ.

Reserves of both the yen and the dollar are sought in times of tension, Mr. Sekido said, "and if it came down to it, we would pick the yen first because market players are less confident about U.S. policy right now."

Global markets reflected the "risk-off" sentiment on Wednesday. U.S. stocks fell Tuesday after Mr. Trump's comments, and on Wednesday, Japan's Nikkei Stock Average

ended 1.3% lower and South Korea's Kospi declined 1.1%. Gold and the Swiss franc rose alongside the yen.

Another factor that might encourage yen buying at a time of rising tensions is speculation about Japanese institutions repatriating funds, although there was little sign of that happening Wednesday and analysts said they doubted the scenario.

If North Korea does indeed strike against the U.S., and Japanese investors "have a sizable exposure to Europe, would it make sense to repatriate assets back to Japan when Japan is also targeted? I don't think so," said Yunosuke Ikeda, head of FX strategy for Nomura Securities in Japan.

Investors are watching whether the war fears affect the Federal Reserve's planned rises in U.S. interest rates. Any decision to hold off on those rises—in effect adopting a looser-than-expected monetary policy—would tend to make the dollar less attractive for investments. Japan isn't expected to move on its policy, which is already ultraloose.

Looking at those interest-rate moves offers another example of how global tension can push up Japan's currency, even when it is so close to the source of the tension.

"Unfortunately it's not so easy to lower the price of the Japanese yen," said Nomura's Mr. Ikeda.

cording to the USDA. They are on pace to dump even more milk this year.

Dean Foods Co. lowered profit guidance, and shares in the U.S.'s largest milk producer tumbled 19%, on Tuesday as executives acknowledged their struggles with declining fluid milk sales.

"At some point you will see a bottoming in this category, and I'm not sure when you will predict that," Dean Chief Executive Ralph Scizzafava told investors. The company earlier this year launched versions of its TruMoo flavored-milk drinks it says are free from genetically modified material.

Nate Donnay, director of Dairy Market Insight at INTL FCStone, questioned whether A2 and other companies charging a premium for their enhanced milks can reverse the broader turn away from the beverage. "The target market is fairly narrow," he said.

—Jacob Bunge contributed to this article.

For any of this to happen, Chipotle must prevent any further food-safety problems and convince customers they won't get sick from their next burrito. This is harder and more expensive for the chain, which uses fresh ingredients and prepares food in front of its customers.

That is a strong argument for Chipotle to reset its growth expectations.

Investors ought to reset their expectations for the company, too.

Bill Proudfman, CEO of

White Men As Full Diversity Partners, said Google's swift action to terminate Mr. Damore was the right thing to do. "The downside is that people who are not in the mainstream flow of politics at the company may now feel they're going to lose their livelihood if they speak up," Mr. Proudfman added.

In his memo, Mr. Damore argued that women are generally more interested in "people rather than things, relative to men," which in part explains why women relatively prefer jobs in social or artistic areas.

More men may like coding." He added that women are also generally more "cooperative" than men, hurting their ability to negotiate, and that they are more prone to anxiety and seek more work-life balance, leading to fewer women in high-stress, high-paying jobs.

Some of Mr. Damore's assertions are supported by academic research. But his more controversial statements that attempt to connect biological attributes to workplace performance have been met with academic skepticism. "When it comes to abilities, attitudes, and actions, sex differences are few and small," said Adam Grant, a professor of psychology and management at the University of Pennsylvania's

## BUSINESS & FINANCE

# Bike-Sharing Hits Bumps

Startups are in race to expand abroad, but oBike finds Uber-like obstacles in London

By Stu Woo



SIMON DAWSON/BLOOMBERG NEWS

So-called dockless bicycles provided by Singapore-based oBike await customers in London.

without any consultation," said Will Norman, London's walking and cycling commissioner, in a written statement.

"Dockless bikes have real potential to make cycling more accessible, but they cannot be randomly strewn across the capital." Mr. Norman added that some oBike rivals were "constructively talking" with London authorities ahead of their own launches.

An oBike spokeswoman said the company was disappointed with the Wandsworth council's decision and was working with authorities to solve the issue of "indiscriminate parking."

She said possible solutions include increasing public bike-parking areas and "reaching out to users on the responsible ways to park our bikes."

Incorrect parking, as well as vandalism, has also been a problem for rival Mobike with its recent launch in Manchester in the north of England.

The issue echoes problems in China, where shared bikes have been hung in trees, flung under cars and tossed into canals, and will likely be a concern ahead of launches in the U.S.

Ofo, which counts ride-hailing company Didi Chuxing Technology Co. among its backers, recently completed a trial in California and is preparing a full U.S. launch soon.

Mobike, which has raised funds from investors Sequoia Capital and Warburg Pincus as well as Chinese tech giant Tencent Holdings Ltd., is considering expanding to Washington, D.C. The efforts come as several such startups in China are flush with cash after raising \$2.4 billion from investors so far this year, according to Dow Jones VentureSource.

Other obstacles to the firms' international growth—important because their business models depend on volume rather than revenue per ride—are high setup costs and too much competition, said Martin Mignot, a partner at London venture-capital firm Index Ventures. As such, he said his firm hasn't invested in any of the startups despite describing bike-sharing programs as "the future of transportation."

"A price war could really

hit," he said.

They also face competition from incumbent services, some of which are publicly backed. However, the startups differ from the likes of New York's Citi Bike, Chicago's Divvy and London's Santander Cycles, which require people to rent bikes from and return them to designated stations. The drawback is the stations are often only in a city's center, and have limited spaces. If one station is full, a customer must go to another to drop off the bike.

Instead, the dockless providers allow customers to use a smartphone to unlock a bike and, once they are finished riding, to leave it essentially anywhere.

OBike asks customers to leave its bikes in designated public bike-parking areas and penalizes people for leaving bikes in improper areas. If a customer racks up enough penalties, they have to pay a higher fee for each ride. OBike normally charges £0.50 (65 U.S. cents), along with a refundable £49 deposit, for a 30-minute ride.

criticism of the memo and that he has a right to express "concerns about the terms and conditions of [his] working environment and to bring up potentially illegal behavior."

The National Labor Relations Act deals predominantly with collective bargaining or union organizing but also protects the rights of nonunion employees to act together to improve their working conditions.

Thomas Jefferson School of Law professor Susan Bisom-Rapp, who researches employment discrimination law, said she could envision potential legal arguments he could make to invoke the NLRA. Mr. Damore could try to argue that he's protected in expressing himself in an effort to engage in dialogue with co-workers about Google's diversity efforts," she said.

—Jacob Gershman and Sara Randazzo

## GOOGLE

Continued from the prior page experts say he is likely to face obstacles in seeking legal recourse.

Google, a unit of Alphabet Inc., has built its business on the tenets of free speech, with a search engine that enables a wide spectrum of voices to reach their audiences. The company was founded in 1998 with a mission statement to "organize the world's information and make it universally accessible and useful."

But Google, like many tech companies, has also committed to diversifying its workforce from a staff that is 69% male, 56% white and 35% Asian.

Google executives—including Mr. Pichai, who was in Africa on vacation with his family—held several conference calls over the weekend to discuss potential action. Mr. Pichai cut short his vacation to return for a meeting with Google employees Thursday.

The internal discussion focused on "trying to balance what a Googler is free to say with what our code of conduct allows," a Google spokesman said. The company determined that suggesting "women can't be as successful in the same kind of jobs as men" violated policies against harassment and discrimination.

Diversity experts say the company may have missed an opportunity to demonstrate its commitment to a broad notion of diversity that includes people with different political points of view.

Terminating Mr. Damore "shuts down the possibly of dialogue," said Mary-Frances Winters, CEO of the Winters Group Inc., a diversity consulting firm. Ms. Winters said Google could have engaged Mr. Damore to learn more about his views and try to point out the flaws in his argument. "This exacerbates polarization."

Diversity professionals walk a fine line, promoting efforts to present women and minorities with more opportunity in the workplace, while trying not to alienate white men.

Bill Proudfman, CEO of

## Ex-Employee Faces Legal Obstacles

The Google engineer fired for writing a memo asserting biological causes behind the tech gender gap is likely to face significant hurdles in any legal action against his former employer, experts say.

Software engineer James Damore has said he is exploring "all possible legal remedies" after Google fired him Monday over a leaked memo he wrote suggesting that women are less suited for tech careers than men and that Google's diversity efforts are too concerned with sexism.

He already has filed a formal complaint with the U.S. federal agency that investigates labor practices.

In responding to any legal claim, Alphabet Inc.'s Google could argue that it took action

to prevent a hostile work environment for women and to avoid workplace or customer disruptions, employment lawyers said. Those interests could very well outweigh Mr. Damore's rights, according to the experts.

Private employees have fewer rights to speak their mind at work than government workers, who are protected by the First Amendment.

"You have a right to work in a workplace free of discrimination," said plaintiffs' employment lawyer David Sanford in Washington, D.C. "You don't have the right to say whatever pops into your head."

Mr. Damore has said that, prior to losing his job, he filed a formal complaint with the National Labor Relations Board, which enforces federal labor law. He said the complaint was prompted by Google executives'

White Men As Full Diversity Partners, said Google's swift action to terminate Mr. Damore was the right thing to do.

"The downside is that people who are not in the mainstream flow of politics at the company may now feel they're going to lose their livelihood if they speak up," Mr. Proudfman added.

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He added that women are also generally more "cooperative" than men, hurting their ability to negotiate, and that they are more prone to anxiety and seek more work-life balance, leading to fewer women in high-stress, high-paying jobs.

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"When it comes to abilities, attitudes,

and actions, sex differences are few and small," said Adam Grant, a professor of psychology and management at the University of Pennsylvania's

Wharton School, in a blog post published Monday.

Mr. Damore's memo is the latest in a string of incidents that have drawn attention to the treatment of women in tech. Earlier this year, a former software engineer at Uber Technologies Inc. published a blog post, alleging sexual harassment, that ultimately led to the resignation of CEO Travis Kalanick.

Many firms have required managers to take unconscious-bias training to help them recognize their prejudices. Kim Scott, a former Google executive who worked at the company from 2004 to 2010, said the need for broadening diversity to include political conservatives is especially strong in the tech industry.

"Silicon Valley has such a predominant liberal culture that it's difficult to have a different point of view," Ms. Scott said. "People will unfriend you. They don't want to hear it."

Mr. Damore in his memo called on Google to eliminate mandatory bias training for employees who help decide on promotions for colleagues because its effect is hard to measure and "has the potential for overcorrecting or backlash."

—John Simons and Georgia Wells contributed to this article.

## MILK

Continued from the prior page A1 protein is easier to digest. A2 Milk says scientific studies suggest a benefit.

A2 Milk will also face competition in the U.S. from fast-growing, plant-based milk alternatives. The National Milk Producers Federation and other industry groups are pushing Congress to bar the makers of those products from marketing them as milk.

The dairy companies are fighting over a shrinking pool of milk demand. Milk sales in the U.S. dropped 14% in dollar terms for the year through June compared with that period in 2013, according to Nielsen figures.

That is one reason U.S. farmers are pouring excess milk into their fields and manure pits. Farmers in parts of the Northeast and Midwest dumped more than 250 million pounds of milk last year, ac-

cording to the USDA. They are on pace to dump even

## BUSINESS NEWS

# Drugmaker Lowers Its Earnings Outlook

BY IMANI MOISE

**Mylan NV** cut its earnings forecast for the next two years as the company faces increased competition from generic drugs and delays in the launch of key drugs amid regulatory questions.

Shares fell 1.7% to \$31.26 during morning trading after opening 5.9% lower.

Mylan now expects revenue this year to come in between \$11.5 billion and \$12.5 billion, compared with prior guidance of \$12.25 billion to \$13.75 billion. The company also cut its forecast for adjusted earnings per share to a range of \$4.30 to \$4.70, from \$5.15 to \$5.55 previously.

The company has been developing generic versions of Teva Pharmaceutical Indus-

tries Ltd.'s Copaxone and GlaxoSmithKline PLC's Advair, but has prompted concern over its ability to quickly win regulatory approval after executives said this year that the Food and Drug Administration asked for more information.

"While we may experience delays, mostly in the U.S., in realizing some of these opportunities, our confidence in our ability to bring these important products to market and maximize their potential has not changed," said President Rajiv Malik.

Mylan, like many drug companies, has been coping with competition from cheaper, generic versions of its signature drugs as patents expire. Its sales in the U.S. slid 9% during the quarter as generic versions of Mylan's EpiPen Auto-Injector launched. Excluding the dip

in EpiPen sales, the segment saw a 4% increase in sales.

Mylan also said it expects competition to erode prices for its generic drugs in the foreseeable future. It predicts a mid-single-digit impact globally and high single digits in North America. New leadership in the FDA has vowed to approve more generic-drug applications.

In all for the second quarter, Mylan reported earnings of \$297 million, or 55 cents per share, up from \$168.4 million or 33 cents per share a year earlier. On an adjusted basis, earnings fell to \$1.10 a share from \$1.16 a share. Revenue jumped 16% to \$2.96 billion. Analysts polled by Thomson Reuters had forecast earnings of \$1.16 a share on \$3.04 billion in sales.



Mylan faces increased competition from generic drugs and delays in the launch of key products.

## Disney to Stream TV, Films, Sports

BY ERICH SCHWARTZEL  
AND JOE FLINT

**Walt Disney Co.** just became the biggest cord-cutter Hollywood has ever seen.

The world's largest entertainment company said Tuesday it is starting two online subscription streaming services to offer its sports, movies and television programming directly to consumers, a broadside at distributors old and new, including cable providers and Netflix Inc.

As part of the strategy, Disney said it would pull future movies from Netflix. Disney will start one streaming service for its ESPN sports unit early next year, and another in 2019 that is to carry other Disney entertainment, including original material available only on the new service.

The moves represent a gamble that in the long run it will be more lucrative for Disney to sell its entertainment—which includes some of Hollywood's most valuable stories and characters—directly to consumers, rather than through services that offer large, upfront payments but also serve as gatekeepers to audiences.

Disney has dominated the film industry in recent years, thanks to acquisitions that have placed the "Star Wars" franchise, Pixar Animation and Marvel Studios under one roof.

The shift also signals rising confidence at media companies that they can take control of distributing their content online, without relying on Netflix or others as much as they now do.

Disney and other media companies have come to rely on the licensing revenue from Netflix deals, but they have been looking for ways to wrest back control, as it has become apparent that such arrangements mean decreased visibility and ratings for them and their subbrands.

The new Disney-branded service is to carry movies Disney releases starting in 2019, including "Toy Story 4" and "Frozen 2," the company said. Disney Chief Executive Robert Iger said on an earnings call with analysts Tuesday the company would offer the service first in the U.S. before expanding internationally.

Eventually, he indicated, older Disney titles are likely to be added to the service. Pricing hasn't been determined, he said, and he left open the possibility of separate services for Star Wars and Marvel content.

Disney's decision to go its own way is a damning evaluation of the traditional cable system, where cord-cutting has already weakened providers and caused revenue declines in Disney's own cable networks division, which in-

### Litigation Charge Disclosed in Filing

**Walt Disney Co.** disclosed a \$177 million litigation settlement in its quarterly report Tuesday.

The company didn't offer details of what the settlement was related to, though it comes just six weeks after its ABC News unit reached a settlement of a \$1.9 billion defamation suit filed by Beef Products Inc. over a 2012 series of stories the network aired about its processed-meat product. Terms of that settlement weren't released.

In its fiscal-third-quarter filing, Disney said the \$177 million settlement is a net sum after "committed insurance recoveries."

A Disney spokesman declined to elaborate on the disclosure; an ABC News spokeswoman didn't respond to a request for comment. A spokesman for Beef Products said: "As Disney disclosed, \$177 million is not the total settlement amount. Based on Disney's disclosure, it appears that Disney is funding \$177 million of the settlement and its insurers are paying the rest."

—Joe Flint

cludes ESPN.

Operating income in its cable networks segment, which houses ESPN, retreated 23% in the third quarter, weaker than the 21% decline predicted by analysts cited by FactSet.

Tuesday's news came about two years after Mr. Iger told investors the company was seeing "some subscriber losses" at ESPN, an acknowledgment that would come to define earnings announcements. Since then, in Wall Street's eyes, the long-term issues at ESPN have overshadowed the successful return of the "Star Wars" franchise, the hit performance of movies such as "Beauty and the Beast" and the opening of the Shanghai Disney Resort.

Disney said Tuesday it would pay \$1.58 billion for an additional 42% stake in BAM-Tech LLC, a direct-to-consumer streaming technology and marketing-services company. It already had a 33% stake in BAMTech.

Netflix declined to comment on Disney's new services but said: "U.S. Netflix members will have access to Disney films on the service through the end of 2019, including all new films that are shown theatrically through the end of 2018."

♦ Heard on the Street: Disney thinks it's better off alone B8

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#### BUSINESS OPPORTUNITY

##### GOVERNMENT OF MAHARASHTRA PUBLIC WORKS REGION, PUNE PUBLIC WORKS CIRCLE, KOLHAPUR PUBLIC WORKS (WEST) DIVISION, SANGLI

##### Notice For Hybrid Annuity (Online)Tender E-Tender Notice No.10 For 2017-18

The Public Works Department, Government of Maharashtra, represented by the Executive Engineer, Public Works (West) Division, Sangli (the "Authority") is engaged in the development of highways and as part of this endeavor, the Authority has decided to undertake development and operation/maintenance of the Project (the "Project") on Hybrid Annuity basis, and has decided to carry out the bidding process for selection of a private entity as the Bidder to whom the Project may be awarded.

Brief particulars of the Project are as follows:

Sr. No.	State	Dist.	Pack-ages	Project	Project Length in (km)	Project Cost	Earnest Money / Bid Security	Duration Of the Project	Cost of Tender Fee Document
1)	Maharashtra	SANGLI	PN-09	PN - 09 Improvements to Top Wadgaon Shigao Aashta Tasgaon Bhivghat Atapadi Dighanchi Road, SH - 151, Km 0/000 to 127/950, District Sangli on Hybrid Annuity Basis	117.85 Km.	₹ 306.94 Crore	₹ 3.10 Crore	548 DAYS	₹ 35,000/- Online payment through NEFT / RTGS

##### E-Tender Time Table

Sr. No.	Event Description	Date
1.	Invitation of RFP (NIT) (Download period of online tender)	Dt. 31.07.2017 at 10.00 Hrs to Dt. 28.09.2017 at 18.00 pm
2.A	Last date for receiving queries for pre- bid No.1	22.08.2017 upto 11.00 Hrs
2.B	Pre-Bid meeting No.1	Online or in the office of the Chief Engineer, Public Works Region, Pune on or before Dt.22.08.2017 upto 11.00 Hrs
2.C	Authority response to queries for Pre-Bid Meeting No.1 latest by	28.08.2017
3.A	Last date for receiving queries for pre-bid No.2	12.09.2017 upto 11.00 Hrs
3.B	Pre-Bid meeting No.2	Online or in the office of the Chief Engineer, Public Works Region, Pune on or before Dt.12.09.2017 upto 11.00 Hrs
3.C	Authority response to queries for pre-Bid Meeting No.2 latest by	16.09.2017
4	Bid due Date (submit Hash to create online tender by bidder) (Technical and financial Bid Last date and time)	Dt. 29.09.2017 till 18.00 Hrs
5	Physical submission of Bid Security/ POA etc( as per clause 2.11.2 of RFP)	Till 11.00 Hrs on 03.10.2017 in the office of Superintending Engineer, Public Works Circle, Kolhapur. 416003
6	Opening of Technical Bids. (If Possible)	(at 11.30 on 03.10.2017 office of Superintending Engineer, Public Works Circle, Kolhapur. 416003
7	Opening of Financial Bids. (If Possible)	(at 11.30 on 27.10.2017 office of Superintending Engineer, Public Works Circle, Kolhapur. 416003

##### Note:-

- The payment towards the cost of Tender forms will be done online only through RTGS / NEFT. It should be noted that one should complete these activities at least one day in advance.
- All eligible/interested Bidders who want to participate in tendering process should compulsorily get enrolled on e-tendering portal "<http://mahatenders.in>"
- Contact on numbers given below for difficulties in online submission of tenders,- (NIC-Toll Free Ph.No.1800 30702232 / 7878107985-86)
- Bid submitted through any other mode shall not be entertained. However, Bid Security, proof of online payment of cost of bid document, Power of Attorney and joint bidding agreement etc. as specified in Clause 2.11.2 of the RFP shall be submitted physically by the Bidder on or before 03/10/2017 upto 11.00 hours.
- Other terms and Conditions are detailed in online e-tender form. Right to reject any or all online bids of work, without assigning any reasons thereof, is reserved with department.
- Short Tender Notice is displayed on P.W.D. website [www.mahapwd.com](http://www.mahapwd.com)

D.G.I.P.R. 2017/2018/2001

(P.G. Chavan)  
Executive Engineer,  
Public Works (West)Division,  
Sangli

#### BUSINESS OPPORTUNITY GOVERNMENT OF MAHARASHTRA SPECIAL PROJECT DIVISION, AMRAVATI

##### NOTICE FOR HYBRID ANNUITY (ONLINE) TENDER E-Tender Notice No. 14 For 2017-18

##### NOTICE INVITING BID

Package No. AM 23

Dated: 20/07/2017

Subject:- RFP for Improvement of Roads in the Amravati District in Maharashtra state for Two Laning Road / Two Laning Road with paved shoulders under MRIP Package AM-23 on Hybrid Annuity Mode.

The Government of Maharashtra had entrusted to the Authority the development, maintenance and management of state highways and Major District Roads of State of Maharashtra. The Authority had resolved to augment the existing road for Improvement to Amravati Mardi Kurha Kaundynapur Upto Dist Border Road in Amravati Dist Joining Kaundynapur Holy Place to Amravati Dist HQ (SH 280, SH 300 & SH 294), Improvement to Amravati Bhatkuli Asara Road Joining Bhatkuli Taluka HQ to Amravati Dist HQ (SH 280), Improvement to Amravati Chandur Railway Dhamangaon Road in Amravati Dist Joining Chandur Railway & Dhamangaon Taluka HQ to Amravati Dist HQ (SH 297 & 296) in the state of Maharashtra by [Two Laning / Two Laning Road with paved shoulders thereof] (the "Project") on design, build, operate and transfer (the "DBOT Annuity" or "Hybrid Annuity") basis, and has decided to carry out the bidding process for selection of [a private entity] as the Bidder to whom the Project may be awarded.

Brief particulars of the Project are as follows:

Name of the State Highway / Major District Road Improvement to roads	Length (in Km.)	Estimated Project Cost (In Rs. Cr.)
A) Improvement to Amravati Mardi Kurha Kaundynapur Upto Dist Border Road in Amravati Dist Joining Kaundynapur Holy Place to Amravati Dist HQ (SH 280, SH 300 & SH 294)	118.32 Km.	Rs. 322.92 Crore
B) Improvement to Amravati Bhatkuli Asara Road Joining Bhatkuli Taluka HQ to Amravati Dist HQ (SH 280)		
C) Improvement to Amravati Chandur Railway Dhamangaon Road in Amravati Dist Joining Chandur Railway & Dhamangaon Taluka HQ to Amravati Dist HQ (SH 297 & 296)		

The complete BID document can be viewed / downloaded from e-procurement portal of [<https://maharashtra.etenders.in>] from Dt. 31.07.2017 to Dt. 28.09.2017 (up to 23.00 Hrs. IST). Bid must be submitted online only at [<https://maharashtra.etenders.in>] during the validity of registration with the [Maharashtra Government e-Tendering Portal] being managed by portal / website i.e. [<https://maharashtra.etenders.in>] on or before 28.09.2017 (up to 23.00 hours IST). Technical submission of the Bids received online shall be opened on Dt. 06.10.2017 (at 11.30 Hrs) to Dt. 11.10.2017 (at 18.00 Hrs IST).

Bid submitted through any other mode shall not be entertained. However, Bid Security, proof of online payment of cost of bid document, Power of Attorney and joint bidding agreement etc. As specified in Clause 2.11.2 of the RFP shall be submitted physically by the Bidder on or before 06.10.2017 (at 11.00 hours IST). Please note that the Authority reserves the right to accept or reject all or any of the BIDs without assigning any reason whatsoever.

Thanking You,

Yours faithfully,  
( Sunil R. Kalamkar )  
Executive Engineer,

Special Project Division, Amravati

DGIPR 2017-2018/1999

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THE WALL STREET JOURNAL



Shanghai Disneyland celebrated its first anniversary in June.

## TECHNOLOGY

WSJ.com/Tech

# Amazon, Tencent Back Phone Startup

By ROLFE WINKLER

**Essential Products** Inc., the smartphone maker founded by the creator of Google's Android mobile software, confirmed it has a new \$300 million war chest as it prepares for the seemingly insurmountable task of taking on **Apple** Inc. and **Samsung Electronics** Inc.

The startup on Wednesday unveiled the large roster of investors taking a chance on it, including Chinese internet company **Tencent Holdings** Ltd. and **Amazon** Inc.'s Alexa Fund. Essential also disclosed that **Best Buy** Co. stores and Amazon.com Inc. will be its retail launch partners in the U.S.

But the company stopped short of the big reveal: When exactly its \$699 titanium-enclosed smartphone will be available.

"We're a few weeks away," said Niccolo De Masi, Essential's president, repeating what company founder Andy Rubin said a few weeks ago. "I will give you an exact date in a week."

Mr. Rubin's company is attempting to challenge Apple and Samsung with a new phone at roughly the same time as the smartphone behemoths unroll major releases.

Apple in September is expected to unveil three new phones, instead of the usual two, including a special 10th-anniversary iPhone with a different display and new features like wireless charging and facial-recognition technology. Samsung next month is expected to launch its premium Galaxy Note 8 phone.

Essential has gained attention largely because of the pedigree of Mr. Rubin, who sold his previous startup, Android, to Google—now a unit of **Alphabet** Inc.—in 2005, and

*Essential, founded by Google's Android creator, plans to take on Apple, Samsung*

then helped turn its software into the world's most-used smartphone operating system, rivaling Apple's iPhone.

Ultimately, Essential is trying to create the same brand affinity that Apple has created by building a complete hardware-software ecosystem. The Essential smartphone itself comes with a special port that the company hopes will attract the development of a wide range of accessories, to go

with its own 360-degree camera. It also plans a device called Home that will control household smart devices. Mr. De Masi also declined to provide release-date details for that device.

"In the Western world there is a need for there to be a new lodestar," Mr. De Masi said, "a brand where there is an emotive connection for consumers."

Essential isn't targeting mass-market popularity out of the gate. The initial strategy is to take advantage of the company's small scale to innovate faster than larger rivals, said Mr. De Masi, pointing to his phone's titanium-ceramic shell, which he said wouldn't be possible to manufacture in iPhone-size quantities.

"If we are able to sell low single digit millions [in the first year] that's very successful for a startup," Mr. De Masi said.

Distribution will be limited at the start. Sprint Corp., the fourth-largest carrier in the U.S., is the only wireless company that will stock it in the U.S. Telus Corp. will carry it in Canada.

Mr. De Masi declined to provide details for those carriers' offers. He said international carrier relationships would be announced later this year.



CEO Nobuhiro Higashiriki said the firm would consider potential partners from China and Taiwan. SSEI KATO/REUTERS

## Japan Display Weighs Help

By TAKASHI MOCHIZUKI

TOKYO—Embattled **Apple** Inc. supplier **Japan Display** Inc. said it wouldn't rule out a partnership with a Chinese or Taiwanese company to survive—a departure from its original aim of being Japan's national champion in the display business.

Executives at the smartphone-screen maker apologized Wednesday for what they described as poor management and laid out a restructuring plan, including the slashing of 3,700 jobs worldwide—30% of its workforce. The company also intends to shut domestic factories and shrink its overseas operations.

Japan Display booked a net loss of ¥31.5 billion (\$286 mil-

lion) for its most recent quarter ended in June.

The company's struggles are the latest sign of difficulty in Japan's technology industry. **Toshiba** Corp. is trying to stay afloat after the bankruptcy of its U.S. nuclear subsidiary, **Westinghouse Electric** Co., left it with an estimated loss of nearly \$9 billion. Last year, iPhone assembler Foxconn Technology Group of Taiwan acquired Sharp Corp.

Japan Display was created by the Japanese government in 2012 by combining units of Sony Corp., Hitachi Ltd. and Toshiba, part of an effort to keep the country's electronics-manufacturing knowledge out of foreign hands.

Still, the extent of outside interest remains uncertain. Visitors from Chinese companies have balked at the terms presented by Japan Display, people directly involved in the discussions said.

## BUSINESS WATCH

### TELEVISION

#### 'Judge Judy' Makes Deal With CBS Corp.

Judge Judy Sheindlin, as she often likes to say, "does not have stupid written on her forehead."

The tart-tongued daytime TV host of "Judge Judy" has sold the library of all the show's broadcasts to **CBS** Corp. in a deal worth between \$95 million and \$100 million, according to people familiar with the matter.

"Judge Judy," a hit for more than two decades, remains one of the most-watched daytime television shows and Ms. Sheindlin, a former Manhattan judge, has become a pop culture icon known for her quips and low tolerance for people lacking in basic intelligence.

She has been known to tell people on her show, "I eat morons like you for breakfast" and "you'll be crying before this is over" and one of her favorite go-to closers, "I'm the boss, applesauce."

Although she will turn 75 this fall, she shows no sign of slowing down and renewed her deal to run through the 2020-2021 season, which will be her 25th on the air. She is also one of the most well-compensated television stars with a deal valued at close to \$50 million, according to a person close to the show.

CBS has been the longtime distributor of the program to the TV stations that carry it in afternoon programming. By acquiring the library rights, CBS will now be able to monetize the show across multiple platforms including streaming services, in perpetuity.

—Joe Flint

### SOFTBANK GROUP

#### Vision Fund Bets On Sports Retailer

**SoftBank Group** Corp. and its Vision Fund are closing a \$1 billion investment in online sports retail company **Fanatics** Inc.,

part of a sizable bet the startup's licensing agreements with the National Football League and others give it the power to compete with e-commerce giant **Amazon** Inc., according to people familiar with the matter.

The investment in the e-commerce company is scheduled to close this month as part of a round of funding that will lift its total valuation to \$4.5 billion from \$3 billion, the people said. Other investors in this round include the NFL and Major League Baseball, which invested about \$95 million and \$50 million, respectively, earlier this year.

SoftBank in April made an initial investment of an undisclosed sum, according to a person familiar with the matter, but the bulk of the \$1 billion investment comes from SoftBank's \$100 billion Vision Fund. The fund, whose investors include Saudi Arabia and Abu Dhabi sovereign-wealth funds as well as companies such as **Apple** Inc. and Qualcomm Inc., is still being completed after gathering \$93 billion in an initial closing in May.

—Tripp Mickle and Liz Hoffman

### AUTO INDUSTRY

#### Toyota, Mazda to Pick Location for U.S. Plant

**Toyota Motor** Corp.'s and **Mazda Motor** Corp.'s announcement last week that they have joined together to develop a \$1.6 billion factory in the U.S. set off cheers among auto-parts manufacturers and other businesses.

But officials in the states and cities that are in hot pursuit of the plant are holding off on celebrating until the venture makes the critical decision of where to locate the facility and up to 4,000 jobs.

The shortlist, according to people familiar with the matter, includes: Alabama, Florida, Kentucky, Illinois, Indiana, Iowa, Michigan, Mississippi, North Carolina, South Carolina and Texas.

—Peter Grant



Investors in Fanatics include Major League Baseball. Boston Red Sox player Hanley Ramirez poses for a photo with fans in April. JOHN TULLACK/GETTY IMAGES

### ADVERTISEMENT

## The Mart

### BUSINESS OPPORTUNITY

#### GOVERNMENT OF MAHARASHTRA OFFICE OF EXECUTIVE ENGINEER PUBLIC WORKS DIVISON, AMBAJOGAI

##### E-TENDER NOTICE NO. 02/2017-18 NOTICE INVITING BID

Package no. AU 66

Dated: 07/08/2017

Subject:- RFP for Improvement of Roads in the Beed District in Maharashtra State for Two Laning road / Two Laning road with paved shoulders under MRIP Package AU-66 ON Hybrid Annuity Mode.

The Government of Maharashtra had entrusted to the Authority the development, maintenance and management of State Highways and Major District Roads of State of Maharashtra.

The Authority has resolved to augment the existing road section of SH-221 from km.232/500 to Km. 262/00, the Parli - Pus Bardapur Road (Approx. 28.150 km) (hereinafter called the "SH221"), The Section of State Highway, SH-211 from km. 45/00 to Km 78/00, the Yelda-Chichkhani - Ambejogai - Devla Road (Approx. 33.112 km) (Hereinafter called the "SH211") and The Section of State Highway, SH-232 from km. 00/00 to Km 85/00, the Padalsingi-Pimpalner-Vadavani-Dharur-Aadas - LokhandiSavargaon Road (Approx.79.362 km)(hereinafter called the "SH-232") in the state of Maharashtra by Two-Laning/Two Lane with Paved Shoulder thereof (the "Project") on design, build, operate and transfer (the "DBOT Annuity" or "Hybrid Annuity") basis and has decided to carry out the bidding process for selection of a private entity as the Bidder to whom the Project may be awarded.

Brief particulars of the Project are as below.

Name of the State Highway / Major District Road	Length (in km)	Estimated Project Cost (in Rs.Cr.)
The development and operation / maintenance of the Road No-1: The Section of State Highway, SH-221 from km.232/500 to Km. 262/00, the Parli - Pus Bardapur Road (Approx. 28.150 km), Road No-2, The Section of State Highway, SH-211 from km. 45/00 to Km 78/00, the Yelda - Chichkhani - Ambejogai - Devla Road (Approx. 33.112 km) and Road No-3 The Section of State Highway, SH-232 from km. 00/00 to Km 85/00, the Padalsingi - Pimpalner - Vadavani - Dharur - Aadas - LokhandiSavargaon Road (Approx.79.362 km ) by two laning road/ two laning road with paved shoulders on "Hybrid Annuity"	141.231	₹ 291.00 Crore

The complete BID document can be viewed / downloaded from e-procurement portal of <https://mahatenders.gov.in> from 07/08/2017 at 10.00 Hrs (IST) to 20/11/2017 at 17.45 Hrs. (IST). Bid must be submitted online only at <https://mahatenders.gov.in> during the validity of registration with the Maharashtra Government e-Tendering Portal being managed by portal / website (i.e. <https://mahatenders.gov.in>) on or before 20/11/2017 till 17.45 Hrs. (IST), Technical submission of the Bids received online shall be opened on at 11.30 Hrs. (IST) on 23/11/2017.

Bid submitted through any other mode shall not be entertained. However, Bid Security, proof of online payment of cost of bid document, Power of Attorney and joint bidding agreements specified in the RFP shall be submitted physically by the Bidder on or before 17.00 Hrs. (IST) on 22/11/2017.

Please note that the Authority reserves the right to accept or reject all or any of the BIDs without assigning any reason whatsoever.

Thanking you,

Yours faithfully  
Executive Engineer

Public Works Division, Ambajogai

Ambajogai-431517

E-mail ID: ambejogai.ee@mahapwd.com

Phone No. 02446249575, 02446247760

D.G.I.P.R. 2017/2018/2002

### BUSINESS OPPORTUNITY

#### GOVERNMENT OF MAHARASHTRA

#### Office of The Executive Engineer

#### Construction Division (Special Project) Nagpur

E-Mail: constdivnagpur.ee@mahapwd.com

Telephone No.: 0712-2562976

#### E-Tender Notice No. 4 Year 2017-18

Online E-Tenders in "B-2 Forms are invited by Executive Engineer Construction Division (Special Project) Nagpur for the following works from bidders who satisfy the qualifying Criteria. The tender documents should be downloaded from the Government Website <https://maharashtra.etenders.in>. The competent authority reserves the right to accept or reject any or all the tenders. Conditional Tenders will not be accepted.

Sr. No.	Name of work	Estimated Cost (in crore)
1	RFP for NAGPUR PACKAGE 69 Construction of Two Lanning with paved shoulders to package Nagpur 69 consisting of Kanhan Tarsa Nimkheda Tarodi Aroli Adegaon Shivni Road, S.H. 345, Improvement to Chhattarpur Khumari Bhandarbodi Dhamangaon Mouda Road MDR-20, Improvement to Pachgaon Kuhu Ambhora Road Km. 14/000 to 39/200, S.H.347 in the State of Maharashtra under MRIP on Hybrid Annuity Mode	Rs. 331.27 Crore
2	Tender Download	From Dt. 31/07/2017 to Dt. 30/9/2017 up to 17.30 Hrs
3	Tender Pre-Bid Meeting	For work Sr. No. 1 on Dt. 01/9/2017 on 16.00 Hrs. at Chief Engineer, Public Work Region Nagpur
4	E-Tender Opening	For works Sr. No. 1 Office of the Superintending Engineer, Public Works Circle, Nagpur Dt. 06/10/2017 to Dt. 16/10/2017 up to 17.30 Hrs (As per Schedule)

All information of e-tendering is available on the following website / Notice Broad

1) <https://mahatenders.gov.in>

2) <https://mahapwd.com>

(If there is any changes in the notice, then the information will be communicated on the above website)

3) Executive Engineer, Construction Division (Special Project) Nagpur Office Notice Board.

4) For any correspondence contact Above mention E-mail & Telephone No.

Note:-

1) All eligible/interested Contractor are downloading and mandated to get enrolled on e-tendering portal <https://mahatenders.gov.in> and further need to empanelled online on sup portal <https://mahatenders.gov.in> in the appropriate bidders applicable to them. Bidders are requested to contact on following telephone numbers for any doubts / information / difficulty regarding online enrollment or obtaining digital certificate. Help Desk Number 0120-4200462, 0120-4001002

2) Tender Document Fee and EMD is to be paid via Online E-Payment Gateway Mode only. EMD Exemption Certificate shall not be considered. The information of E-Payment Gateway is available on E-Tendering website <https://mahatenders.gov.in> Outward No.2487/Tender/Dt.21/07/2017

3) All tenders shall be submitted online only via <https://mahatenders.gov.in> on or before 17.30 Hrs (As per Schedule)

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## FINANCE & MARKETS

# Aug. 9, 2007: When Crisis Went Global

Ten years ago, fallout from U.S. housing bust shook bonds, marking start of wide upheaval

BY COLIN BARR

Ten years ago Wednesday, the first glimpses of the global financial crisis came into view.

The French bank BNP Paribas froze three investment funds, saying a lack of trading in subprime securities made valuing them impossible. The bond market seized up, rattling investors and central bankers who previously soft-pedaled the notion that the U.S. housing bust would hit the economy.

Aug. 9, 2007, marked the beginning of the most far-reaching economic disruption since World War II. The events on that Thursday made clear that subprime-lending excesses wouldn't be "contained," as Ben Bernanke, then Federal Reserve chairman, had predicted just months earlier. Yet few people appreciated the scope of the disaster that would unfold over the next 18 months.

By now it is widely understood that the global financial industry was overleveraged, that the U.S. mortgage market was rife with loans that wouldn't be repaid, that investors and financial institutions everywhere were paying high prices for highly rated securities that were actually extremely risky.



Louis LANZANO/ASSOCIATED PRESS

Ten years later, it is clear those errors set in motion a crisis that in 2008 shook the world, bringing down Bear Stearns Cos. and Lehman Brothers Holdings Inc. and forcing the \$182 billion rescue of American International Group Inc.

But at the time that larger meaning wasn't evident, even to financial industry executives and the central bankers charged with overseeing them. The economy was growing at a near-4% clip and stocks were

hitting new highs. Many still believed the mortgage problems would blow over.

In the minds of many at the time, what Wall Street began grappling with on Aug. 9 was a liquidity outage in the trading of risky securities, one that might be solved with repeated infusions of central bank money.

In hindsight, what Wall Street faced was an all-encompassing crisis of confidence, in a financial world whose countless interconnections would

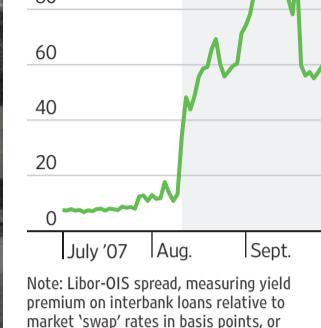
help transmit and amplify problems. Investors knew before that day that souring subprime loans would cause losses. But few realized they would show up with such disruptive effects in Europe, thousands of miles from the epicenter of the subprime crisis in Southern California.

Investors understood the housing bust would hit the finances of major lenders such as Countrywide Financial Corp. But even after the firm warned that afternoon of "un-

### Pain Point

A spike in short-term lending rates on Aug. 9, 2007 marked the start of the financial crisis

100 basis points



Note: Libor-OIS spread, measuring yield premium on interbank loans relative to market 'swap' rates in basis points, or hundredths of a percentage point.

Source: WSJ Market Data Group

THE WALL STREET JOURNAL.

People left the offices of Lehman Brothers, a victim of the crisis, after the firm filed for bankruptcy protection in September 2008.

nated behavioral patterns that helped accentuate the crisis, notably investors' expectation that central bankers and other policy makers would intervene when markets started to shake.

On Aug. 9, for instance, a spike in short-term interest rates such as Libor prompted central bankers to spring into action, pouring funds into the market and promising further support. Those efforts were successful—but they didn't create incentives for capital raising and deleveraging, which is what the markets needed most desperately.

Ultimately, those behaviors helped enact a recurring cycle of panic and intervention that wouldn't be broken until governments in the U.S. and Europe stepped in later in 2008 and put the tab on their national balance sheets.

From the vantage point of August 2017, it is clear there have been changes. Subprime has been banished from the lexicon. Banks are better capitalized and more liquid. Investors are constantly on the lookout for imbalances that might signal a coming market catastrophe.

Yet markets' dependence on central-bank largesse appears largely unabated. The decline of volatility readings and the rise of valuations in all asset classes seem to presume any market shock or economic downturn can be handily contained. Perhaps some lessons are easier learned than others.

# BofA Charges Into Premium Rewards Card Battle

BY ANNAMARIA ANDRIOTIS

**Bank of America** Corp. is preparing to join the premium rewards card fray, planning a new twist on hot products like the Sapphire Reserve card from **J.P. Morgan Chase & Co.**

Over the past year, rewards cards such as Sapphire Reserve and **American Express** Co.'s Platinum card have become much sought-after among millennials and big spenders. Cardholders can rack up more rewards with these cards, which they can use to cover travel and other expenses. The cards' popularity has prompted new entrants and ever-higher rewards—and caused some concern among issuers, who fear an overheated market.

Bank of America is the last of the four largest U.S. credit-card issuers to enter the premium rewards card market. Rolling out in September, its Bank of America Premium Rewards credit card will have a \$95 annual fee, said Jason Gaughan, a card product executive at the bank. That is well

below fees of \$450 for Sapphire Reserve or \$550 for AmEx's Platinum card.

Bank of America's card will distribute two points to cardholders for every dollar they spend on travel and dining and 1.5 points per dollar spent on everything else, without caps on the number of points users can earn. In this, it is similar to more mass-market cards from J.P. Morgan and Citigroup Inc.

But Bank of America cardholders who have at least \$20,000 at the bank in checking, savings or investment accounts will earn more.

Customers who have between \$20,000 and less than \$50,000 at the bank will receive 2.5 points per dollar spent on travel and dining and 1.875 points on everything else. Those with between \$50,000 and less than \$100,000 will earn 3 points and 2.25 points, respectively.

At its most generous, the card offers 3.5 points per dollar spent on travel and dining to cardholders with at least \$100,000 at the bank and



SPENCER PLATT/GETTY IMAGES

The bank is the last of the four largest U.S. credit-card issuers to enter the market.

about 2.6 points per dollar spent on all other purchases.

Bank of America's new card is designed to compete against a range of cards, including airline and hotel co-brand pro-

grams, said Mr. Gaughan.

Even so, questions are arising over how profitable some of these premium cards are. J.P. Morgan lowered its initial 100,000-point sign-up bonus

offer earlier this year and is pushing for about \$200 million in new cost cuts in the unit that oversees the card.

Among concerns in the industry are so-called gamers,

cardholders who sign up for rewards offered early on but stop using the cards when they redeem those rewards. Many issuers need to retain cardholders for several years or run the risk that revenue projections will fall short, said Brian Riley, director of the credit advisory service at **Mercator Advisory Group** Inc.

By linking rewards to account balances, Bank of America potentially reduces its exposure to gaming since banking customers aren't quick to move balances.

The card is an extension of the bank's Preferred Rewards program. Introduced in 2014, it offers higher interest rates for deposits and discounts on loan fees and interest rates in an attempt to get consumers to have more than one relationship it. Bank of America launched the program as part of a post-financial-crisis strategy to encourage customers to do all of their saving and borrowing with the institution.

—Rachel Louise Ensign contributed to this article.

# Aluminum Is Riding High On Hope of China Cutbacks

**monwealth Bank of Australia**, said there could be an additional 2% reduction in global aluminum production as capacity goes offline during China's heating season. Aluminum production is energy-intensive.

Still, as expectations grow of a global shortage by year-end, some analysts see signs of the speculative fervor common to China's boom-and-bust markets. On Tuesday, trading volume for Shanghai aluminum futures was nearly triple that of a week earlier.

a crazy ride all over again."

In April, China said aluminum production lacking the required government approvals would be shut down within six months; that followed its orders last winter to cut steel and aluminum output in 28 cities to reduce pollution.

Shandong province gave two giant aluminum producers until the end of July to shut down alleged illegal production, most of it at the world's biggest smelter. The shutdowns have taken place, investment bank ING said earlier this week.

In July China produced a record 2.9 million tons of aluminum, 7% more than a year earlier. The country's infrastructure projects have helped absorb the gush, but that demand is expected to weaken following the government leadership shuffle this fall.

Only 15% of China's aluminum output is exported, analyst Helen Lau at **Argonaut Securities** noted, but that is a lot of product to move.

Government steps to rein in aluminum production have occurred alongside steps dating to last year regarding low-grade steel. They have helped produce shortages in some products and have sent steel-rebar futures surging some 45% this year.

"While the rally is based in large part on fear of a potential supply shortage in winter, speculative funds are also a key force behind the frenzied rally," added Mr. Cao. "This feels like

—Yifan Xie and Biman Mukherji

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FUND NAME GF AT LB DATE CR NAV YTD %RETURN—

Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866 Fax No: 65-6835-8865, Website: [www.cam.com.sg](http://www.cam.com.sg), Email: [cam@cam.com.sg](mailto:cam@cam.com.sg) CAM-CF Limited OT MUS 08/04 USD 3.3 5.5 3.0

NAV YTD %RETURN—

OT HKG 08/08 USD 20.43 22.0 19.3 18.4

FUND NAME GF AT LB DATE CR NAV YTD %RETURN—

AS EQ HKG 08/08 USD 151.12 21.9 28.7 8.9

AS EQ HKG 08/08 USD 19.02 21.6 28.5 8.6

AS EQ HKG 08/08 AUD 15.63 30.9 8.9

AS EQ HKG 08/08 CAD 15.16 30.9 27.3 8.2

AS EQ HKG 08/08 HKD 12.95 31.5 26.1 8.5

AS EQ HKG 08/08 NZD 15.38 27.5 24.8 7.7

AS EQ HKG 08/08 USD 12.28 17.9 20.2 8.5

AS EQ HKG 08/08 CNH 12.88 34.0 31.3 NS

AS EQ HKG 08/08 HKD 10.69 11.1 NS NS

AS EQ HKG 08/08 USD 10.76 10.1 7.1 NS

AS EQ HKG 08/08 USD 20.43 22.0 19.3 18.4

AS EQ CYM 08/08 HKD 10.93 27.2 24.3 5.2

AS EQ CYM 08/08 AUD 10.64 27.3 23.7 4.3

AS EQ CYM 08/08 CAD 11.19 26.9 24.3 5.6

AS EQ CYM 08/08 NZD 10.62 26.1 23.1 4.3

AS EQ CYM 08/08 HKD 11.61 26.3 23.1 4.5

AS EQ CYM 08/08 USD 9.59 5.9 10.9 10.0

AS EQ CYM 08/08 GBP 9.17 6.2 11.5 10.5

AS EQ CYM 08/08 JPY 9.53 7.3 13.3 12.6

AS EQ CYM 08/08 SGD 15.51 7.6 13.0 11.3

AS EQ CYM 08/08 SGD 10.07 6.2 11.5 10.9

AS EQ CYM 08/08 SGD 15.16 6.7 12.1 10.8

AS EQ CYM 08/08 USD 9.22 6.7 12.1 10.8

AS EQ CYM 08/08 USD 10.02 5.5 10.1 9.4

AS EQ CYM 08/08 NZD 12.46 24.6 21.3 8.6

AS EQ CYM 08/08 NZD 14.49 18.3 19.3 9.8

AS EQ CYM 08/08 USD 88.12 22.9 18.5 6.2

AS EQ CYM 08/08 USD 10.27 22.1 17.8 6.0

AS EQ CYM 08/08 CAD 10.48 21.6 16.6 4.7

AS EQ CYM 08/08 GBP 9.90 23.4 18.3 5.2

AS EQ CYM 08/08 HKD 10.88 23.9 19.4 6.5

AS EQ CYM 08/08 NZD 11.78 22.2 17.7 5.8

AS EQ CYM 08/08 USD 10.46 21.6 18.1 6.4

AS EQ CYM 08/08 NZD 10.41 26.3 22.1 9.2

AS EQ CYM 08/08 USD 10.52 14.7 16.5 10.2

AS EQ CYM 08/08 SGD 11.32 18.5 19.3 NS

AS EQ CYM 08/08 SGD 10.89 22.6 21.5 NS

AS EQ CYM 08/08 CAD 12.14 18.3 15.7 NS

AS EQ CYM 08/08 NZD 165.87 24.3 23.6 2.2

AS EQ CYM 08/08 USD 52.22 40.9 39.4 9.2

AS EQ HKG 08/08 USD 336.78 32.3 29.4 9.4

## MARKETS DIGEST

### Nikkei 225 Index

**19738.71** ▼ 257.30, or 1.29%

High, low, open and close for each trading day of the past three months.

Year-to-date  
52-wk high/low  
All-time high

20230.41 16251.54  
38915.87 12/29/89

### STOXX 600 Index

**379.84** ▼ 2.81, or 0.73%

High, low, open and close for each trading day of the past three months.

Year-to-date  
52-wk high/low  
All-time high

396.45 328.80  
414.06 4/15/15

### S&P 500 Index

Data as of 12 p.m. New York time

Last 23.90 24.68

P/E estimate \* 18.95 18.56

Dividend yield 1.97 2.10

All-time high: 2480.91, 08/07/17

Bars measure the point change from session's open

May June July Aug.

### International Stock Indexes

Data as of 12 p.m. New York time

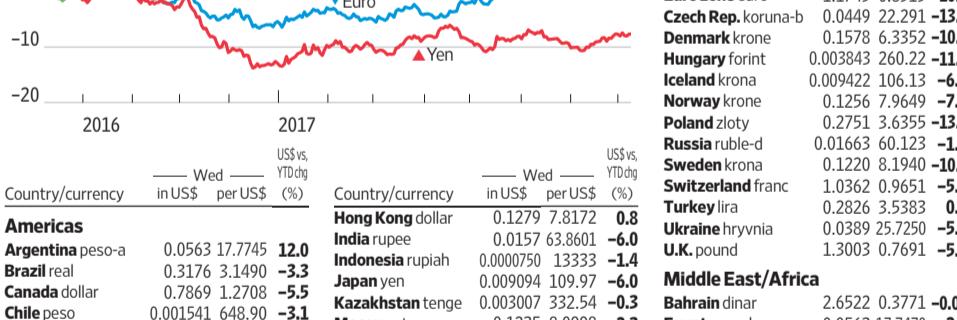
Region/Country	Index	Close	Net Chg	% chg	52-Week Range	Close	High	YTD % chg
<b>World</b>	<b>The Global Dow</b>	2858.00	-14.99	<b>-0.52</b>	2386.93	2881.15	13.0	
	<b>MSCI EAFE</b>	1938.58	-9.66	<b>-0.50</b>	1614.17	1955.39	13.0	
	<b>MSCI EM USD</b>	1067.02	-11.51	<b>-1.07</b>	838.96	1078.53	34.3	
<b>Americas</b>	<b>DJ Americas</b>	594.15	-1.15	<b>-0.19</b>	503.44	599.45	10.0	
Brazil	<b>Sao Paulo Bovespa</b>	67333.72	-565.22	<b>-0.83</b>	56459.11	69487.58	11.8	
Canada	<b>S&amp;P/TSX Comp</b>	15227.65	-28.70	<b>-0.19</b>	14319.11	15943.09	-0.4	
Mexico	<b>IPC All-Share</b>	51101.00	-227.76	<b>-0.44</b>	43998.98	51772.37	12.0	
Chile	<b>Santiago IPSA</b>	3860.71	-32.50	<b>-0.83</b>	3120.87	3908.55	19.8	
<b>U.S.</b>	<b>DJIA</b>	22037.92	-47.42	<b>-0.21</b>	17883.56	22179.11	11.5	
	<b>Nasdaq Composite</b>	6349.63	-20.83	<b>-0.33</b>	5034.41	6460.84	18.0	
	<b>S&amp;P 500</b>	2471.93	-2.99	<b>-0.12</b>	2083.79	2490.87	10.4	
	<b>CBOE Volatility</b>	11.70	0.74	<b>6.75</b>	8.84	23.01	-16.7	
<b>EMEA</b>	<b>Stoxx Europe 600</b>	379.84	-2.81	<b>-0.73</b>	328.80	396.45	5.1	
	<b>Stoxx Europe 50</b>	3103.02	-20.97	<b>-0.67</b>	2720.66	3279.71	3.1	
France	<b>CAC 40</b>	5145.70	-73.19	<b>-1.40</b>	4310.88	5442.10	5.8	
Germany	<b>DAX</b>	12154.00	-138.05	<b>-1.12</b>	10174.92	12951.54	5.9	
Greece	<b>ATG</b>	833.61	3.17	<b>0.38</b>	548.72	859.78	29.5	
Israel	<b>Tel Aviv</b>	1376.87	-15.88	<b>-1.14</b>	1370.66	1490.23	-6.4	
Italy	<b>FTSE MIB</b>	21848.37	-199.93	<b>-0.91</b>	15923.11	22065.42	13.6	
Netherlands	<b>AEX</b>	528.21	-4.47	<b>-0.84</b>	436.28	537.84	9.3	
Russia	<b>RTS Index</b>	1034.98	-13.71	<b>-1.31</b>	937.32	1196.99	-10.2	
Spain	<b>IBEX 35</b>	10596.00	-138.70	<b>-1.29</b>	8393.50	11184.40	13.3	
Switzerland	<b>Swiss Market</b>	9027.15	-135.18	<b>-1.48</b>	7585.56	9198.45	9.8	
South Africa	<b>Johannesburg All Share</b>	55980.05	...	<b>Closed</b>	48935.90	56396.24	10.5	
Turkey	<b>BIST 100</b>	108714.58	-924.54	<b>-0.84</b>	71792.96	110321.81	39.1	
U.K.	<b>FTSE 100</b>	7498.06	-44.67	<b>-0.59</b>	6654.48	7598.99	5.0	

### Asia-Pacific

Australia	<b>S&amp;P/ASX 200</b>	5765.70	21.90	<b> 0.38</b>	5156.60	5956.50	1.8	
China	<b>Shanghai Composite</b>	3275.57	-6.30	<b>-0.19</b>	2980.43	3292.64	5.5	
Hong Kong	<b>Hang Seng</b>	27757.09	-97.82	<b>-0.35</b>	21574.76	27854.91	26.2	
India	<b>S&amp;P BSE Sensex</b>	31797.84	-216.35	<b>-0.68</b>	25765.14	32575.17	19.4	
Indonesia	<b>Jakarta Composite</b>	5824.01	13.44	<b> 0.23</b>	5027.70	5910.24	10.0	
Japan	<b>Nikkei Stock Avg</b>	19738.71	-257.30	<b>-1.29</b>	16251.54	20230.41	3.3	
Malaysia	<b>Kuala Lumpur Composite</b>	1777.94	-3.71	<b>-0.21</b>	1616.64	1792.35	8.3	
New Zealand	<b>S&amp;P/NZX 50</b>	7799.64	16.92	<b> 0.22</b>	6664.21	7799.64	13.3	
Philippines	<b>PSEI</b>	7985.83	-0.68	<b>-0.01</b>	6563.67	8071.47	16.7	
Singapore	<b>Straits Times</b>	3318.08	...	<b>Closed</b>	2787.27	3354.71	15.2	
South Korea	<b>Kospi</b>	2368.39	-26.34	<b>-1.10</b>	1958.38	2451.53	16.9	
Taiwan	<b>Weighted</b>	10470.38	-98.59	<b>-0.93</b>	8902.30	10597.38	13.2	
Thailand	<b>SET</b>	1571.51	-5.93	<b>-0.38</b>	1406.18	1591.00	1.9	

### Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



London close on Aug. 9

US\$ vs. Yen

Country/currency

Wed in US\$ per US\$ (%)

Country/currency

</div

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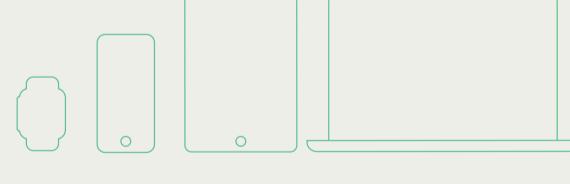
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# MARKETS

# Worries Over Korea Drag Stocks Down

BY JUSTIN YANG  
AND ALEXANDER OSIPOVICH

Rising tensions between the U.S. and North Korea jolted markets around the world, interrupting a stock-market rally fueled by corporate earnings and global **WEDNESDAY'S** economic **MARKETS** growth.

Wall Street extended declines from Tuesday after President Donald Trump warned Pyongyang against making more threats, saying it faces "fire and fury like the world has never seen." North Korea responded that it was considering firing missiles at Guam.

The Dow Jones Industrial Average was down 53 points, or 0.2%, at 22033 shortly after midday in New York. The S&P 500 declined 0.2% and the Nasdaq Composite shed 0.4%. The declines—which ended a 10-session winning streak for the Dow industrials on Tuesday—showed many investors are skittish that a correc-

tion is around the corner, said Philip Blancato, chief executive officer of Ladenburg Thalhann Asset Management.

"There are enough folks with fingers on the trigger that have made a lot of money for the past eight years," he said. Especially with trading volumes in the late-summer doldrums, "the slightest bit of negative news can change things faster than anyone realizes," Mr. Blancato said.

The CBOE Volatility Index, which is known as Wall Street's "fear gauge," jumped 5.7% to 11.58.

U.S. defense stocks rose amid the broad declines. Shares of Raytheon, which manufactures Tomahawk cruise missiles, added 2.3% in early afternoon trading, while defense contractor Lockheed Martin rose roughly 1.5%. Northrop Grumman added 0.9%. Defense shares also rose in April, after the U.S. launched cruise missiles at a Syrian air base.

Markets in Asia and Europe



A Raytheon display at an air show. Defense companies rallied.

slid. The Stoxx Europe 600 ended the day down 0.7%, while South Korea's benchmark Kospi index fell 1.1%, with Samsung Electronics, which makes up more than 20% of the index, declining 3%. Japan's Nikkei Stock Average tumbled 1.3%, its largest decline since mid-May, also

weighed down by gains in the yen against the dollar.

In times of tension, investors often seek havens in relatively stable stores of value, including gold and currencies like the Japanese yen. Gold rose 1.3% to \$1,272.40 a troy ounce and U.S. government bonds strengthened. The yield

on the 10-year U.S. Treasury note fell to 2.229%, according to Tradeweb, from 2.282% Tuesday. Yields fall as bond prices rise.

The markets, which have tended to brush off North Korean geopolitical issues in the past, are now "taking the prospect of a conflagration more seriously, albeit a tail risk," said Philip Shaw, chief economist at Investec.

"I think we're at a different level now compared with the previous war of words that we've heard now for decades," he said.

Corporate earnings were mixed Wednesday as reporting season drew near to its completion.

Walt Disney fell 3.8% after the entertainment giant said it would end a deal with Netflix after 2018 as it reported earnings Tuesday after the market closed. Netflix shares fell 1.5%.

Wendy's shares rose 2.8% after the fast-food company said same-store sales grew for the 18th consecutive quarter.

Travel company TripAdvisor

sor declined around 3.5% after cutting its 2017 guidance in its earnings report, and Priceline Group was down 7.4% following its earnings.

In Europe, the Danish pharmaceutical company Novo Nordisk AS rose nearly 8%, one of the largest gains, after it lifted its growth targets for the year on expectations of robust sales of its type-2 diabetes drug and long-acting insulin.

Australian equities were a bright spot after underperforming Tuesday. Bolstered by an upbeat start to the earnings season for the country's biggest banks—a big part of the stock market there—the S&P/ASX 200 index added 0.4%.

Australia & New Zealand Banking Group rose 0.7%, Commonwealth Bank of Australia gained 0.6% and National Australia Bank rallied by 0.9%. Westpac Banking Corp. rose 0.7%.

—Kenan Machado and Dominic Chopping contributed to this article.

# Traders Prep for Swings in Retail

BY GUNJAN BANERJI

Short sellers and options traders are betting on more turbulence for the struggling American retail sector.

U.S. retailers are shutting stores at the fastest pace in more than a decade. A wave of bankruptcies has hit the group, and an exchange-traded fund tracking major retailers has declined 7% in 2017.

The stresses have pushed investors to take out about \$120 million from the **SPDR S&P Retail ETF** in the last month, according to FactSet data.

Now, option traders are pricing in big swings for heavyweights such as **Macy's Inc.** and **J.C. Penney Co.** Both have shed about a third of

their market values this year.

Options traders are betting on a 13.4% one-day move in shares of J.C. Penney after the company's earnings are released on Friday—a move that is greater than the average 8.5% after the past eight releases, Trade Alert data show.

J.C. Penney's stock "is sitting near long-term lows, and some traders are shopping for another drop," wrote David Russell, Chicago-based senior manager at the brokerage E\*Trade Financial Corp. in a note on the options activity ahead of the retailer's report.

J.C. Penney shares hit a record low of \$4.33 this year.

Options activity on major retailers such as Macy's and **Nordstrom Inc.** has also

turned bearish, he said in an interview.

For Macy's, which reports results on Thursday, traders project a 9% move, slightly under the average 9.6% swing after the past eight earnings releases, the data show.

The estimates don't indicate which direction shares might sway, just the magnitude of the move. The percentages are based on a trade known as a straddle, which entails buying puts and calls—options to sell or buy a security at a specified price—at the same level, called a strike price.

As earnings from some of the biggest U.S. retailers ramp up, investors are shorting, or betting against, the companies more heavily than other stocks

within the S&P 500 index, data from the research firm IHS Markit show.

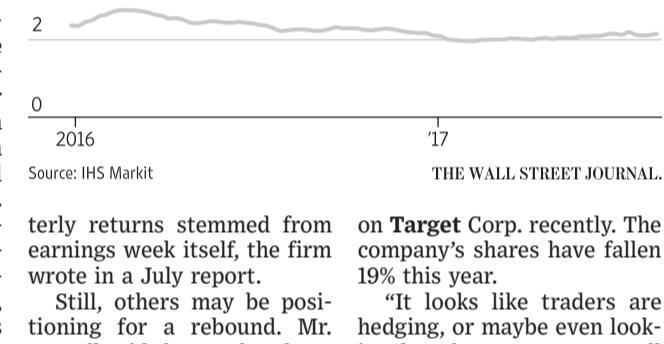
Investors have also increased bearish options bets on the SPDR S&P Retail ETF, or XRT. The number of bearish put options outstanding has increased by 25% since the beginning of April, while the number of calls, or bullish options, has fallen by 26% over the same period, data from Trade Alert show. Investors can use options to make directional bets or hedge existing holdings.

Earnings seasons have become crucial for stock performance, spurring greater volatility than in prior years, according to Goldman Sachs Group Inc. data. For many sectors, more than 30% of quar-

## Bearish Bets

Retail constituents within the S&P 500 are more heavily shorted than the broader index. Average percentage of shares out on loan:

■ S&P 500 retail constituents ■ S&P 500



Source: IHS Markit

terly returns stemmed from earnings week itself, the firm wrote in a July report.

Still, others may be positioning for a rebound. Mr. Russell said that traders have been scooping up call options

on **Target Corp.** recently. The company's shares have fallen 19% this year.

"It looks like traders are hedging, or maybe even looking for a bounce," Mr. Russell said.

# HEARD ON THE STREET

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FINANCIAL ANALYSIS & COMMENTARY

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# Blowing It as an iPhone Supplier

An order from **Apple** is a blessing for electronic component makers. But that can turn into a curse when the supplier doesn't keep innovating—as **Japan Display** has shown.

The Japanese display maker, which supplies screens to iPhones, said Wednesday it would cut 30% of its jobs and restructure its businesses after reporting its fifth quarterly loss in the past six quarters. Its main business of making liquid-crystal displays for smartphones has been hammered by cheap Chinese rivals. But more importantly, the company faces an existential threat as Apple, which contributes to over half of Japan Display's revenue, may soon

take most of its orders elsewhere.

Apple is likely to adopt the next-generation display technology called organic light-emitting diodes in at least one of its coming iPhones later this year. It may eventually even use OLED, which gives sharper images and uses less power, for all its iPhones from next year onward, says **Goldman Sachs**.

Samsung currently owns almost the entire mobile OLED market, so it will likely be the sole supplier for the first OLED iPhone. Given that the display is the single most expensive component of an iPhone, Apple would be keen to secure another supplier, especially since Samsung is

which will be on small-sized screens. Japan Display, which is still in dire financial shape, may struggle to compete.

Longtime iPhone assembler Hon Hai also aspires to be an OLED maker through its Sharp unit. Japan Display was brought together under the government's watch in 2012 with the merger of display operations from Sony, Hitachi and Toshiba. After raising \$3 billion in a 2014 IPO, it was meant to be Japan's screen-making national champion but has turned into a poster child for failed industrial policy. It is good to have a big customer like Apple, but it is better to have cutting-edge technology that the iPhone maker can't live without. —Jacky Wong

# Ten Years After Crisis, Fear Is Never Far Away

Doesn't time fly? Or alternatively, things can last longer than you think.

Wednesday marks the 10th anniversary of one of the defining events of the global financial crisis. There had been rumblings before, but Aug. 9, 2007, saw money markets seize up after **BNP Paribas** suspended three funds holding U.S. asset-backed securities, saying they were impossible to value and blaming a "complete evaporation of liquidity." Central banks swung into action, led by the European Central Bank with an injection of €95 billion (\$130.8 billion) in liquidity.

Ten years on, they haven't stopped. In quick succession, 2008's banking collapse, the eurozone crisis, a slowdown in emerging markets and finally the oil-price crash all posed major challenges. Together, the balance sheets of the ECB, U.S. Federal Reserve and Bank of Japan have grown to around \$14 trillion in size.

Indeed, the current central-bank debate is really about the beginning of the end of extraordinary monetary-policy measures. It is only in the past few quarters that global growth has been

come more synchronized. Inflation has remained low, allowing central banks to take a very gradual approach.

The financial crisis still looms large in market psychology. The prevailing tone is one of worry about the high level of asset prices, concern about the low level of volatility and a fear of complacency. Rising markets are a source of angst, not euphoria. But this persistent concern may yet be a positive factor, by helping to prevent markets from becoming too reckless. Low market volatility may simply reflect low economic volatility. BlackRock notes low-market-volatility regimes can last for years and have accompanied sustained economic expansions.

Undoubtedly, a shock will occur at some point. Geopolitical tensions over North Korea are just the latest focus. China's reliance on debt, persistent vulnerabilities in the eurozone, the removal of monetary stimulus and populist politics are all on the watch list. But the real time to worry should be when no one is worried. Ten years on from August 2007, that day has yet to arrive.

—Richard Barley

# Disney Believes It Is Better Off Alone

## Not-So-Magic Kingdom

Walt Disney Co. share price



Source: WSJ Market Data Group

combination of price increases and provisions that stipulate that a portion of pay-TV subscribers must receive its channels. Disney will also be launching an ESPN streaming service in early 2018 that will feature content not available on its TV channels. This could also offer a boost to affiliate revenues.

For Netflix, it is impossible to know how many new subscribers have signed up to watch Disney's new releases. The company now has until 2019 to come up with a substitute. It said Monday it was acquiring comic book publishing house Millarworld for an undisclosed amount.

That could offer a clue to its ambitions for competing with Disney's Marvel.

The future of TV still has plenty of gray areas. Investors in Disney and Netflix must focus on the threats and opportunities they can most clearly see.

—Miriam Gottfried

## OVERHEARD

Upon seeing a police car with flashing lights, who hasn't heard the quip "there must be fresh doughnuts?" The connection may be rooted in reality, or at least the reality of a few decades ago, when doughnut shops were one of the few places open at odd hours.

But that love affair may be fraying where it counts most—between America's largest police department and its largest doughnut chain, with over

8,500 restaurants. After two New York police officers were allegedly denied service by a server at a Dunkin' Donuts in Brooklyn because of their profession, police groups called for a boycott of Dunkin'.

**Dunkin' Brands Group** has apologized, and a company spokeswoman claimed earlier that the officers were standing at an unstaffed register. Police groups see a hole in the chain's alibi, though.