

THE WALL STREET JOURNAL.

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NASDAQ 6345.11 ▲ 0.19%

NIKKEI 19729.28 ▼ 0.12%

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GOLD 1276.90 ▲ 0.25%

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U.S., China Talk Strategy on North Korea



GENERAL INTRODUCTIONS: The Pentagon's top general, Joe Dunford, left, met with China's Gen. Song Puxuan in Haichung, China, to discuss ways to avoid miscalculation if war breaks out with North Korea. A5

Apple Piles Into Video Business

By TRIPP MICKLE

Apple Inc. has set a budget of roughly \$1 billion to procure and produce original content over the next year, according to people familiar with the matter—a sign of how serious the iPhone maker is about making a splash in Hollywood.

Combined with the company's marketing clout and global reach, the step immedi-

ately makes Apple a considerable competitor in a crowded market where both new and traditional media players are vying to acquire original shows. Apple's budget is about half what Time Warner Inc.'s HBO spent on content last year and on par with estimates of what Amazon.com Inc. spent in 2013, the year after it announced its move into original programming.

Apple could acquire and produce as many as 10 television shows, according to the people familiar with the plan, helping fulfill Apple Senior Vice President Eddy Cue's vision of offering high-quality video—similar to shows such as HBO's "Game of Thrones"—on the company's streaming-music service or possibly a new, video-focused service.

Please see APPLE page A2

Trump Parts Ways With CEO Groups

Two of President Donald Trump's councils of business leaders are disbanding following Tuesday's controversial remarks by the president about the weekend's violence in Virginia.

Mr. Trump tweeted Wednesday that he was ending the White House council on manufacturing and the Strategic and Policy Forum.

By Emily Glazer,
Sarah Krouse
and Jonathan D.
Rockoff

The latter council had planned to disband after a conference call of its executives on Wednesday morning, a person familiar with the matter said. Mr. Trump's tweet came after reports that council

Baltimore Removes Confederate Statues

The city quietly took away monuments overnight to avoid demonstrations, A6

was disbanding.

Blackstone Group LP Chief Executive Stephen A. Schwarzman, who led the Strategic and Policy Forum, phoned the president on Wednesday to inform him the group was disbanding, according to people familiar with the call.

After the call, which was described as cordial, the president tweeted that it was his decision to disband that council. In that tweet, he also announced he was disbanding the manufac-

Please see COUNCIL page A6

THE NEW RIGHT-WING EXTREMISM

The white-nationalist movement is amplifying its small numbers; help from the web, new leaders

The white nationalist drove from South Carolina. The self-described patriot trekked from Tennessee. The college student espousing white pride flew in from Nevada.

By Dan Frosch,
Cameron McWhirter
and Ben Kesling

The right-wing extremist movement, which until recently was fragmented by division, starved for members and lacking steady leadership, rarely was capable of

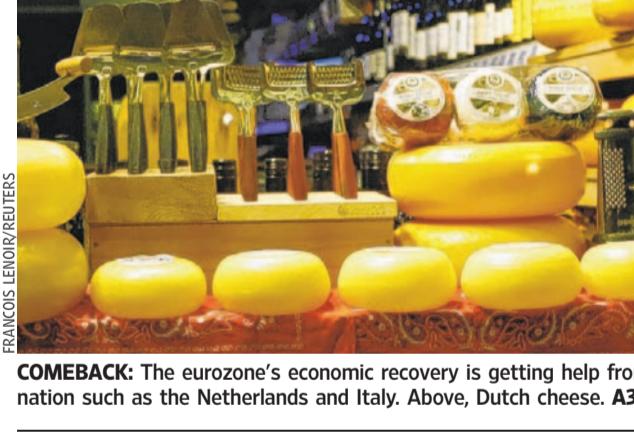
uniting its forces as it did last weekend. The mayhem in Charlottesville, Va., was a signal that even if not numerous, these groups are unifying.

Patrick LaPorte IV, 35 years old, a white nationalist from South Carolina who attended the rally, said he was drawn to the event even though there wasn't a single group driving the charge,

Please see GROUPS page A8

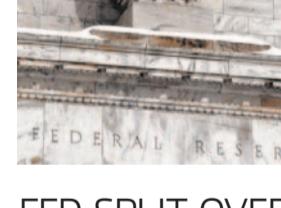
◆ Greg Ip: For business, a new political status quo..... A2

EU Gets Big Slice of Dutch Growth



COMEBACK: The eurozone's economic recovery is getting help from nation such as the Netherlands and Italy. Above, Dutch cheese. A3

INSIDE



FED SPLIT OVER NEXT RATE INCREASE

U.S. NEWS, A7



THE SMARTER WAYS TO STUDY

LIFE & ARTS, A12



ACCUSATIONS FLY AT UBER

BUSINESS & FINANCE, B1

Talks to Remake Nafta Open Amid Frictions

By WILLIAM MAULDIN

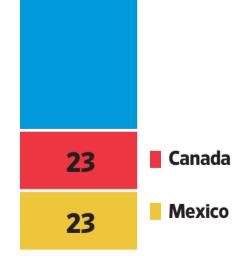
WASHINGTON—The Trump administration launched the renegotiation of the North American Free Trade Agreement Wednesday laying out a vision starkly different from Canada and Mexico over how the pact has worked over the past 23 years, and how radically it should be rewritten.

"We believe that Nafta has fundamentally failed many Americans and needs major improvements," U.S. trade representative Robert Lighthizer said at the opening of talks in Washington. "We need to assure that the huge trade deficits do not continue."

Mr. Lighthizer said President Donald Trump, who vilified Nafta during the 2016 presidential campaign, isn't interested in just modernizing the pact and "tweaking" commercial rules, but rather wants new features to reduce the trade deficit. Among those, he said, were changes to "protect

Conflict Resolution

Among Nafta countries, the U.S. has been most often targeted in 'Chapter 19' trade-dispute cases.



Source: Nafta Secretariat, Canadian Section THE WALL STREET JOURNAL.

our national sovereignty" in the dispute-resolution mechanisms laid out in Chapter 19 of the accord.

The Trump administration's position differed significantly

Bankruptcy Lawyer Bails Out Brides

* * *

One woman's epic bid to deliver stranded dresses

BY LILLIAN RIZZO

Patricia Redmond remembers when the first messages started trickling in, then began to multiply, and finally swelled to a server-taxing torrent, each one more pitiable than the last.

In more than 30 years as a Miami bankruptcy lawyer, Ms. Redmond had seen her share of desperate email subject lines—but never 10,000 of them in just a few days.

"I WILL BE KICKED OUT OF THE WEDDING IF I DON'T GET MY DRESS," said one.

Just one month later, Ms. Redmond, working on her own time with help from friends and strangers, flew to Balti-

Please see BRIDES page A7

Oracle #1 SaaS Enterprise Applications Revenue

#1

Oracle Cloud
14.5%

#2

Salesforce Cloud
12.4%

1,000+ Employees Segment, 2015

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Source: IDC "Worldwide SaaS Enterprise Applications Market Shares, 2015: The Top 15 by Buyer Size," doc #US41913816, Dec. 2016. 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

Growth in Netherlands, Italy Spur Europe

Surprise economic surge makes currency area less reliant on Germany and Spain

By PAUL HANNON

The eurozone's recovery was more rapid than first estimated in the three months to June as a pickup that started in Germany and Spain has spread to other parts of the currency area, aiding a comeback that is proving vital to the world economy.

The European Union's statistics agency Wednesday raised its measure of eurozone economic growth during the second quarter to 2.5% annualized from its first estimate of 2.3%, bringing it closer to the 2.6% recorded by the U.S., which it outpaced in the first quarter.

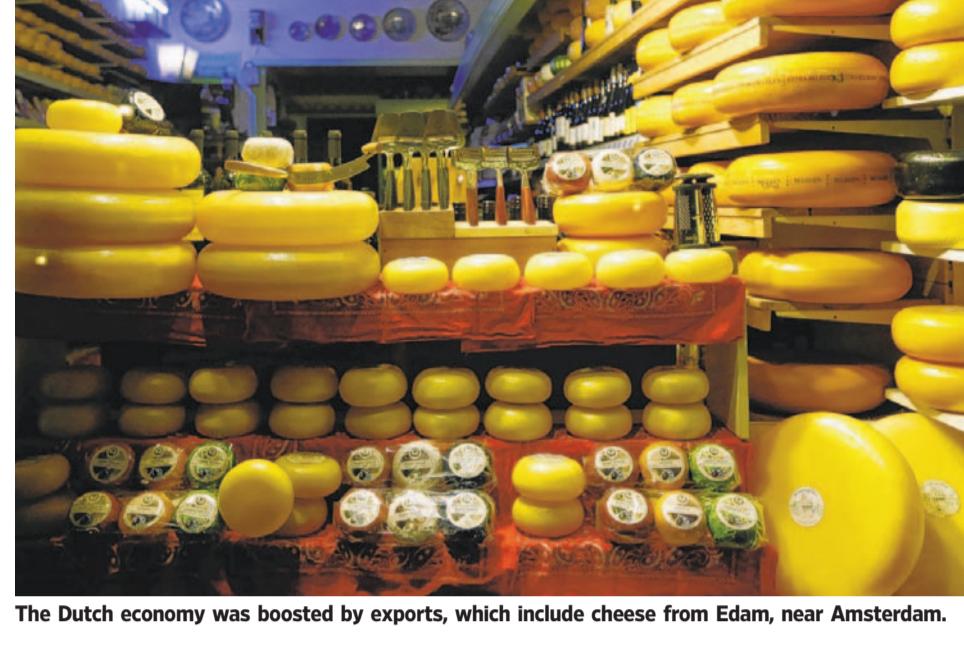
That upgrade comes at an opportune moment, since the U.S. is growing more weakly than expected and there are signs China may be set for a slowdown.

Separate figures showed the Dutch economy surged during the period as exports jumped, while Italy recorded its strongest six months since the second half of 2010.

"The eurozone recovery continues, and seems to be broadening out," said Fabio Balboni, an economist at HSBC.

The bloc's strength during the first half of 2017 has come as a surprise to most economists, who had expected growth to slow in response to rising energy prices and heightened political uncertainty as voters in the Netherlands, France and Germany chose new governments.

However, the rise in energy prices didn't last long and elections in the Netherlands and France—in March and



FRANCOIS LENOIR/REUTERS

The Dutch economy was boosted by exports, which include cheese from Edam, near Amsterdam.

U.K. Jobless Rate Hits 42-Year Low

LONDON—The unemployment rate in the U.K. fell to its lowest level in decades in June, while the number of European Union nationals working in Britain hit a record high.

The Office for National Statistics said the unemployment rate declined to 4.4% in the three months through June, from 4.5% in the previous three-month period, marking the lowest rate of joblessness since spring 1975.

Figures show the labor market's strength still isn't feeding into robust wage growth, though, highlighting a conundrum that is testing central banks in many advanced econo-

mies. Wages in the U.K. rose in the three months through June at an annual 2.1%, excluding bonus payments, only marginally above the 2.0% growth recorded the previous three months.

The Bank of England has nevertheless said it believes interest rates in the U.K. will need to rise faster than investors expect to keep inflation in check. Annual inflation in Britain was 2.6% in July, well in excess of the BOE's 2% target. Economists predict the BOE will likely raise its benchmark interest rate early next year.

The number of people in work in the U.K. in June rose to 32.1 million, the highest level ever recorded, swelled by an increase in both U.K. citizens and foreign nationals finding jobs.

The number of EU workers in the U.K. rose in June to 2.4 mil-

lion, reflecting a fall in unemployment among that group and a decline in those studying or otherwise outside the labor force.

The labor market data don't record whether the U.K. experienced an influx of new arrivals from the EU or elsewhere in the April-to-June period.

Controlling immigration from the EU is one of the central planks of the government's Brexit strategy. Employers' groups and recruiters say they are finding it increasingly difficult to recruit workers from the EU after last year's Brexit vote, given the fall in the pound and an accelerating eurozone economy.

Brexit talks between London and Brussels are set to resume this month.

—Jason Douglas and Wiktor Szary

opinion polls ahead of September's elections.

As Dutch Prime Minister Mark Rutte worked to form a new government, the country's economy surged in the

second quarter, recording its fastest expansion since the final three months of 2007. According to the Dutch statistics agency, gross domestic product—the broadest measure of

the goods and services produced by an economy—was 1.5% higher than in the three months through March and 3.8% up on the comparable period a year earlier. That was largely the result of a jump in exports, with overseas sales 11% higher in June than a year earlier.

As a result, the Dutch economy overtook Spain's as the fastest growing of the eurozone's five largest members. It had previously enjoyed steady if modest growth, expanding by 0.6% in the first quarter.

The CPB Netherlands Bureau for Economic Policy Analysis said it now expects the Dutch economy to grow by more than 3% in 2017 as a whole, the first year in which it will have done so since the financial crisis. "The Dutch economy is well on the rise," the body said in its new report.

The eurozone's pickup has also been supported by slightly stronger growth in Italy, which recorded a third straight quarter in which GDP rose by 0.4%. Compared with a year earlier, the Italian economy was 1.5% larger, the fastest rate of expansion since the first three months of 2011.

"The Italian economy, which admittedly is still one of the weakest, is finally showing signs of life," said Shweta Singh, an economist at Lombard Street Research.

Despite the steady growth, Italy's economy is still 6.5% smaller than it was before the financial crisis. Only Greece, with an economy that is 27% smaller, has performed worse in the past 10 years.

Spain and Germany were largely responsible for driving the eurozone's modest growth between the start of the recovery in mid-2013 and the end of 2016. But the broadening of the recovery in 2017 has contributed to its acceleration.

Eurostat didn't give details of the drivers of eurozone growth, but economists say national data releases suggest consumer and investment spending were the main factors, with exports playing a lesser role, except in the Netherlands and France.

The strength of the eurozone economy has prompted economists to raise their forecasts for the year as a whole. According to Consensus Economics—which tracks forecasters—the average growth rate for this year projected by the 29 institutions it follows is now 2%, up from the 1.4% expected in December.

The eurozone's acceleration has fueled expectations the European Central Bank will start to wind down its purchases of government bonds from January. However, there are few signs the pickup in growth has transformed the outlook for inflation, which is well below the ECB's target of just under 2%.

"With the economy maintaining a healthy pace of growth, the ECB should feel fairly confident about tapering its asset purchases next year," said Jessica Hinds, an analyst at Capital Economics. "But with GDP growth yet to boost inflation meaningfully, we doubt the bank will raise interest rates until early 2019."

There are signs the eurozone pickup is helping other parts of Europe with which it has close trade and financial relations.

The Czech economy was 2.3% larger in the second quarter than the first, while Sweden's economy grew by 1.7%. Earlier in August, the Czech central bank raised its key interest rate for the first time in nearly a decade, a milestone for Europe's central banks that have taken dramatic easing steps to prop up their economies.

Former Minister Accuses Russia of Entrapment

By THOMAS GROVE

MOSCOW—A former Russian economy minister on trial for allegedly taking a \$2 million bribe accused the head of the state oil company of entrapment Wednesday, in the first hearing of a case that has raised speculation about power plays at the highest levels of the government.

Prosecutors say Alexey Ulyukayev demanded a bribe in return for giving a green light to PAO Rosneft's purchase of shares in midsized oil producer PAO Bashneft.

Speaking in a Moscow courthouse, Mr. Ulyukayev denied the accusation. He said he was seized in an October sting operation by the Federal Security Service, the successor of the KGB, when Rosneft head Igor Sechin personally called him and asked him to accept a suitcase with \$2 million inside it, according to Russian news agencies.

The prosecution has completely ignored the circumstances of Sechin handing

over to me this suitcase, which in total does not leave any doubt about the provocation carried out against me," Interfax quoted Mr. Ulyukayev as saying.

Russian agencies didn't report Mr. Ulyukayev as saying in what capacity he had been given the money. Rosneft spokesman Mikhail Leontiev said there was "exhaustive evidence" regarding Mr. Ulyukayev's guilt and said the former minister had demanded a bribe and tried to get away with it, Interfax reported.

Mr. Ulyukayev, who had served as Russian economy minister since 2013, was dismissed in November by Russian President Vladimir Putin. Mr. Putin accused the former minister of "a breach of trust" after a Moscow court placed him under house arrest on the bribery charges.

Mr. Ulyukayev's arrest was the highest-profile detention of a sitting government official since Mr. Putin came to power in 2000.

While Russia's security ser-

vices have opened criminal investigations and occasionally arrested high-profile businessmen and senior officials under Mr. Putin's tenure, detaining a sitting minister—and the president's personal involvement in the case—is unprecedented.

Messrs. Ulyukayev and Sechin, reputed to have close links with Russian intelligence agencies and a personal relationship with Mr. Putin, had previously butted heads over the sale of Bashneft to the state oil producer Rosneft.

Critics of Rosneft and Mr. Sechin said the sale of Bashneft was meant to plug holes in Rosneft's own operations and lower profits from a falling oil price.

Mr. Ulyukayev spoke out against the deal in August, saying privatization of one state company by another was inappropriate. In early September, however, he said Rosneft would be allowed to participate.

Rosneft eventually bought the shares for 330 billion rubles (\$5 billion), higher than



Former Economic Development Minister Alexei Ulyukayev outside a Moscow district court.

the government's initial valuation of the company at 306 billion rubles.

Political analyst and professor at the Moscow State Institute for International Relations Valery Solovei said at the time that Mr. Ulyukayev's arrest looked like fighting between factions of the government.

Analysts say the arrest was retaliation against opponents

of Mr. Sechin who were trying to limit his growing oil empire. Among them, Mr. Ulyukayev was the easiest target, they say.

Mr. Sechin's Rosneft is currently involved in an arbitration battle with the former owners of Bashneft, conglomerate AFK Sistema, for 170.6 billion rubles. Rosneft has said Sistema destroyed value in the company during necessary

preparations for an initial public offering. Sistema denies the accusations.

The Moscow regional court where Mr. Ulyukayev's case is being heard announced Mr. Sechin would be called as a witness, Russian agencies reported last week following a preliminary hearing that determined the start of the trial.

The next hearing was set for Sept. 1.

WORLD WATCH

PHILIPPINES

Antidrug Raids Kill 32 Suspects in a Day

Philippine police said Wednesday that antidrug operations in a northern province this week left 32 alleged drug offenders dead—11 more than earlier reported as the highest death toll in a single day since President Rodrigo Duterte launched his war on drugs a year ago.

Senior Superintendent Romeo M. Caramat Jr. said 67 police operations in various parts of Bulacan province Tuesday left 32 suspects killed in encounters with police, while 109 other suspects were arrested.

Confiscated during the operations were more than 200 grams of methamphetamine, 786 grams of marijuana, and assorted firearms, grenades, and ammunition.

Police records show that since the nationwide crackdown

started, more than 3,200 alleged drug offenders have been killed in gunbattles with law enforcers. More than 2,000 others died in drug-related homicides, including attacks by motorcycle-riding masked gunmen, and other assaults.

—Associated Press

India, China Patrols In Border Encounter

Indian and Chinese soldiers yelled and hurled stones at one another high in the Himalayas in Indian-controlled Kashmir, Indian officials said, potentially escalating tensions between the two nations already engaged in a lengthy border standoff elsewhere.

The Chinese soldiers hurled stones while attempting to enter Ladakh region near Pangong Lake on Tuesday but were confronted by Indian soldiers, a top police officer said. The officer

said Indian soldiers retaliated but neither side used guns.

China didn't comment directly on the incident but called on India to help maintain peace and stability along the border.

An Indian officer said the confrontation occurred after Indian soldiers intercepted a Chinese patrol that veered into In-

dian-held territory after apparently losing its way.

The officer said that the soldiers shouted at each other and threw stones. He said some soldiers received minor injuries.

After nearly 30 minutes, the two sides retreated, he said.

—Associated Press

SIERRA LEONE

Relatives Urged to Claim Flood Victims

The government urged family members to come to the capital's overwhelmed mortuary to identify their loved ones' remains as the nation prepared to bury hundreds of mudslide and flood victims.

Crews continued to extract bodies from tons of debris after storms left impoverished, low-lying areas of Freetown buried in mud.

More than 300 people are confirmed dead—a third of them children—and Red Cross officials estimate some 600 others remained missing more than 48 hours after the storm hit.

Thousands of people have lost their homes.

Contingency plans are being put in place to try to stem the outbreak of diseases such as cholera.

—Associated Press

TAIWAN

Official Resigns After Big Blackout

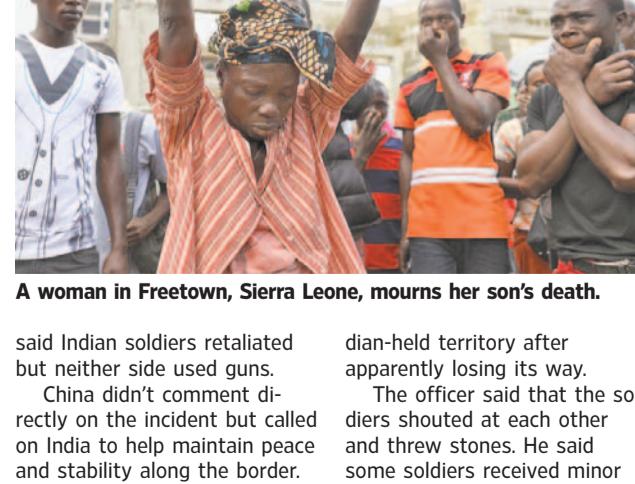
The economy minister resigned after six generators failed at the island's biggest natural-gas power plant, causing a massive blackout that affected millions of households across the island during sweltering heat.

The power outage plunged traffic, shopping malls and offices into darkness early Tuesday evening.

Lee Chih-kung apologized at a press conference and said the person who made the error would be punished. His ministry is responsible for power supply.

Taiwan's Central News Agency reported that 6.68 million households were affected in the capital, Taipei, cities Taichung and Tainan and three counties in the center, west and southwest of the island of 23 million people.

—Associated Press



REUTERS/AFOLABI SOTUNDE

A woman in Freetown, Sierra Leone, mourns her son's death.

WORLD NEWS

Zambian Opposition Leader Is Freed

BY NICHOLAS BARIYO

Zambian opposition leader Hakainde Hichilema was released from prison, ending a four-month detention amid mounting international pressure on President Edgar Lungu.

The country's High Court ruled that Mr. Hichilema should be freed after the state prosecutor dropped treason charges against the 55-year-old businessman. Wednesday's release appeared to mark a retreat by Mr. Lungu from a crackdown on the opposition since narrowly winning a 2016 election.

Mr. Hichilema has insisted that vote was rigged in favor of Mr. Lungu.

He was arrested in April and charged with trying to overthrow the government, after a convoy of his supporters allegedly disrupted Mr. Lungu's motorcade. At the time, police said the incident posed a risk to the president's life.

Hakainde Hichilema's release came after pressure on President Edgar Lungu.

If convicted of treason, Mr. Hichilema could have faced the death penalty.

Cheers erupted outside the courthouse, where hundreds of Mr. Hichilema's supporters gathered to witness his trial. His release followed months of pleas from local civil-society groups and the international community.

"We thank God justice has finally prevailed," said Martha Mushipe, one of Mr. Hichilema's lawyers. "We always knew this case was going nowhere."

Amos Chanda, a spokesman for Mr. Lungu, said dropping the charges against Mr. Hichilema was part of a deal the two men had reached with Patricia Scotland, secretary-general of the Commonwealth, of which Zambia is a member.

Ms. Scotland visited Lusaka last week, during which time Messrs. Lungu and Hichilema agreed to discuss overhauls to strengthen governance and the rule of law ahead of 2021 elections.

Zambia was viewed as one of Africa's most stable democracies. However, since winning last year's election, Mr. Lungu and his Patriotic Party have consolidated power, taking steps to control state institutions and smother dissent.

Opposition-leaning media outlets have been closed and dozens of critics, including students, have been arrested for criticizing Mr. Lungu on social media.

In July, the U.S. warned that Mr. Lungu's actions threatened Zambia's stability.

Kenya Faces Legal Fight Over Vote

Opposition chief, in a shift, now says he will challenge election result at high court

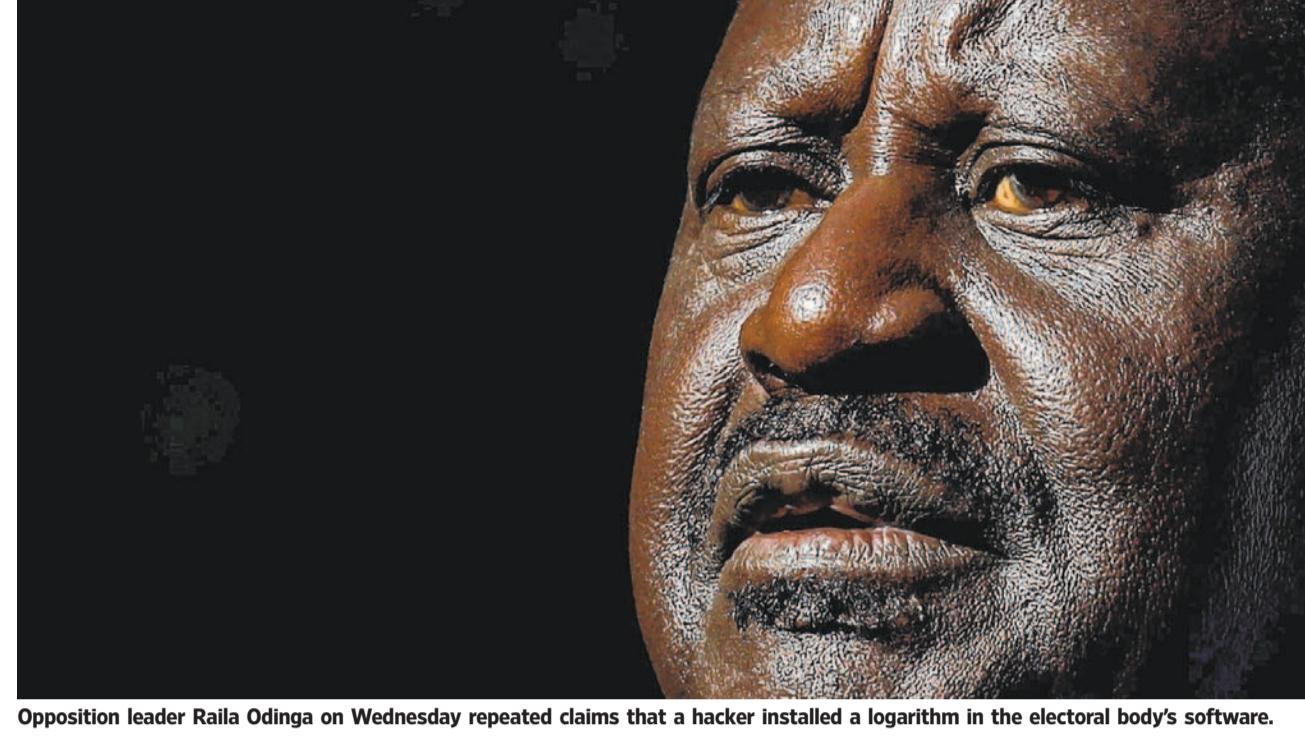
BY MATINA STEVIS

NAIROBI, Kenya—Escalating a political crisis in East Africa's biggest economy, Kenya's opposition leader Raila Odinga said he will challenge the result of last week's election in the Supreme Court and promised to show evidence of mass fraud that led to his opponent, incumbent President Uhuru Kenyatta, being pronounced the victor.

In a U-turn from last week's statements, where Mr. Odinga and his top lieutenants said they wouldn't go to court because they had lost a similar case against Mr. Kenyatta in the 2013 election, the 72-year-old veteran politician on Wednesday said he wanted the world to see the manipulation that led Mr. Kenyatta back to the presidency. He said the decision would give the Supreme Court "a second chance...to redeem itself."

"Kenyans say 'no' to computer-generated leaders," Mr. Odinga told the media, repeating claims that a hacker installed a logarithm in the electoral body's software to rig the outcome.

Voting took place Aug. 8. On Friday the electoral commission, the Independent Electoral and Boundaries Commission, said Mr. Kenyatta won with 54.3% of the vote and Mr. Odinga garnered 44.7%.



Opposition leader Raila Odinga on Wednesday repeated claims that a hacker installed a logarithm in the electoral body's software.

International observers from the European Union, the U.S. and the African Union commended Kenyans on voting peacefully and noted that the voting process had largely been a success, but by Wednesday were warning the IEBC to publish all the formal documents accompanying the vote tally from every single polling station to ensure transparency of the vote count.

The EU mission called on the electoral commission to "continue to publish all results forms online promptly...[to] enable all stakeholders to examine the accuracy of the an-

nounced results and point to any possible anomalies. Provision of information and statistics would also help promote confidence through transparency," its chief, Marietje Schaake, said.

Mr. Odinga said that the crux of the matter was in those forms, and that a careful scrutiny of all 41,000 of them, one for each polling station, and a recount of the votes, would prove his case. Experts

going through the IEBC portal where the forms are being published said some 10,000 were still missing more than a week after the vote.

"We refuse to sit and watch our country turn into a banana republic and playground accepting such a crime for a third time in a row," Mr. Odinga said, referring not only to the 2013 election but also to the 2007 one, which he also lost and is widely thought to have been rigged. It was followed by large-scale ethnic violence that left 1,100 people dead and hundreds of thousands displaced from their homes.

Mr. Kenyatta and his deputy, William Ruto, were charged with crimes against humanity by the International Criminal Court following the

2007 violence, but charges were later withdrawn. Both denied the charges.

With the specter of post-election violence rising yet again after the latest polls, Mr. Odinga explicitly and for the first time since the vote called on his supporters, some of whom have been involved in running street battles with riot police leading to several deaths, to protest peacefully.

The Kenyan Red Cross has confirmed 17 deaths, whereas the police say there were 10.

"Kenyans have no need to use violence to achieve justice," Mr. Odinga said.

Zimbabwe First Lady Fights Assault Charge

BY GABRIELE STEINHAUSER



President Robert Mugabe and his wife Grace last month attended a rally of his ruling party.

Mugabe's bodyguards witnessed the event, in the city's ritzy Sandton suburb.

A spokeswoman for Ms. Mugabe didn't respond to requests for comment.

The alleged assault poses risks for Ms. Mugabe, who is a rising political star in Zimbabwe. It also presents a challenge for two ruling political parties—President Mugabe's ZANU-PF of Zimbabwe and President Jacob Zuma's African National Congress of South Africa—libera-

tion movements that are struggling to redefine themselves in a new era.

The two parties have long been close. Both fought white-minority rule, with Zimbabwe gaining independence from Britain in 1980 and South Africa ending apartheid in 1994. For years, ANC leaders sought exile in Mr. Mugabe's Zimbabwe.

But the ANC has been criticized for its reluctance to denounce Mr. Mugabe's sometimes violent repression of

opposition and the expropriation of properties from white farmers.

Ms. Mugabe's imbroglio is a fresh reminder of those divisions. South Africans debated whether Ms. Mugabe should be granted diplomatic immunity. Opposition parties and social-media users chided the South African police chief, Mr. Mbalula, for allegedly giving her special treatment.

Reports surfaced that the first lady had returned to Zimbabwe without facing proceed-

ings in South Africa, but police on Wednesday said she was still in the country.

Some observers recalled another incident. In 2009, Ms. Mugabe allegedly punched a photographer who was taking pictures of her in Hong Kong, where she applied for and received diplomatic immunity.

This time her case for diplomatic immunity may be weaker after President Mugabe had said last week that his wife was in South Africa for medical treatment. Her claim stems from what she said was a plan to attend a summit of the Southern African Development Community, police said.

Ms. Mugabe's treatment by South African authorities has also fed into a broader debate on whether Mr. Zuma's government is turning a blind eye on alleged illegal behavior by its supporters.

Opposition parties and civil-society organizations have criticized Mr. Mbalula and the ANC in recent weeks for not arresting and disciplining a deputy minister who allegedly assaulted two women at a Johannesburg nightclub.

They also criticized what they said was the slow investigation of allegations of influence-peddling in government.

The deputy minister has apologized for the nightclub incident and said it followed "extreme provocation."

Indonesia Investigates Alleged Islamic State Terror Plot

BY ANITA RACHMAN

Bandung, about 90 miles southeast of Jakarta.

Police didn't say how close the suspects were to completing a device to disperse chemicals, nor did they identify the type of chemicals found. Mr. Yunus said the smoke from one substance "could burn the skin."

Among those arrested were a husband and wife, police said, but the identities of the suspects haven't been disclosed and it isn't known if they have legal representation.

About 5,000 police and military personnel will be deployed at sensitive locations in Jakarta during Thursday's celebrations, police said. Such holiday deployments are customary in Indonesia. In May, a pair of terror-related blasts killed three police officers who were stationed at a bus terminal ahead of the Muslim holy month of Ramadan.

"We stay alert during the National Day celebrations," said Prabowo Argo Yuwono, spokesman for the Jakarta police.

Police said the suspects were part of an umbrella group of extremist factions that have pledged allegiance to Islamic State. They said the bomb-

making instructions came from a blog belonging to Bahrin Naim, an Indonesian militant operating from Syria who has been linked to other plots.

Mr. Naim is suspected of remotely organizing an attack in Jakarta in January 2016 that left four civilians and four attackers dead. It was the deadliest attack on Indonesian soil in

recent years. Police have attributed several plots to him since.

Indonesia's worst terror attack was the Bali bombing in 2002, which killed 202 people, many of them tourists, and was carried out by the al Qaeda-linked Jemaah Islamiyah. Indonesia, the world's largest Muslim majority country, improved its counterterrorism

capabilities after the attack.

However, a new generation of militants have been inspired by Islamic State, with hundreds of Indonesians traveling to the Middle East to fight alongside the group, authorities say. Still, most recent attacks in Indonesia have been carried out by militants who never left the sprawling archipelago nation.



Police guarded a house of suspected militants following a raid in Bandung, West Java, on Tuesday.

Arrests and deaths of suspected terrorists in Indonesia more than doubled to 170 in 2016. In recent years, militants have targeted symbols of a state, especially the police, that they accuse of holding back the Islamist tide.

In neighboring Australia, authorities this month said they had foiled a plot overseen by a senior Islamic State controller to release a chemical bomb into a crowded area, such as a commuter train or bus.

Australian Federal Police Deputy Commissioner Michael Phelan alleged that two men arrested were in the early stages of devising a "chemical-dispersion device" designed to release highly toxic hydrogen sulfide gas. The plot was believed planned with the help of an unnamed Islamic State member who sent components and instructions to the pair in Sydney via air cargo from Turkey.

The plan was devised after a plot to bomb an airliner bound for the Middle East was abandoned, Mr. Phelan said.

The men will face trial this year.

—Rob Taylor in Canberra contributed to this article.

WORLD NEWS

On Korea, Abe Is Trump's Loyal Sidekick

Japan's strategy reflects its reliance on U.S. might and Tokyo's frustration with Pyongyang

BY PETER LANDERS

TOKYO—Amid a welter of conflicting views over North Korea, there is one reliable standby. Japan's prime minister has agreed with President Donald Trump, every time.

Shinzo Abe is the type of leader to repeat talking points in measured words, while Mr. Trump is known for issuing aggressive statements unpredictably. On substance, however, they are in the same place, a reflection both of Japan's dependence on U.S. military might in the event of a conflict and of Mr. Abe's personal frustration with Pyongyang, which mirrors Mr. Trump's.

"I think highly of President Trump's commitment toward the security of allies," Mr. Abe said Tuesday after a 30-minute phone call with the president, the ninth time the two leaders have spoken by telephone since Mr. Trump's inauguration. The two have also met three times this year in person, and their bond was strengthened in February when North Korea fired missiles while they ate dinner at Mr. Trump's Florida resort.

The Japanese leader's re-

fusal to let any daylight come between him and Mr. Trump contrasts with other leaders who have hinted at unease with Mr. Trump's language, including his threat last week to bring "fire and fury" on North Korea.

German Chancellor Angela Merkel said Aug. 11 that "escalation of rhetoric is the wrong answer," and South Korean President Moon Jae-in warned Tuesday that the U.S. would need Seoul's consent for any military action on the Korean Peninsula.

Even the head of the junior party in Mr. Abe's ruling coalition expressed irritation with Mr. Trump on Tuesday. "Countries around the world are seeking restraint from both sides," said Komeito party leader Natsuo Yamaguchi in reference to North Korea and the U.S.

But like Mr. Trump, Mr. Abe blames North Korean intransigence for the impasse. His determination has been stiffened by a problem of special concern in Tokyo: the dozens of Japanese believed abducted by North Korea in the 1970s and 1980s.

As a cabinet official in 2002, Mr. Abe helped bring five of the abductees home after negotiations with Kim Jong Il, father of current leader Kim Jong Un. In 2014, Mr. Abe made the surprise announcement that Pyongyang had agreed to reopen an inves-



President Donald Trump greets Japanese Prime Minister Shinzo Abe at the White House in February.

MARIO TAMA/GATET IMAGES

tigation into the remaining abductees in return for Tokyo's lifting of sanctions. The investigation went nowhere, and Japan once again hardened sanctions.

"There is absolutely no meaning to having dialogue for the sake of dialogue" with North Korea, said Mr. Abe's top spokesman, Yoshihide Suga, on Tuesday.

On the North Korea issue, Mr. Abe has been dealing so far with a war of words—not an actual shooting war that would put Japanese lives at

stake and amplify the voices of his critics in Japan who fear the nation may get ensnared in a war not of its making.

"It seems the U.S. is cornering itself into a situation of having to impose stronger and stronger threats," said Kyoji Yanagisawa, a former Defense Ministry official. "If its deterrence fails, the [U.S.] bases in Japan would become a target."

An Abe aide said Tokyo's concern was less that Mr. Trump intended to act immediately on his bellicose language and more that the

words of the U.S. president would lose weight over time. Japan relies on the U.S. nuclear umbrella, so it is vital that its neighbors believe the U.S. guarantee of Japan's security.

Even so, Mr. Abe thinks the best policy is to bolster the U.S.-Japan alliance through Tokyo's own actions rather than trying to steer Mr. Trump's use of language, the aide said.

In June, when U.S. aircraft carriers Carl Vinson and Ronald Reagan were operating in the Sea of Japan, they were

joined by Japanese ships including the helicopter carrier Hyuga in a show of force. And on Aug. 12, Japan set up Patriot missile-defense systems in four western locations to protect them in the event of a direct North Korean attack. Tokyo also has sea-based Aegis destroyers that might be able to intercept missiles passing over Japan.

A law pushed through parliament by Mr. Abe in 2015 allows Japan's military to help the U.S. more outside Japanese territory, but analysts say preparedness for a conflict remains uncertain. Tokyo is discussing whether it should develop the ability to carry out a pre-emptive strike on North Korea. Any implementation would be years away.

As with Mr. Trump, Mr. Abe tends to leave hints at conciliation to others. His defense minister, Itsunori Onodera, said Tuesday, "I personally think it would be most desirable if this issue could be solved through dialogue." Mr. Onodera said his view resembled the one laid out in a Wall Street Journal opinion article by Defense Secretary Jim Mattis and Secretary of State Rex Tillerson.

Those two U.S. cabinet members are set to meet their Japanese counterparts in Washington on Thursday to discuss North Korea.

—Chieko Tsuneoka contributed to this article.

On Rare China Border Visit, U.S. General Talks Strategy

BY GORDON LUBOLD
AND JEREMY PAGE

SHENYANG, China—The Pentagon's top general said he discussed with his Chinese counterparts ways to coordinate with China's military to avoid dangerous miscalculations should war break out with North Korea.

Gen. Joe Dunford, chairman of the Joint Chiefs of Staff, described the contingency talks Wednesday after he paid a rare visit to the Chinese military command that oversees the North Korean border, viewing live-fire drills and sharing lunch with People's Liberation Army troops.

He said the discussion took place on Tuesday, when he also signed an agreement with his Chinese counterpart to formalize and increase operational communication between the U.S. and Chinese militaries.

The talks indicate that alarm on both sides over the tensions surrounding North Korea's advancing nuclear and missile programs are pushing Washington and Beijing to set aside some of their mutual distrust and deepen military-to-military communication, analysts and diplomats said.

Gen. Dunford's trip was planned long before a series of tit-for-tat threats flared in recent days between U.S. Presi-



Gen. Dunford met with Chinese officers near Beijing's border with North Korea to improve communication in the event of war with Pyongyang.

ANDREW HARNIK/ASSOCIATED PRESS

dent Donald Trump and North Korean leader Kim Jong Un.

Beijing's decision to proceed with the visit at a sensitive time reflects growing displeasure with Pyongyang, the analysts and diplomats said.

Gen. Dunford said he held broad-strokes discussions about a "contingency" in case

of conflict with North Korea and that he had stressed to his Chinese counterparts the need for robust communication ties. He declined to provide details of how the Chinese responded.

China's Defense Ministry said the two sides discussed North Korea, citing Gen. Fang Fenghui, chief of China's Joint

Staff Department, saying its military was willing to enhance communication to "effectively control risks," and to work together to resolve "current problems." It didn't elaborate.

China has been realigning its own military forces in recent months to prepare for a potential North Korea crisis

but has long rebuffed U.S. requests to discuss ways to prevent Chinese and U.S. actions from conflicting with each other in such a scenario. The new discussions signal a shift in its thinking, experts say.

Ultimately, U.S. officials hope U.S. and Chinese military counterparts could be con-

nected at various levels. For example, U.S. military officials said that the top American military commander in South Korea, Gen. Vincent Brooks, should be directly in touch with the commander of Chinese forces in their Northern Theater Command, which is responsible for the North Korean border.

"It would be helpful for us to have effective communication mechanisms in place so in the event of a crisis we can immediately speak to each other and avoid miscalculation and deepening the crisis," Gen. Dunford told reporters on his plane.

Gen. Dunford's visit came as the U.S. and South Korean militaries prepared to begin large-scale war games in South Korea on Monday, a semiannual exercise that Pyongyang condemns as a rehearsal for invasion.

Roy Kamphausen, an expert on the Chinese military at the National Bureau of Asian Research, noted that China isn't conducting any joint training or drills with North Korea—despite a formal alliance between the two countries.

He said Beijing intended Gen. Dunford's visit to convey a strong message to North Korea, also known as the Democratic People's Republic of Korea, or DPRK.

Images Stir Flight 370 Speculation

BY ROB TAYLOR

CANBERRA, Australia—An examination of satellite images taken two weeks after Malaysia Airlines Flight 370 vanished suggests a cluster of likely man-made objects were in an area close to where authorities have long thought the plane crashed.

The area where the images were taken wasn't covered by an aerial search at the time.

But it is near where authorities originally spent years scanning miles of remote sea-

offered a search across thousands of square miles of ocean in what became the most expensive in aviation history—about \$160 million. The search was called off in January, with the governments of Malaysia, Australia and China saying they wouldn't resume it without firm new evidence.

The Australian Transport Safety Bureau on Wednesday released new analysis of data gathered during the nearly three-year search. That in-

cluded a study of the images, taken by French satellites on March 23, 2014, before Australian authorities took over the search effort.

Australian officials said the image resolution wasn't high enough to be certain whether the objects—ranging in size from 2.2 yards to 13.1 yards—were from the missing plane, or were objects found floating in oceans anywhere around the world.

"Clearly, we must be cautious," said Greg Hood, chief

an Airbus Pleiades satellite and made available by France's military intelligence service. They were probably overlooked earlier because they were heavily affected by ocean reflections, or "glint," and significant cloud cover, the researchers said.

"The small number of images, and lack of repeat observations over the area, resulted in insufficient data to support a data-driven or computer-learning approach. Hence, a comprehensive, manual, visual

they had a high level of confidence any debris hadn't been overlooked by high-resolution sonar scans of the seabed. But they did identify a prospective second search zone north of the existing area, sprawling over an additional 9,653 square miles—roughly a fifth the area already covered. The latest drift modeling narrowed

that to an area of some 1,900 square miles experts considered the most likely—one of the four areas in which objects were identified.

A U.S.-based seabed explora-

tion company, Ocean Infinity, last week offered to under-

take a fresh search for Flight 370 in the area. Ocean Infinity said it was hopeful Malaysia would accept its proposal, with the company offering to shoulder the cost of a hunt using subsea drones.

Mr. Chester said a resumption of the search was primarily the responsibility of the Malaysian government as the lead investigator, but that Australia was continuing to assess data and was willing to offer support.

"We've always made clear to the Malaysian government that we stand ready to assist with technical expertise. We continue to have that offer on the table," he said.

commissioner of the Australian Transport Safety Bureau. "These objects have not been definitely identified as MH370 debris."

The researchers identified 12 objects in the images they thought were probably man-made. The objects were similar in size to debris from the plane that was discovered by happenstance, including a piece thought to be part of the aircraft wing that washed ashore in southeast Africa.

The images were taken by

survey of each scene was undertaken," the bureau's report said.

Australian Transport Minister Darren Chester said the latest research, while positive, still didn't pinpoint the plane's resting place. "The search remains suspended and we will consider any new information as it comes to light," he said. "The fact that we haven't been able to locate MH370 is something that plays on everybody's minds."

Officials said in December

U.S. Says Pyongyang Makes Its Own Engines

BY FELICIA SCHWARTZ
AND PAUL SONNE

WASHINGTON—The U.S. believes that North Korea produces its own rocket engines rather than relying on foreign imports, a U.S. intelligence official said Tuesday.

The comments from the intelligence community come as experts have questioned if Kim Jong Un's regime obtained Soviet-designed rocket engines through illicit channels in Ukraine or Russia.

A report by the International Institute for Strategic Studies released Monday said the liquid-propellant rocket engines North Korea has used in recent tests resemble those originating from Soviet designs and theorized that North Korea had somehow illicitly purchased engines smuggled out of Russia or Ukraine.

"We have intelligence to suggest that North Korea is not reliant on imports of engines," a U.S. intelligence official said Tuesday in response to the report. "Instead, we judge they have the ability to produce the engines themselves."

The report's author, Michael Elleman, said Tuesday that he remains skeptical that North

Korea can produce engines of such sophistication on its own. Mr. Elleman said observations he made of the launch and trajectory of the missiles suggest they were of Soviet design. He inferred the missiles were imported to North Korea because Pyongyang lacked the expertise to build them unaided.

"One does not start by creating a new, powerful, efficient and reliable engine from thin air," he said.

Mr. Elleman, a former missile engineer, pointed out that the U.S. has faced challenges refurbishing old Russian engines for space launches and that U.S. engineers can't manufacture a Russian engine the U.S. continues to rely upon.



North Korea has conducted a series of ballistic-missile tests.

REUTERS

U.S. NEWS

Baltimore Removes Confederate Statues

To avoid protests, city officials didn't make public the timing of the dismantling

BY SCOTT CALVERT
AND JON KAMP

BALTIMORE—The city of Baltimore removed several Confederate monuments before dawn Wednesday in a stealth operation that highlights the growing backlash against such memorials across the country.

"I said I would move as quickly as I could, and I did," Baltimore Mayor Catherine Pugh, a Democrat, said in an interview. "We didn't need those kinds of symbols."

The city's unannounced action came just days after last weekend's violent clashes in Charlottesville, Va., where white supremacists gathered in protest of that city's plan to take down a statue of Confederate Gen. Robert E. Lee.

In the aftermath of the weekend's events that left one woman dead, some elected officials have taken a tougher stance against monuments dedicated to those who led the fight to secede in the Civil War.

"We cannot continue to glorify a war against the United

States of America fought in the defense of slavery," North Carolina Gov. Roy Cooper, a Democrat, said in a statement as he called for the repeal of a 2015 state law that prevents the removal of such monuments. "These monuments should come down."

Monument defenders said the statues are testaments to Southern bravery and an important part of the region's past. Some are pushing back against politicians who want them to come down as well as activists seeking to topple statues themselves.

"It's discouraging and it's heartbreaking," said David Nash, chairman of the Sunshine State Heritage PAC, which backs candidates who support keeping up Confederate monuments.

Mr. Nash, who is 49 and lives in Pembroke Pines, Fla., drew a line from the Confederacy to the nation from which it was trying to secede. "Pretty soon, you're not going to be able to fly an American flag anymore," he said.

For years, these monuments have given rise to debates, with preservationists arguing that taking them down erases history, while opponents have said they represent white supremacy and a history of subjugating African-Americans. After the mass



Workers removed a monument dedicated to Maryland's Confederate women in Baltimore Wednesday.

cre in 2015. A Baltimore city commission recommended removing two monuments last year, but city officials were stumped when Confederate groups said they either couldn't afford to take them or didn't want them moved.

Although Maryland remained in the Union during the Civil War, it was a slave state, and Baltimore was home to many ardent secessionists.

Private contractors hired by Baltimore began working around midnight and finished after 5 a.m., hauling three large monuments out of town on flatbed trucks. They also took down a statue of Roger B. Taney, a former U.S. chief justice who, while not a Confederate himself, wrote the pro-slavery Dred Scott decision in 1857.

One goal, said the mayor, was to avoid demonstrations by those who wanted to see the monuments remain. She said she didn't know yet what would happen to the monuments.

On Monday, the Baltimore City Council unanimously passed a resolution calling for the immediate destruction of all Confederate monuments in the city. On social media, some had promised to take the statues down themselves.

—Jennifer Levitz contributed to this article.

Court Says to Redraw Two Texas Districts

BY SARA RANDAZZO

Two congressional voting districts in Texas are discriminatory and must be redrawn, a federal court ruled Tuesday in long-running litigation over the equity of the state's voting map.

A three-judge panel in U.S. District Court in San Antonio gave Texas Attorney General Ken Paxton three business days to tell the court if the state Legislature would like to take up the redistricting itself. If not, the court said it would hold a hearing early next month to consider remedial plans for the districts, which stretch roughly from Corpus Christi to Austin.

Private plaintiffs have argued since 2011 that certain Texas districts drawn by Republican lawmakers discriminate against black and Latino voters, who have tended to vote for Democratic candidates.

In 2013, interim districts were approved by the Texas Legislature after pressure from the court, but the plaintiffs have argued that those districts continued to discriminate.

On Tuesday, the court agreed, concluding in regard to congressional districts 27 and 35 "that the racially discriminatory intent and effects that it

previously found in the 2011 plans carry over into the 2013 plans where those district lines remain unchanged." Texas has 36 congressional districts.

The court said the Legislature failed to remove the discriminatory taint found in the 2011 maps and instead "intentionally furthered and continued the existing discrimination in the plans." The judges said it appeared the Legislature passed the 2013 maps as a litigation strategy, rather than as an attempt to make sure the districts complied with the Constitution and the Voting Rights Act.

"The letter from then-Attorney General [Greg] Abbott to Speaker Joe Straus makes the strategy clear: Abbott advised that the 'best way to avoid further intervention from federal judges in the Texas redistricting plans' and 'insulate the State's redistricting plans from further legal challenge' was to adopt the interim maps," the court ruling says.

The state can appeal the case directly to the U.S. Supreme Court, and Mr. Paxton said Tuesday that "we look forward to asking the Supreme Court to decide whether Texas had discriminatory intent when relying on the district court."

Judge rules two Texas districts discriminate against minorities.



Sections of pipe sit at a construction site for a natural-gas-liquids pipeline project near Morgantown, Pa., earlier this month.

Trump Aims to Speed Up Projects

BY TED MANN

President Donald Trump issued an executive order directing federal agencies to more quickly review the environmental effects of infrastructure projects, a bid to speed up the construction of the roads, bridges, pipelines and rails that he promised on the campaign trail.

Tuesday's action is one of the few avenues that Mr. Trump has to advance his infrastructure agenda without congressional legislation.

So far, Republican lawmakers and the Trump administration have focused their legislative energies on health care and a tax overhaul since the president took office.

Mr. Trump's plans to revitalize the country's infrastructure face an uncertain future, given the reluctance among members of both parties to follow the administration's

lead. Among the challenges the administration faces: identifying the sources of funding for a rebuilding program that the president has said will be worth \$1 trillion or more.

Mr. Trump's executive order, which he signed at Trump Tower in New York City, would sharply reduce the time federal agencies spend on environmental reviews before approving projects such as new highways.

The order also expands on efforts begun under President Barack Obama to improve federal permitting, including tracking project progress on a unified "dashboard" to improve transparency.

It also rolled back Obama-era flood-mitigation standards, to the chagrin of insurers and environmentalists who said the move would leave the country more vulnerable to the effects of climate change.

"One agency alone can stall

a project for many, many years and even decades," Mr. Trump said. "This over-regulated permitting process is a massive self-inflicted wound on our country."

A senior administration official said the effort to speed permitting would address concerns from elected officials of both parties who have been frustrated at the length of time it can take to win approval to build new infrastructure or replace existing structures.

Environmental advocates reacted with alarm, saying that the administration exaggerated the delays imposed by the reviews in question, and would undermine a valuable process that helps prevent irreversible damage to natural resources and neighborhoods.

"We can modernize our country without rubber-stamping hazard and fast-tracking harm," said Rhea Suh,

president of the Natural Resources Defense Council. "We can't afford to shortchange our future by short-circuiting common-sense safeguards that protect clean water and air. Arbitrary decisions and artificial deadlines can lead to costly mistakes we'll all pay for down the line."

The executive order was one of Mr. Trump's most tangible moves to spur action on critical infrastructure, achievable in part because the administration says it is working within existing rules and statutes to spur federal agencies to act more quickly.

Still to come are much more complex challenges. Mr. Trump and his advisers have said they will push for a program that will yield \$1 trillion in new infrastructure projects over a decade, with the lion's share of the funding to come from cities and states, not the federal government.

COUNCIL

Continued from Page One
turing-advisory council.

A White House spokesman declined to comment.

The councils' demise marks a setback for Mr. Trump, who campaigned as a business-friendly candidate. Executives at many of the biggest companies in the U.S. have in recent months denounced various actions and statements he made.

"As our members have expressed individually over the past several days, intolerance, racism and violence have absolutely no place in this country and are an affront to core American values," the Strategic and Policy Forum said in a statement Wednesday afternoon.

Mr. Trump remains under fire after his combative Tues-

day news conference at Trump Tower in New York, where he undermined his more forceful condemnation of the KKK, neo-Nazis and white supremacist groups. He again leveled blame on the antifascist protesters who confronted the white nationalist gathering in Virginia, while questioning the removal of Confederate statutes and noting that there were "many fine people" on both sides.

The Strategic and Policy Forum and manufacturing-advisory council were two business initiatives begun in the early days of the Trump presidency. The groups were created to consult with Mr. Trump as he implemented a broad economic plan that included reworking the U.S. tax code and stemming the flow of U.S. jobs to other countries.

Now the councils are no

more.

Chief executives belonging to the manufacturing council had long questioned its purpose, according to a person familiar with the matter. It had last met in February, and there hadn't been any plans for a new meeting or other follow-up since. But many of the executives on the council felt it was important to have a seat at the table as the White House deliberated on policies that could affect their business.

Tuesday's news conference changed the calculus. That evening, CEOs on the manufacturing council began discussing whether to stay. Several CEOs on the Strategic and Policy Forum also called each other to discuss their dismay with Mr. Trump's comments, people familiar with the matter said.

—Michael C. Bender
and Eli Stokols
contributed to this article.



Blackstone Group CEO Stephen A. Schwarzman at a White House meeting in February.

U.S. NEWS

Fed Splits Over Its Timing

Division on when to raise rates amid low inflation casts doubt on December move

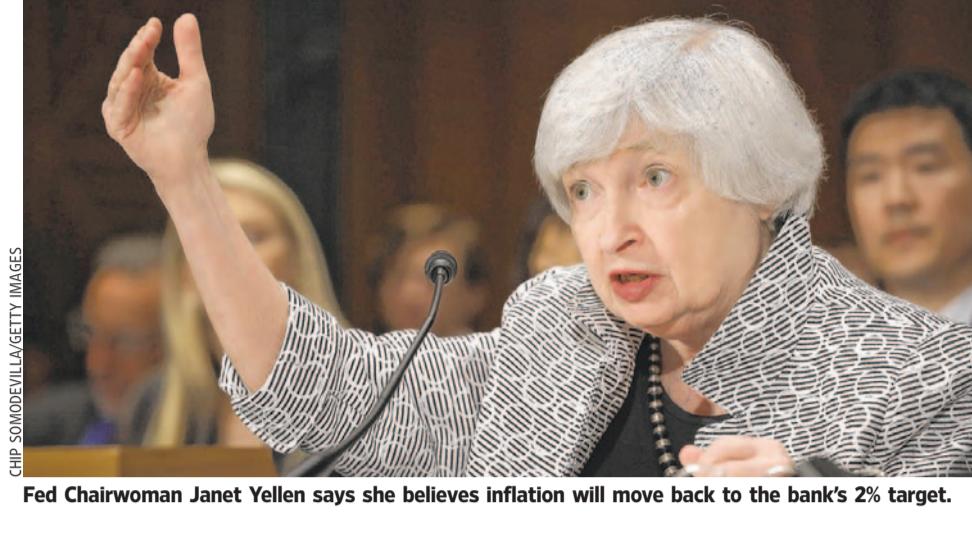
BY DAVID HARRISON

Federal Reserve officials meeting in July split over the timing of future interest-rate increases as they struggled to understand why inflation has been so weak in recent months. But they agreed to soon begin the yearslong process of drawing down the central bank's holdings, according to minutes of the July 25-26 meeting released Wednesday after the customary three-week lag.

Sagging inflation led some officials to suggest holding off on raising rates again for now, arguing the Fed "could afford to be patient under current circumstances."

Others, however, worried that the strong labor market and high stock prices could produce a spurt of inflation above the central bank's 2% target that could be difficult to control. This group cautioned that waiting too long to raise rates "could result in an overshooting of the [Fed's] inflation objective that would likely be costly to reverse," the minutes said.

The minutes could raise doubts about the prospects of another increase in the Fed's benchmark interest rate by year's end. The central bank has raised rates twice this year and penciled in a third rate increase in 2017 as well as three in 2018.



Fed Chairwoman Janet Yellen says she believes inflation will move back to the bank's 2% target.

Fed officials have been publicly airing their disagreement over the proper course of interest rates since the meeting.

On Aug. 11, Dallas Fed President Robert Kaplan said he wanted to see "more evidence" of progress toward the inflation goal before he would support another rate increase, adding that the current 1% to 1.25% range for the Fed's benchmark short-term interest rate was "appropriate." He spoke a day after Chicago Fed President Charles Evans urged officials to "be very careful in assessing the future [rate] moves."

New York Fed President William Dudley, on the other hand, said in an interview with the Associated Press this week that he "would be in favor of doing another rate hike later this year."

The split has left markets questioning a third rate increase in 2017. As of Wednes-

day morning, before the release of the minutes, investors saw a roughly 50% probability the Fed would leave rates unchanged through year's end.

Fed Chairwoman Janet Yellen could have a chance to weigh in at the Kansas City Fed's annual economic conference in Jackson Hole, Wyo., later this month.

Fed officials and economists have struggled over the past few years to reconcile booming job growth with weak price pressures. Under standard economic theory, a better labor market would lead to higher wages and consumer prices. That hasn't happened.

Some officials in July said they thought the standard theory "was not particularly useful," while others believed it remained valid. Puzzled policy makers talked through possible explanations for the disconnect, including possible structural changes in the la-

bor market or imprecise data, according to the minutes.

Ms. Yellen, in congressional testimony last month, said she believed inflation would move back to 2% over the next couple of years.

Data released since the meeting, however, showed inflation continues to weaken while the labor market continues to strengthen.

The Fed's minutes also indicated that officials were confident their plans to slowly reduce their \$4.5 trillion portfolio would run smoothly without disrupting markets. Some officials were ready to announce the start of the portfolio runoff in July, but "most preferred to defer that decision until an upcoming meeting" to gather more information, the minutes said. Officials agreed that they should begin the process "relatively soon."

The Fed next meets Sept. 19-20.

Housing Starts Post Another Decline

BY LAURA KUSISTO

The apartment-construction boom is coming to an end, and builders aren't ramping up single-family construction quickly enough to fill the void.

Developers for the past several months have slowed down on new apartment projects, reversing a five-year trend in which rental construction boomed while for-sale home construction has lagged behind.

For apartment dwellers and landlords, that suggests a recent slowdown in rent growth might be short-lived.

"For landlords it means there won't be as much of this fear of overbuilding, but unfortunately for renters ... it just shows that the market is going to remain tight," said Jay Lybik, vice president of research services at Marcus & Millichap, a commercial real-estate firm.

Overall U.S. housing starts declined for the fourth time in five months in July, the Commerce Department reported Wednesday. Total housing starts decreased 4.8% from the previous month to a seasonally adjusted annual rate of



Housing starts have fallen in four of the past five months.

1.155 million.

While starts edged 0.5% lower for single-family construction, they plummeted 17.1% for construction on buildings with five or more units.

That isn't necessarily bad news for the U.S. economy, because single-family construction employs three times as many workers per unit as multifamily construction, according to Rob Dietz, chief economist at the National Association of Home Builders.

Housing starts data are volatile and often are subject to large revisions, but a clear pattern has emerged over the

past few months of slowing activity driven by a drop in apartment construction and only gradual improvement in single-family building.

That is likely good news for landlords in places such as New York and San Francisco who have struggled to fend off declining rents, although it could also mean less relief for tenants.

With a strong economy and increasing household formation, any decline in construction activity is likely to lead to more competition. Families who are unable to find a single-family home to buy will be forced to keep renting, in-

creasing competition for apartments.

Taking into account population growth, single-family housing starts are 17% below the 50-year average, according to Ralph McLaughlin, chief economist at housing search website Trulia.

Economists said single-family starts are being constrained by a lack of construction workers and land. That is likely to mean continued gradual recovery in the sector rather than a turbocharged expansion.

"If we could overcome those hurdles, the demand is there," said Gus Faucher, chief economist at PNC Financial Services Group.

Starts reached a postrecession peak in October 2016. Since then, the pace of building has slowed despite growing confidence among builders and consumers, a rising stock market and low unemployment—all factors that should support construction.

The homeownership rate hit 63.7% in the second quarter, the Census Bureau said last month, a jump of nearly a full percentage point from a year ago.

Florida Growers, Bayer to Take On Citrus Disease

BY ARIAN CAMPO-FLORES

"What this agreement allows us to do is engage the powerful industrial, analytical assay skill" of Bayer, Mr. Jerkins said. "This is a very big deal for us."

The citrus industry accounts for 45,000 jobs in Florida and economic activity of \$8.6 billion, according to the Florida Citrus Mutual. The state provides most of the oranges used for juice in the U.S.

"With this increased focus on research, we are ensuring the quality and consistency of our fruit supply," said a representative for Coke, whose brands include Minute Maid and Simply Orange and which contributed \$500,000 to the Bayer collaboration.

The Florida citrus industry accounts for economic activity of \$8.6 billion.

"The greening issue is a serious global threat, and we want to ensure the survival and competitiveness of Florida's citrus growers," said a representative for Pepsi, which owns the Tropicana brand.

Greening, also known as Huanglongbing, has been a maddening foe for the citrus industry. The bacterium is transmitted by an insect, the Asian citrus psyllid, which injects it into the tree's vascular system. The disease hinders the flow of nutrition in the tree and slowly starves it.

Some growers have employed spraying to try to reduce the psyllid population, without much success. Researchers are investigating so-called RNA interference, a biological process that could disrupt the psyllids' genes and affect reproduction. Another program involved unleashing an Asian wasp that attacks the psyllid.

Bayer's work will focus on testing thousands of biological agents and chemical compounds to identify those that might either attack greening bacteria or bolster trees' defenses, Mr. Percy said.



A rotted piece of fruit hanging from a tree infected with greening.

U.S. WATCH

WHITE HOUSE

Interim Chief Named For Communications

President Donald Trump named longtime aide Hope Hicks as interim communications director on Wednesday, giving one of the White House's key behind-the-scenes staffers more responsibility in a corner of the West Wing that has seen instability.

The White House added that a permanent communications director will be announced "at the appropriate time."

Ms. Hicks is the fourth person in the first seven months of the administration to handle the duties of the top communications staffer in the White House. Anthony Scaramucci and Mike Dubke both resigned from the role under pressure. Former press secretary Sean Spicer, who also assumed those duties on an interim basis, resigned less than a month ago.

In the White House, Ms. Hicks has been director of strategic communications since the start of the administration.

One of the handful of original staffers who started the campaign with Mr. Trump in 2015, Ms. Hicks handled communications responsibilities almost single-handedly for much of the political season.

—Michael C. Bender

ECONOMY

Youth Unemployment Declined in July

The jobless rate for Americans between 16 and 24 years old fell to 9.6% in July from 11.5% a year earlier, the Labor Department said Wednesday. The rate reflects those actively seeking but unable to find a job.

Last month's youth reading, while more than double the rate for all adults, matched July 2000 as the lowest midsummer rate since 1969. Economists closely watch summer youth employment because it includes students working during school breaks as well as year-round employees.

The historically low youth jobless rate comes with a larger caveat: A far smaller share of young people are seeking summer jobs than in decades past.

The labor-force participation rate for the group edged up to 60.6% last month from 60.1% a year earlier. But both of those readings are well down from 1989, when 77.5% of those in their late teens and early 20s had or sought summertime jobs. The data reflect both short-term and long-term economic trends.

The low jobless rate is consistent with a tightening labor market.

—Eric Morath

BRIDES

Continued from Page One

more to execute the latest in a string of covert operations. She'd unlocked a darkened storefront slathered with "Permanently Closed" signs and hired two security guards to keep watch outside.

"I'm afraid of things getting out of control if the store is publicly opened," she said, wheeling 20 bags to the front of the store. "It could cause a mass hysteria."

Since Alfred Angelo, one of the U.S.'s biggest bridal chains, announced it was going out of business and filing for bankruptcy in July, Ms. Redmond—the company's bankruptcy attorney—has been on a mission. At two dozen former Alfred Angelo locations across the U.S., she has found ways to deliver gowns, dresses, veils and garters that customers had already paid for.

The day before Alfred Angelo's closure, store managers were instructed to return keys to the bankruptcy trustee. Despite some landlords changing the locks, the trustee and attorney were still authorized access to the stores, as the company had yet to receive court approval to reject the leases.

All prepaid orders are being treated as unsecured claims in

the case, and could take years to be repaid, which there is no guarantee will happen.

Though she's not counting, Ms. Redmond's efforts have saved the day for hundreds of brides, bridesmaids and mothers-of-the-bride. "Whether it was just responding to the emails, or finding a way to get these dresses to these women, I had to do something," she said.

"I've never seen another bankruptcy attorney go through such lengths for people affected by a chapter 11," said Maryland-based lawyer

Maria Ruark, a friend of Ms. Redmond's who helped hand out dresses in Baltimore. "She's making miracles happen."

Founded in Philadelphia in the 1930s, Alfred Angelo is a midtier bridal wholesaler and retailer with gowns costing \$1,000 to \$1,500 and bridesmaid dresses from \$200 to \$300. As more brides and bridesmaids began shopping online, the chain searched in

vain for a buyer for years. When hedge-fund backer Czech Asset Management LP pulled the plug on the retailer, it abruptly closed all 61 stores and halted its wholesale business.

Ms. Redmond knew she couldn't help everyone, but she decided to drop her professional veil and try. "Suddenly I felt like the kid with his finger in the dike," she said.

Ms. Redmond began by sorting through the messages—which she estimates 70% were from brides—and scouring customer records.

She estimated about 15 stores had shipped all their dresses before the doors were locked for good. This meant that at the others, many gowns, veils, and bridesmaid dresses sat in stockrooms.

She started contacting former employees in hopes they'd unlock doors. Given that they'd been told of the shutdown less than 24 hours beforehand, many former workers weren't interested. Some ex-store managers ignored the order to ship out the dresses, Ms. Redmond said. In some cases, she tracked down landlords who had changed the locks, convincing them to allow someone into the store.

At times she has leaned on her network. A friend reopened the store in Houston, which allowed about 40 to 50 people to pick up dresses and

accessories. In Atlanta, her former law school student opened the store.

The Baltimore location was one Ms. Redmond wanted to handle personally. Not only was it one of Alfred Angelo's top-grossing stores, but the emails had a particularly anxious tone. "I got some desperate calls and emails," she said.

When she arrived on Aug. 9, Ms. Redmond started sorting through the gowns and dresses that had deposit slips.

Working in the heat with doors locked and no air conditioning, she found fewer dresses than expected—roughly 20, including three wedding gowns and a rainbow of bridesmaid dresses. Assistants called customers that day informing them of the tight three-hour pickup time frame in the afternoon.

Boguslawa Szymanski, wearing nurse's scrubs, was the first to arrive. Her eyes filled with tears as she picked up her daughter's gown for her October wedding. Her daughter, Dominika, now lives in Chicago, she said, and had exchanged emails with Ms. Redmond in recent weeks.

"She bought a second one when this happened, but when she found out she could get her original choice, she was so happy," Ms. Szymanski said. "She picked this one out in March, it is the one she really wanted."

IN DEPTH

GROUPS

Continued from Page One
but rather a loose conglomeration of like-minded people connected on social media. Mr. LaPorte, who brought a mouth guard with him for protection in the event of a brawl, said he isn't bothered when people call him a Nazi, though if he were to label himself he would say he subscribes to "white identity."

In the past, he said, white nationalists might have been scared of showing their faces. For many, he said, those days are over.

For law-enforcement officials and others who have long tracked the extremist groups that descended on Charlottesville, the attendance of so many disparate elements made the gathering a watershed. While only several hundred people showed up, far fewer than the tens of thousands who have gathered to demonstrate against President Donald Trump or support immigrant and women's rights, it was among the largest gatherings of its kind in decades.

Among the factors driving this new cooperation: a web-driven rebranding of white nationalism that has broadened its reach and allowed groups to work together; a wave of new young leaders that helped bridge old divisions; and Mr. Trump's remarks on immigrants, Muslims and media bias, which have left such groups feeling emboldened.

Michael German, a former Federal Bureau of Investigation agent who worked undercover in white-supremacist and neo-Nazi groups in California and Washington during the 1990s, said back then they were so antagonistic toward each other that anyone joining one group was barred from others.

The weekend rally showed that attendees—including white nationalists, neo-Nazis and other groups including self-described defenders of Southern heritage and the First Amendment—were will-



A march the night before the 'Unite the Right' rally in Charlottesville, Va., above. Right, a participant at the rally.

ropa—a group describing itself as "a generation of awakened Europeans"—and one of the Charlottesville rally's organizers, said Mr. Trump gave groups like his "a megaphone" for their "message and ideas."

"I would say Trump is not one of us, however he does have an implicit sense of white identity," he said. "Maybe he doesn't realize it, but he's distinctly implying it."

The Charlottesville rally, dubbed "Unite the Right," was organized to protest the removal of a statue of Confederate Gen. Robert E. Lee. It quickly descended into violence. A car driven by an Ohio man with a history of sympathizing with Nazis plowed into a crowd, killing a woman and injuring 19 others. Two police officers who were monitoring the rally also died Saturday when their helicopter crashed.

It was the latest expression of an extremism that has flared throughout American history, especially during periods of social, economic and political stress. In the 1910s and 1920s, the revived Ku Klux Klan drew millions. During the Great Depression, the German-American Bund, a Nazi organization, drew supporters with attacks on leftists and Jews. Splinter groups of the KKK and other white-nationalist organizations committed violence against civil-rights workers and blacks during the 1950s and 1960s.

By the 1970s, white-nationalist groups were splintered and small, yet still showed a propensity for violence. The 1995 Oklahoma City bombing, in which the main conspirator had been influenced by white-supremacist and antigovernment ideas, killed 168 people

and led to a prolonged FBI crackdown.

Many followers of those groups operated "on the edges of criminality," said Kathleen Blee, a University of Pittsburgh sociologist who has written books about the Ku Klux Klan, so it became easy for law enforcement to turn followers into informants.

The Charlottesville gathering, she said, was "one of the first cases where people from old racist movements, the David Dukes, came together with the new alt-right in a common project. It's remarkable that they could pull together this event." ("Alt-right" is a catch-all phrase for far-right groups that embrace tenets of white supremacy or reject mainstream conservatism.)

Social-media effect

The loose agglomeration has coalesced on social media—Facebook, YouTube, Twitter—and online chat rooms. "I can punch a button and have a message out to 10,000 people immediately," said Preston Wigington, 52, who recently announced a "White Lives Matter" forum on Sept. 11 at Texas A&M University until the university canceled it on Monday.

Mr. Wigington said groups such as his are starting to work closely with similar organizations. Meetings like Charlottesville show there is "an uprising" under way by whites against "displacement and marginalization" caused by "diversity and multiculturalism," he said.

Some newer alt-right groups boast slick websites that have drawn new members. The website for Identity Europa features photos of young, well-dressed mem-



bers, essays on white superiority and "boutique" merchandise for sale. The organization is considered a white-supremacist hate group by a range of organizations, including New Jersey's Office of Homeland Security and Preparedness.

Mr. Mosley of Identity Europa disputed the hate-group characterization and said such designations are intended to stifle free speech.

The broader movement has developed greater cohesion around younger public leaders including white nationalist Richard Spencer, who runs an organization dedicated, in its words, to "the future of people of European descent in the U.S." and is considered a founder of the alt-right.

Jared Taylor, editor of the white-nationalist website American Renaissance, said Mr. Trump's influence on the movement had been exaggerated. "This movement was growing with him, without him, and will continue to grow once he's gone," he said. "He was exciting, of course, because some of his policies were congruent with some of the policies we would like to see implemented."

Mr. Trump faced criticism from Republicans and Democrats for not immediately condemning white supremacists for the Charlottesville violence, instead at first blaming "many sides." Two of Mr. Trump's councils of top business leaders are disbanding following the controversial remarks.

On Monday, Mr. Trump singled out white-nationalist groups by name for condemnation. On Tuesday, he backtracked, saying again that he blamed "both sides" for the violence and defending those who showed up to protest the removal of the Lee statue.

The White House dismissed white-nationalist claims that Mr. Trump's reticence to immediately issue a condemnation counts as an expression of support. "The president has been clear on this in his condemnation of these groups," said White House spokeswoman Sarah Huckabee Sanders in an email.

In some ways, the internet is proving to be as much a liability as a booster for the movement. Some who attended the Charlottesville rally are being identified on social

media by counterprotesters demanding they be fired from their jobs. The Daily Stormer, a prominent neo-Nazi website, was kicked off hosting platforms GoDaddy and Alphabet Inc.'s Google for hate-speech violations after a social-media blitz by progressive activists against the site.

The movement's size can be difficult to ascertain because membership is secretive and fleeting, meaning there is little detailed information on how many people are actively involved or espouse their beliefs.

A report this year by the Anti-Defamation League found that from 1993 to 2017 extremist right-wing individuals and groups committed 150 terrorist acts, attempted acts, plots and conspiracies in the U.S. The ADL found 43% of these incidents or conspiracies were by white supremacists, 42% were by antigovernment extremists and 11% were by antiabortion extremists.

The report found that the number of such incidents rose in the early 1990s, then fell off, only to rise again between 2009 and today.

Some white nationalists who attended the Charlottesville rally said despite the violence that marred the event there is a renewed sense of urgency that their voices be heard. Attendees in interviews said finally there was an administration that seemed to acknowledge their view that immigration was contributing to the country's demise.

"We have about a 20-year window that's going to allow for democratic political change," said Mr. LaPorte, the white nationalist from South Carolina.

Jeans, polo shirts

He said the movement's lack of cohesion doesn't matter online. That said, there was some coordination before arrival, he said. Some people came dressed in dark combat fatigues and others, like him, in jeans and polo shirts.

At the weekend march, the infamous hoods and robes of Klan rallies or brownshirts of neo-Nazis were hard to find, with many dressing like Mr. LaPorte. Even those who wore extremist garb often eschewed more well-known symbols such as swastikas and instead wore

pins that read "88," a number that serves as shorthand for Heil Hitler.

At the rally, older Southerners proponents with scraggly beards and militants dressed in all black with pants tucked into their combat boots rallied alongside young, clean-shaven men with neat haircuts, and at least one whose blazer sported a pocket square.

In one photo, a smartly dressed young man is seen hoisting a torch, his mouth agape as he shouts while marching through the city. Peter Cvjetanovic, a 20-year-old student at the University of Nevada, Reno, said in an interview he was the man in the picture.

Mr. Cvjetanovic said he joined Identity Europa a month earlier and found out about the rally via an internal web server Identity Europa uses. He flew to Virginia, he said, "to honor and respect white heritage in all its good and all its bad."

He said he was pleased so many organizations came together in Charlottesville. While he was unsettled by the violence, he said, he has felt compelled to stay true to his ideology since returning home, where he says he has received death threats.

"The world hates me no matter what I do," he said. "I can't back down now."

Doc Smith, who sells beef jerky in Clarksville, Tenn., at first wasn't sure he wanted to attend last week's gathering in Charlottesville, because he thought marching alongside neo-Nazis would reflect badly on the organization he belongs to, a self-described patriot group called the Hiwaymen.

On Friday morning, Mr. Smith, 50 years old, who has traveled the country to protest the removal of Confederate monuments, put that thought aside and climbed into his pickup truck for the nine-hour drive to Virginia. When he returned home on Sunday, despite his sadness over the death of a young woman, he felt the movement would be inspired. His Facebook page is a story line of videos and updates from Charlottesville.

"Watch the movement explode behind what happened in Charlottesville," he said. "The next time we come back, there may be thousands."

—Scott Calvert contributed to this article.

'The world hates me no matter what I do,' said an attendee of the Virginia rally.

ing to put aside ideological differences to get behind a platform designed to appeal to the Trump administration, which they perceive as sympathetic to their causes, he said.

"What we've seen is that these groups are coming together and are maximizing their opportunity to get their point of view across," he said, "not just to the nation, but to actually influence policy."

Many leaders of the movement backed Mr. Trump during his campaign and continue to back his leadership, and support his disdain for the media. Eli Mosley, director of events for Identity Ev-

Behind Bias

Hate crimes in the U.S. have declined somewhat since the '90s. Race is still the largest motivator. Most perpetrators are white and most victims are black.

Reported hate crimes, 1997-2015

10,000

8,000

6,000

4,000

2,000

0

2000 '05 '10 '15

The victim's race or ethnicity in racially motivated hate crimes, 2015 totals.

Black 1,745

White 613

Hispanic or Latino 299

Other 294

American Indian 131

Multiple races 113

Asian 111

Pacific Islander 4

Note: Other includes sexual orientation, disability, gender and gender identity. The FBI didn't track gender and gender identity prior to 2013.

Source: Federal Bureau of Investigation

THE WALL STREET JOURNAL

MARK ABRAHAM (2)

LIFE & ARTS

THE MIDDLE SEAT | By Scott McCartney

Why Savvy Fliers Take Air Canada

International travelers are finding better deals and faster flights than they get from the big three U.S. airlines by heading north

Toronto

One of the best ways to go east to Europe or west to Asia now is to go north.

Air Canada, revived after years of turbulence and bankruptcy, has turned its hubs in Montreal, Toronto and Vancouver into easy, fast connecting points for U.S. travelers. You clear U.S. Customs in Canada without even having to retrieve your checked luggage. Waits are minimal. Fares are sometimes cheaper. Planes are new and fitted with premium economy cabins—an option U.S. airlines are just beginning to roll out.

It's the in-the-know alternative for travelers who want to avoid the slog of connecting in New York or Los Angeles, Paris or London, Chicago or Atlanta.

"People are surprised when I say it's a much better experience on Air Canada," says Louise Clements, an advertising executive who splits time between New York and Toronto.

She lived in New York until last year and found it better to fly from New York's LaGuardia Airport to Toronto for overseas trips on Air Canada than U.S. airlines from Kennedy or Newark, N.J. Now living in Toronto, she flies Air Canada often to Minneapolis and sees more passengers connecting to international flights. Air Canada has put larger aircraft on the route.

Air Canada's international connecting push has been a decade in the making. The airline has invested heavily in new planes, high-speed moving sidewalks, ultrafast baggage belts, bigger security checkpoints and international airport clubs with showers to poach travelers heading into or out of the U.S. Getting all its flights in the same terminal in all three of its hubs has made connections quicker and easier.

The carrier, a Star Alliance partner with United, has long offered connecting service abroad. But now it's building its schedule, offering cities that U.S. airlines don't like Casablanca and Dubai, along with high-demand destinations like Shanghai, London, Seoul and Tel Aviv.

It is trying to capitalize on its own revival while U.S. airlines are mired in customer battles and reputations for lousy service. Air Canada, which flies to about 60 U.S. cities, thinks its strongest U.S. markets will be secondary cities that don't have many direct overseas flights, itineraries such as Pittsburgh to Beijing or Tampa, Fla., to Copenhagen. Air Canada also provided an alternative when the U.S. ban on laptops in cabins on inbound flights from 10 airports, mostly Middle East, was in

effect from March to July.

"They've made prices more attractive," says Jack Ezon, president of Ovation Vacations, a New York-based agency specializing in luxury travel. "When you have to make a connection anyway, it's a smart way to go."

Benjamin Smith, president of Air Canada's passenger airline division, says the U.S. dollar's strength—\$1 is worth about 25% more than a Canadian dollar—has enabled the airline to price aggressively in the U.S. The airline's focus has been primarily on luring business-class and premium economy passengers with good deals.

Geography helps with keeping flight times competitive, since



Air Canada now flies to about 60 U.S. cities. The flight pictured above landed at New York's LaGuardia Airport in April. The airline is offering flights to cities like Shanghai, bottom left, and London, bottom right, with connections through Toronto, Montreal or Vancouver. U.S. cities without major airline hubs can especially benefit from these routes.



CLOCKWISE FROM TOP: ZUMA PRESS; ZUMA PRESS; AP/GETTY IMAGES



trips between the U.S. and both Europe and Asia pass over Canada. Air Canada can get you from Hartford, Conn., to Paris in nine hours, 25 minutes. That's 50 minutes faster than United, 65 minutes faster than American and more than 2½ hours faster than Delta.

Years back, Air Canada was torn with labor strife, a pension crisis, bankruptcy reorganization and a reputation for lousy service. Under Chief Executive Calin Rovinescu, who took over in 2009, the carrier has revived with \$10 billion capital spending program launched in 2010, 10-year labor contracts and a low-cost unit for leisure destinations.

This year, airline rating firm

Skytrax gave Air Canada four stars out of five and named it the best in North America.

Ryan Hoult is chief executive of a Calgary software company and flies over 100,000 miles a year with Air Canada. He says the airline is ahead of the three big U.S. international carriers because it refreshed its fleet faster, largely with new Boeing 787s and 777s.

Air Canada was first in North America with lie-flat business-class beds on all its long-haul aircraft, first with aisle access for all business-class seats on all aircraft so you don't have to climb over a sleeping passenger to get to the bathroom, and first with true premium economy on all long-haul

flights.

"I know what I'm getting when I fly them," Mr. Hoult says of Air Canada. The product and service isn't as fine as Singapore Airlines, he says. He likens it to Marriott hotels—good quality, but not Ritz Carlton.

Regular fliers can point to one drawback: the kind of winter weather Atlanta or L.A. don't worry about.

Air Canada's Mr. Smith contends the airline handles winter storms more expeditiously than congested U.S. airports. Recovery is easier, since Toronto and Montreal are smaller than New York and Boston.

The increased passenger flow into and out of the U.S. has enabled Air Canada to offer more cities. Ben Lipsey, director of Air Canada's global connection product, points to flights to Hartford that probably wouldn't exist without the international connections.

Air Canada launched 16 international and U.S. transborder routes in the second quarter and traffic increased 13.6% over the previous year. "If you offer the right price and the shortest elapsed time, you're higher in the sort order" of online ticket-shopping, Mr. Lipsey says.

Some of the innovations can be confusing to travelers faced with unfamiliar procedures. Travelers entering the U.S. used to have to reclaim luggage before U.S. Customs clearance, and then go on to security screening. But Air Canada reversed the process. Your luggage gets screened while you get screened. That slashed 15 minutes off connecting times in Toronto, says Fady Riad, manager of baggage and hub connection performance.

After a security checkpoint, travelers wait in a holding room for their names to turn green on a display, indicating that their bags have been X-rayed and U.S. Customs is ready to process them. Unless officials order a physical search, the bags go straight to connecting flights.

Michael Foote, an American who lives in Copenhagen, travels back to relatives in Tampa frequently and has recently tried Air Canada twice. He finds the name-on-the-board system strange. "You have to scan your boarding card several times: to get into the room, to get out," he says. Lettering is small on the boards, which tell you to look for your initials and then the first three letters of a last name are displayed.

"You have to be alert—it's a little annoying after traveling so long," says Mr. Foote, a bank executive. Still, after trying London, Frankfurt, Zurich, New York, Chicago, Atlanta and Iceland, his family prefers Toronto.

Air Canada's Mr. Lipsey says the system "needs some fine-tuning."

ANATOMY OF A SONG | By Marc Myers

HOW THE HOLLIES MET A 'LONG COOL WOMAN'

UNDER PRESSURE in July 1971 to deliver one last song for their "Distant Light" album, the Hollies recorded "Long Cool Woman (in a Black Dress)." The Hollies' Allan Clarke had co-written the song weeks earlier with lyricist Roger Cook about an F.B.I. agent, a raid and a woman. Released in 1972, the single reached #2 on the Billboard pop chart. Recently, Mr. Cook, Mr. Clarke and Hollies' drummer Bobby Elliott reflected on the song's evolution. Edited from interviews.

Roger Cook: In June of 1971, Allan Clarke of the Hollies and I were at my office on Park Street in London. We frequently wrote songs together there. At around noon, we left to grab lunch at La Genova, near Marble Arch.

After a bottle of wine and a brandy, Allan and I returned to work on a song. At some point we decided it should be set in New York during Prohibition.

Both of us loved Hollywood films about speakeasy bad guys and cops smashing beer barrels and whiskey bottles in the streets.

I was at the upright piano and Allan was next to me on a chair with his guitar. After messing about on the keys for a bit, I started pounding out a melodramatic and slightly sinister blues riff with my right hand. It was in the key of C. As my pointer and middle finger played the C and E notes, my thumb moved from G to A to B-flat and back down to A. I can't lay claim to the chords. It's an old rock 'n' roll riff.

Allan Clarke: As Roger played the riff, I came up with a melody on my Fender Telecaster Sunburst along with a simple chord sequence. We brought that bottle of brandy back with us.

Mr. Cook: Bouncing ideas back and forth, Allan and I thought the song should be sung from the perspective of an F.B.I. agent working undercover at a speakeasy.

I wanted the lyric to have the tough-guy language you hear in gangster films. We came up with lines like "sitting in a nest of bad men" and "people who are doing wrong."

We even avoided calling the place a speakeasy. We called it a "bootlegging boozier on the West Side." A "boozier" in London is slang for a pub that serves alcohol illegally after hours.

As the lyric developed, the agent is about to call the district attorney to tip him off when he spots the speakeasy's female singer. The woman takes his breath away.

As soon as we came up with, "She was a long cool woman in a black dress," Allan and I stopped and looked at each other. We had the song's title.

The guy named Charlie who says, "I hope that you're able, boy," is the agent's sidekick who was watching him eye the woman. At this point in the lyric, something had to happen. So we came up with lines about police sirens wailing, everybody running and a gun going off.

As the cops swept in to make their arrests, the F.B.I. agent says, "The D.A. was pumpin' my left hand and she was holdin' my right." The agent had saved the long cool woman from arrest by



The Hollies, seen around 1972, clockwise from left, Terry Sylvester (in black turtleneck), Bobby Elliott, Bernie Calvert, Tony Hicks and Allan Clarke (in foreground).

saying she was his gal.

Bobby Elliott: The Hollies were getting pressure from EMI in the U.K. and Epic in the States to deliver "Distant Light," our next album. But we were still a song short and needed another one fast. In July '71, the Hollies arrived at AIR Studios, but Ron Richards, our producer, called in sick. Allan said he

had a song he wanted to play for us that might work. As he played and sang the song, I joined in on drums and Bernie Calvert played his Fender bass.

Mr. Cook: When Allan and I came up with the idea of a long cool woman, I had Billie Holiday in mind for the nightclub singer. I loved her voice.

OPINION

REVIEW & OUTLOOK

Britain's Brexit Flights of Fancy

Theresa May's government has finally started offering some specifics—sort of—about its hopes and plans for Britain's relationship with the European Union after Brexit. The main lesson is that Britain has a lot more work to do if Brexit is going to succeed.

On Tuesday London suggested that Britain remain within a new customs union with the EU for a transitional period after Brexit takes effect in 2019, while developing "seamless" trade on a permanent basis within a few years. On Wednesday London expressed its hope that it can create what would amount to an invisible border between Northern Ireland and the Irish Republic after Brexit.

Neither position paper amounts to much. The customs proposal is unrealistic, although at least it's creative when it comes to the trade-facilitation problems that dog most modern trade negotiations. In order to eliminate a border between the U.K. and the rest of the EU, London offers to enforce EU tariffs and safety standards at the British border for goods destined for the EU market, including components in global supply chains.

Whether London could develop a suitable "tracking mechanism" to enforce this without strangling businesses in red tape is unknown. Following two different sets of trade rules in the same country would also complicate matters for British businesses.

The Northern Ireland plan is too vague to be actionable. London is correct that the U.K. and Ireland can sidestep most post-Brexit migration challenges because they're already in a Common Travel Area separate from the EU's Schengen zone.

But on trade the paper runs aground. London says it doesn't want a hard border between Northern Ireland and the Irish Republic, which will remain within the EU single market. But it

can't say how either side could enforce customs rules or other trade-related regulations such as agricultural safety standards, other than to advocate imaginative "technology-based solutions."

The main lesson for London from this exercise is that the U.K. will have to think bigger than technocratic wrangling on trade if Mrs. May is going to

make a success of Brexit.

The hang-up now is the never-ending series of problems that arise in bilateral or multilateral trade negotiations. Both sides first argue in principle over which trade barriers to raise and lower, and then they struggle to find some workable way for businesses to comply with a new trade deal. Brexit frees Britain to negotiate its own trade deals with the EU, the U.S., Australia, India and others. It doesn't exempt Britain from these basic negotiating challenges.

One solution would be for Britain to lift itself above the fray by unilaterally disarming on trade protectionism. Adopting the Hong Kong and Singapore policy of near-total free trade with all comers would be an economic boon for British households and businesses, and it would free London from having to negotiate many of the matters that already are bogging it down.

This strategy would be particularly successful if accompanied by domestic reforms, such as further liberalization of the energy market, tax cuts for consumption and personal income, and overhauls of fisc-draining entitlements such as the National Health Service. The boost to investment would be Britain's best chance to overcome the ill effects of whatever trade obstacles the EU will construct after Brexit.

Sound fanciful? Perhaps it is. But as London and Brussels unveil their negotiating positions, it's becoming clear that an easy trade solution—short of abandoning Brexit—is also fanciful. Britain might as well devote its imaginative energy to a goal worthier than customs-processing websites.

Trump and the CEOs

An old line in politics is that the Fortune 500 never elected anyone, and that's truer of Donald Trump than of any recent President. But this week's CEO resignations from Mr. Trump's manufacturing advisory council should still concern the President because they are a symbol of his eroding support beyond his core political base.

The CEOs of Merck, Intel and Under Armour resigned from the White House advisory group in the wake of the President's initial remarks after the violence in Charlottesville, Va., on Saturday. Kenneth Frazier, the Merck boss, was pointed in explaining that "America's leaders must honor our fundamental values by clearly rejecting expressions of hatred, bigotry and group supremacy, which run counter to the American ideal that all people are created equal." By Wednesday three more had resigned, and others who stayed joined the public criticism.

Mr. Trump dismissed the CEOs as "grandstanders," and that line will resonate with some of his supporters. Corporate America isn't popular these days. These advisory councils also don't do all that much, and perhaps the CEOs were looking for an excuse to dump an obligation that isn't central to their companies.

Yet with rare exceptions like Jamie Dimon of J.P. Morgan or Fred Smith of FedEx, CEOs are also politically risk-averse. Most probably didn't vote for Mr. Trump but they also don't want to court his wrath with three-and-a-half years left in his term. They joined the advisory group at the start of his Presidency because, whatever their doubts about Mr. Trump as a candidate, they support some of his policies and hope that as President he will

sign tax reform and ease regulations to help the economy and thus their companies, workers and shareholders.

A GOP President who loses the business class has a big problem.

Their decision to quit now in such public fashion shows the growing political and cultural pressure that CEOs and others in public life are under to distance themselves from Mr. Trump. The disdain for the President in the media and Hollywood isn't surprising, and Mr. Trump wears it like a badge of honor. But the business community is, or ought to be, a natural part of a Republican President's governing coalition.

Mr. Trump began his Presidency amid unprecedented hostility from those who didn't vote for him. This is all the more reason to govern in a way that seeks to broaden his coalition with new allies. Yet Mr. Trump has seemingly taken every opportunity to escalate feuds and attack even allies in Congress such as Senate Majority Leader Mitch McConnell.

As if to prove this point, Mr. Trump lashed out at Merck's Mr. Frazier on Twitter Monday with what amounted to a political threat: "@Merck Pharma is a leader in higher & higher drug prices while at the same time taking jobs out of the U.S. Bring jobs back & LOWER PRICES!" This display of pique does nothing but make others less likely to get anywhere close to Mr. Trump's orbit.

But then we repeat ourselves. Mr. Trump's ego won't allow him to concede error and he broods over criticism until he ends up hurting himself, as he showed again Tuesday by relitigating his response to the Charlottesville violence. This is how he has achieved a 34% approval rating, as even allies flee and his Presidency shrinks in on itself.

The U.S. Wage Paradox Explained

One mystery of this economic expansion is that wage growth in America has remained slow even as the labor market has finally tightened. One widely cited culprit is historically low productivity growth. But a new analysis from the Federal Reserve Bank of San Francisco adds a more optimistic, albeit paradoxical, explanation.

The U.S. Bureau of Labor Statistics recently reported that median weekly earnings had risen in July by a healthy 4.2% on an annual basis, the fastest growth in a decade. As labor markets tighten, employers typically increase wages. Until this past year, however, median weekly earnings growth had hovered near 2%, which is significantly less than the 3.25% average from 1983 to 2015.

So why haven't wages risen faster amid an increase in hiring and unfilled jobs? One answer is that wages have actually been growing at a faster clip—around 4% to 5%—at least for full-time workers with steady jobs. But new full-time workers who are generally paid less than the retirees they replace are dragging down the average wage increase.

Researchers at the San Francisco Fed this week updated their 2016 paper that disaggregated the wages of full-time workers with steady employment from recent entrants—that is, new workers or those returning to full-time work. Their earlier analysis showed that average wage growth had slowed less than expected during the recession while staying relatively flat during the recovery.

A new Fed study shows faster gains than official figures suggest.

That's because workers who lost jobs during the recession were generally lower skilled and lower paid, so average weekly wages didn't fall significantly. However, many of those workers have since been rehired at below-average wages, which has depressed the aggregate.

In prior expansions, wage growth has been driven mostly by continuously full-time employed workers, and the researchers find that's still the case. Wage growth for these workers is now close to the prerecession 2007 peak. But there are now many more workers who have been on the labor-force sidelines who are moving to full-time employment, thus creating a drag on wages.

Counterintuitively, this means that strong job growth can pull average wages in the economy down and slow the pace of wage growth," the economists note. The effect is even larger because so many higher-paid baby boomers are retiring. "With so many of this generation still approaching retirement, the so-called Silver Tsunami will continue to be a drag on aggregate wage growth for some time."

The study portends better wage news for all workers if we can keep the expansion going—and even more if tax reform can accelerate growth by spurring more capital investment and increasing productivity. As ever, the cure for wage stagnation is faster growth and greater demand for workers.

Why Trump Lost Corporate America



BUSINESS WORLD
By Holman W. Jenkins, Jr.

Companies get in bed with politicians when it serves their interests and are quick to run away when it doesn't. Thus nobody is obliged to interpret the flutter of CEOs away from President Trump's advisory council since the Charlottesville riot as occasions of courage.

Still, these are some of America's most delicate PR canaries, surrounded by risk-averse advisers. Mr. Trump's administration is turning out not to be the administration they were hoping for, though probably the one they realistically expected.

Especially he has not made headway on corporate taxes—the issue that bought him whatever benefit of the doubt America's CEO class was willing to give him.

Now a handful are fleeing his advisory council because he didn't say the right words over Charlottesville, or didn't say them quickly enough. This is big news because the media can't get enough Trump. He insists on making himself the lightning rod. That's one problem.

If the president or a scraggly someone close to him in the West Wing is soft on white supremacists because he thinks these groups are a vital bloc, this would be the miscalculation of the century. Their adherents couldn't swing a race for dogcatcher. It is precisely the left's fantasy of the right that these people constitute a useful electoral base.

None of the departing CEOs likely believe Mr. Trump is a white supremacist or Nazi sympathizer. They just see no upside to being associated with him. Two of those who quit, Merck's Kenneth Frazier and Intel's Brian Krzanich, implicitly cited an unnamed individual's failure to speak out forcefully enough against racism.

Kevin Plank of Under Armour perhaps indulged a greater honesty when he suggested his company belatedly remembered that it "engages in innovation and sports, not politics."

There may be a temptation to liken these men to Google's Sundar Pichai, who overnight acquired a reputation as a moral coward for firing a diversity-policy dissenter. Other CEOs, like Jeff Immelt of GE, found voices to express opposition to white racism without trying to turn themselves into symbols of anti-Trump resistance.

But Mr. Trump hardly helped with his response, a series of tweets about Merck's high drug prices. Mr. Trump is the one party to these exchanges who doesn't have three layers of advisers to help him discover his deepest thoughts. If he did, he might not be frittering away his presidency.

But let's also notice how little this has to do with Charlottesville. Mr.

Trump was essentially correct when he warned in his initial, widely panned comments, about danger from "many sides." In one of those quirks of old-style magazine publishing, the Atlantic dropped a story, dated September, that went to press before Charlottesville and yet details the "The Rise of the Violent Left," especially the Antifa movement that was in the middle of the Charlottesville brawl.

Mr. Trump, who perhaps actually paid attention to his Charlottesville briefing, may just have responded the way 99% of Americans would have to the full story. Or the way European publics in the 1920s and '30s did when they saw Hitlerites and Stalinists battling in the streets and wanted nothing to do with either.

Happily, the social and political condition of America today is nothing like Germany circa 1930, even as both extreme right and extreme left peddle

There is no point in taking brickbats for a president who does not deliver.

exactly the same delusive line that Trumpism is the force somehow carrying them to the centers of the Republican and Democratic parties, respectively.

To the extent there's any truth to this, however, notice what the Atlantic chose as its subject: "Antifa's violent tactics have elicited substantial support from the mainstream left," which in the magazine's reporting includes the Nation and Slate.com.

The overwhelming American sentiment after Charlottesville will be "Where were the cops?" Charlottesville is a Democratic town, in a state run by a Democratic governor. Its mayor, Mike Signer, declared the city a "capital of resistance" shortly after Mr. Trump's inauguration. Its vice mayor, Wes Bellamy, last year was obliged to step down from a high-school teaching job because of misogynistic, homophobic and antiwhite tweets.

The Atlantic quotes a pollster's finding that 71% of Democrats detected "fascist undertones" in the Trump campaign. If the Hitlerites were spoiling for a fight in Charlottesville, they likely lacked any sway with the town fathers to keep the path clear for them. Perhaps not so the left-wing activists of Antifa.

At least the question is worth asking. Nobody is responsible for anticipating that a lone nut will drive a car into a crowd of mostly peaceful protesters. But for some reason, the city's leaders failed to head off an antifascist rumble they saw coming from a long way off—and that arguably they had a duty to head off once they issued, however reluctantly, a legal rally permit to the white-supremacist groups.

LETTERS TO THE EDITOR

Trade Policy Is More Than Just Trade Balance

Regarding "Free-Trade Is a Two-Way Street" (op-ed, Aug. 2): U.S. Secretary of Commerce Wilbur Ross correctly points out that American businesses face numerous tariff and nontariff barriers in accessing global markets, and that China can hardly be considered a market economy. However, the administration's obsession with imports and trade deficits is fundamentally misguided.

Adopting policies to reduce imports risks jeopardizing inputs that U.S. manufacturers rely on to create globally competitive goods. While such policies could lead to shifting some American jobs, in the long term they will undercut the roughly 11 million export-supported American jobs, as well as lowering foreign investment, including in U.S. manufacturing plants.

Further, one of the primary drivers of the trade balance is the relative

value of the dollar to the currencies of America's trading partners. The weakening U.S. dollar, which has been on a steady decline since President Trump took office, will inevitably lead to increased exports, as U.S. goods become cheaper to foreign buyers. The key is that America's focus should be on increasing overall demand for U.S. goods rather than closing the door to imports.

The temptation to "use every available tool" and retaliate to support U.S. businesses may play well politically, but tit-for-tat protectionism undermines American leadership and will undoubtedly lead to a race to the bottom in today's global economy.

STEFAN M. SELIG

New York

Mr. Selig was U.S. undersecretary of commerce for international trade from 2014 to 2016.

Unions Must Better Meet Workers Real Needs

Regarding your editorial "The United Auto Workers Lose Again" (Aug. 8): The union-representation election results dramatize the failure of United Automobile Workers leadership to understand what workers want and its putative members desire.

Nearly three decades ago, in 1989, the UAW sought to unionize the workers at Nissan's first greenfield plant in Smyrna, Tenn., and was routed.

The election plank then was that the Japanese company would speed up the assembly line causing the workers, being drawn from the rural communities and thus presumably unfamiliar with the sophistication of a manufacturing setting, to end up injured and disabled. The doomsday scenario didn't work.

Well-paying, steady jobs with opportunity to grow professionally and personally are what workers want. The Mississippi workers compare their conditions and options with what is available in their vicinity, not with what employees in their line of work are making 1,000 miles away.

As more and more employee protections have been enshrined in law and social media, they have become a roving, unconstrained monitor of corporate conduct. The union's reliance on slogans from a bygone age to win votes increasingly falls on deaf ears.

Union organizers need to listen more carefully to what the workers want from their employers and not assume that they know already. But this is probably too late. Unions are still focused on splitting the existing pie; most workers and employers are striving to create and share a growing pie.

RAJIB SANYAL

Huntington, N.Y.

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OPINION

America Needs a Softer Tone and Harder Defenses

By Mark Helprin

The North Korean nuclear crisis can be defused peacefully and to America's advantage if its elements are perceived with strategic clarity, and if U.S. leaders recognize that diplomacy depends less upon signals than upon maneuver.

Kim Jong Un is not entirely irrational. The purpose of his nuclear program is not to court annihilation but to deter American military options on the Korean Peninsula and change the correlation of forces in his favor.

Trump can solve the North Korea crisis by pressuring China and rebuilding the U.S. military at last.

North Korea created chemical and biological arsenals that effectively neutralized American tactical nuclear weapons and led to their withdrawal. What we see now is an amplification of that strategy, with the object of eventually driving American forces from Korea.

It is extremely unlikely that Mr. Kim would strike, if at all, before his nuclear forces have matured in numbers and reliability. Relatively few of his delivery systems or miniaturized warheads have been extensively tested. Nor have they been proven to work together. And the U.S. and Japan have multiple layers of midcourse and terminal-phase missile defenses.

Thus, time remains to set in motion options on the escalation ladder between the fatal extremes of either doing nothing or taking precipitous military action. The prob-

lem is that these opportunities have not been exploited, the focus having been too much on Pyongyang rather than on Beijing, which can both completely shut down the North Korean economy and credibly threaten military intervention.

To the extent that China is shifting, it is because it fears a war on its border, understands what such a war would do to its own and the world's economy, fears even more that Japan and South Korea might develop nuclear deterrents, and sees that its nuclear calculus has been disrupted by the Thaad radar's ability to enhance American missile defense via forwarding data on Chinese missile launches in boost phase.

But this is not enough. As the U.S. ambassador to China James Lilek said: "You won't get anything from them unless you squeeze them." In view of America's disappearing red lines, repeated nuclear capitulations to North Korea and Iran, the largely substanceless pivot to Asia, and our passivity in the South China Sea, China will wait to see if we fold.

To date, the Trump administration has failed to apply the kind of intermediate measures on the escalation ladder that are outlined below. It needs to understand that China is watching and waiting, and that absent either overwhelming military superiority or a vast store of credibility—neither of which America now possesses—a diplomacy primarily of signals will not produce results.

In addition, the Trump administration may think that Pyongyang is too important for Beijing to abandon. True, North Korea serves as a "fleet in being" for China, tying down U.S. forces and ready to supply another front to divide them in case of war elsewhere, but now



Kim Jong Un



AP/GETTY IMAGES

conditions are sufficiently dangerous and different that China can be stimulated to reassess.

That is, if the U.S. takes previously neglected measures to respond to China's military rise, protect America's Asian allies, and guard international waters from maritime irredentism.

The president can switch from tough-guy talk to going before a joint session of Congress to ask for an emergency increase in funding to correct the longstanding degradation of American military power. He can say that the can has been kicked down the road far too long, and the buck stops with him. If Congress responds enthusiastically, as it should, China, Iran, North Korea and Russia will see that the giant has awakened, and the funding will make possible what follows:

- Given the immense distances across the Pacific, American conventional military leverage and deterrence vis-à-vis China depend entirely upon bases in Guam,

- Now that the U.S. may soon be threatened by a rogue regime's ICBMs, a vigorous acceleration of every aspect of ballistic-missile defense is warranted. This will protect against Iran and North Korea, promote uncertainty and hesitation in mature powers' calculation of their nuclear thresholds, and reduce the chances of a first strike against the U.S. by protecting its retaliatory capacities.

- The F-22—slated for 750 copies but reduced to 187; much faster than the F-35, with almost twice

the range and more than twice the armament—is essential in the vast expanses of the Western Pacific. But it was taken out of production not that long ago when the Obama administration believed that security situations such as we now face were inconceivable. Restoring production lines, at a cost of one-tenth the AIG bailout, would exert priceless influence upon China.

- Nothing would rivet China's attention more than if the U.S. formally announced that absent the abolition of North Korea's nuclear capacity it would look with favor upon and assist with a Japanese and/or South Korean nuclear deterrent, and then established a commission for this purpose. So as to de-link North Korea from the South China Sea, the U.S. should make clear to China that it is weighing supply of coastal anti-shipping missiles to the Philippines and Vietnam. Establishing such a gauntlet to preserve sovereign rights and freedom of navigation is long overdue.

These maneuvers well short of war can rebalance power, instill caution and stabilize the increasingly volatile Western Pacific, as well as contribute to stability elsewhere. A cost-benefit analysis objectively applied will so depress the value to China of a rogue North Korea that China should find common ground with America in coordinating action and point of view.

The choice need not be between capitulation and war, silence and bluster. But only if the U.S. decides upon carrying a bigger stick and speaking more softly.

Mr. Helprin, a senior fellow of the Claremont Institute, is the author of "Winter's Tale," "A Soldier of the Great War" and the forthcoming novel "Paris in the Present Tense."

The U.S. Doesn't Have to Take On China Alone

By James Bacchus

Donald Trump ordered an investigation Monday into China's alleged theft of intellectual property that could lead to retaliatory tariffs under the 1974 Trade Act. Before taking unilateral action in violation of international law, the Trump administration can and should bring cases against China at the World Trade Organization. It stands a good chance of winning precedent-setting judgments that the WTO would enforce through economic sanctions.

Intellectual property accounts for nearly 40% of the U.S. economy, and the U.S. government has a duty to protect the IP of American rights holders abroad. The annual cost to U.S. companies of pirated software, counterfeit goods and the theft of trade secrets is as much as \$600 billion. Most of these losses are in China.

After 16 years in the WTO, China still falls far short of fulfilling its obligations to protect intellectual-property rights. About 70% of the software in use in China, for example, is pirated.

China's mercantilist industrial policy, the Made in China 2025 program, aspires to make China a

global leader in 10 strategic industries, including medical devices, artificial intelligence, driverless cars, and robotics. It requires the domestic content of manufactured products be increased to 70%, state subsidies be granted, and companies in these targeted industries be protected from foreign competition.

U.S. and other foreign companies report being pressured by the Chinese government and by Chinese companies to turn over their patent rights, trade secrets and other valuable intellectual property. Many major U.S. firms have long seen this behind-the-scenes intimidation as simply a cost of doing business in China. Now that it could place them at a competitive disadvantage globally, they are turning to the U.S. government for help.

Most WTO rules are "don'ts" that impose negative obligations. Don't discriminate. Don't apply tariffs higher than you promised. In contrast, the WTO rules on intellectual-property rights are affirmative obligations. Do respect intellectual-property rights. Do enforce them. Yet this aspect of the WTO intellectual-property rules is largely unexplored in dispute settlement.

WTO members are required by these rules to "ensure" that enforcement procedures are "available" that will "permit effective action against any act of infringement" of IP rights. Moreover, these procedures "shall be applied in

Before launching a unilateral trade war over intellectual property, Washington should know it has a strong case against Beijing at the WTO.

such a manner as to avoid the creation of barriers to legitimate trade and to provide for safeguards against their abuse." The WTO Appellate Body, the final court of appeal for trade, has said that "making something available means making it 'obtainable,' putting it 'within one's reach' and 'at one's disposal' in a way that has sufficient form or efficacy."

Is this happening in China? Some maintain that the WTO rules on IP enforcement only require good laws on the books and good

procedures in principle, which the Chinese increasingly have.

The better argument is that enforcement means enforcement and that these positive WTO obligations aren't being met if laws exist but IP rights are widely infringed. The U.S. could bring a systemic challenge to China's intellectual-property regime on the basis that the government is not fulfilling its affirmative enforcement obligations.

Trade secrets could be one part of a broad WTO challenge. The WTO IP agreement includes a rule requiring the protection of trade secrets, but it has yet to be asserted in a dispute settlement.

Another WTO rule requires that members administer all their laws, regulations and other actions in an "impartial" and "reasonable" manner. Is coercing foreigners out of their IP rights acting impartially and reasonably? If it can be shown using solid evidence that the Chinese government is engaging in such coercion, this could be another strong legal claim.

Some in the Trump administration evidently assume that protectionist Chinese actions aren't covered by WTO rules, but a lot of them are. For example, in its mem-

bership agreement with the WTO, China promised to ensure that approvals for foreign investments wouldn't be "conditioned on: whether competing domestic suppliers of such products exist; or performance requirements of any kind, such as local content, offsets, the transfer of technology, export performance or the conduct of research and development in China." This sounds like the makings of another strong legal claim.

If the U.S. insists on acting unilaterally under the Trade Act, the Chinese are correct that this would break WTO rules. It would lead to retaliation by China, emulation by others and a cycle of tit-for-tat trade actions that will shrink trade and the world economy.

Before the U.S. damages the trading system by acting unilaterally, White House lawyers should read the fine print of the rule book. The Trump administration can better protect Americans' intellectual property by working within the WTO.

Mr. Bacchus is the former chief judge of the World Trade Organization's Appellate Body and a former U.S. congressman and trade negotiator.

The Perfect, the Good and Europe's Defense Problem

By Elisabeth Braw

Belgium and the Netherlands will soon need to retire more than a dozen of their frigates and minesweepers. To reduce costs, the two countries are proposing to make the purchase together. But such a Belgian-Dutch acquisition, assuming it happens at all, would be a rare success story. European governments have been struggling with joint military procurement, and for a surprising reason: They're too perfectionist.

"France needs to be able to land its fighter jets on aircraft carriers,

but almost no other European country needs that," Yannick Quéau, director-general of the French defense think tank Open Source Intelligence on Politics, or Osintpol, told me. "And do you need tanks exclusively for deterrence in Europe, or [do] you also need them to be deployable to the Middle East?"

It's not only the French. "National specifications and different timing on acquisitions planning are the main obstacles to effective multinational acquisition programs. Although there might be a few cases where national specifications are necessary, by and large that's not the

case. National specifications are used to protect the national defense industry," retired Adm. Giampaolo Di Paola, an Italian former minister of defense, told me.

Even countries without a domestic defense industry often insist on unique national specifications, perhaps in the hopes of getting the best deal. A jointly procured weapons system can thus end up in as many incarnations as there are participating countries, adding time and cost, and ironically making them less-easily interoperable.

This explains why most European joint-procurement projects have been mired in disappointment. The Eurofighter, conceived in 1983, suffered numerous delays and ultimately France's withdrawal from the project. The Airbus A400M transport plane, commissioned in 2003, has incurred large cost overruns and remains behind schedule. The N90 helicopter also suffered delays. A joint British-French-Italian frigate-procurement project is said to have ended when the three countries couldn't agree on the vessels' color shade.

Even less-ambitious projects routinely fail. Latvia and Lithuania, which planned a joint purchase of off-the-shelf air-defense systems, were unable to agree on timing. And though France and Italy have together commissioned frigate, the FREMM, they each insisted on their own national specifications. "There are different timeframes, priorities and funding levels," Aivars Purins, Latvia's undersecretary of defense

for logistics, told me. "A successful joint-procurement case needs many things to come together at the right time."

Even the Belgians and the Dutch, whose naval commands are integrated, have to overcome diverging

Too much emphasis on national pride hinders joint procurement and wastes valuable resources.

priorities. "The Belgians may want communications system A, while we may want communications system B," armed-forces spokesman Capt. Thomas van den Berg told me. Even so, the Belgian-Dutch naval acquisition of new vessels, to be delivered by 2030, is expected to be a rare success.

This illustrates the extent to which Europe's defense-spending problem isn't simply a lack of money. European governments invest a respectable amount in weapons.

According to the European Defense Agency, in 2014 (the latest year available) France spent more than €6 billion (\$7.09 billion) on equipment, while Germany spent nearly €4 billion and Italy nearly €2 billion. The U.K. spent €6.6 billion. In 2016, eight European Union member states and Turkey met or surpassed NATO's guideline to devote at least 20% of total defense spending to equipment.

Those sums could be vastly more effectively spent if pooled together. But for joint procurement to be efficient, governments would need to give up some of their national pride.

Governments in defense-manufacturing countries such as France, Italy and the U.K. also have to stop seeing defense procurement as a job-creating tool. "Major defense-producing countries commission a weapons system that can be produced in all their countries, which means that each country creates jobs. But who gets which part of the production? It's not an efficient solution," Mr. Quéau says.

With European governments unlikely to significantly increase defense budgets, efficiency is crucial. "Multinational projects are the best way to build a more effective and efficient European defense capacity," Adm. Di Paola says. "The consolidation of the European defense industry will facilitate multinational acquisition programs." [Italian shipmaker] Fincantieri's attempt to acquire [French shipyard] STX is a classic example of the potential for consolidation.

The Eurofighter will need to be replaced by a next-generation aircraft soon. That would be a perfect opportunity for European governments to display a new model of joint procurement. As Mr. Quéau points out: "No European country can fund a new F-35 alone. We've got no choice but to make joint procurement work."

Ms. Braw is a nonresident senior fellow at the Atlantic Council.

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LIFE & ARTS

WHAT'S THE BEST WAY to study for a test?

Many students will plunge into marathon study sessions this fall, re-reading textbooks and highlighting their notes late into the night. The more effort the better, right?

Not so, new research shows. Students who excel at both classroom and standardized tests such as the SAT and ACT aren't necessarily those who study longest. Instead, they study smart—planning ahead, quizzing themselves on the material and actively seeking out help when they don't understand it.

Carl Wilke, a Tacoma, Wash., father of six children ages 4 to 22, sees the studying challenges that students face almost every school day. He coaches his kids to pick out the main points in their notes rather than highlight everything, and to look for headings and words in bold type to find the big ideas in their textbooks.

Several months ago, his 18-year-old daughter Eileen tried to study for an advanced-placement exam. Eileen says she struggled with a practice test and realized that she didn't know how to study. She asked her mother, Catherine, for help. Ms. Wilke sat with Eileen for two hours while Eileen used an answer guide for the test to explain why her answers were wrong on questions she'd missed, then discuss the correct ones. Eileen says, "I was teaching her while simultaneously teaching myself" the material—a study technique that enabled her to ace the test.

High-achieving students take charge of their own learning and ask for help when they're stuck, according to a 2017 study of 414 college students. Students who performed better sought out extra study aids such as instructional videos on YouTube. Those who asked instructors for help during office hours were more likely to get A's, but fewer than 1 in 5 students did so, says the study by Elena Bray Speth, an associate professor of biology, and Amanda Sebesta, a doctoral candidate, both at St. Louis University in Missouri.

That activist approach reflects what researchers call self-regulated learning: the capacity to track how well you're doing in your classes and hold yourself accountable for reaching goals.



HANNA BARCZYK

The Smarter Ways to Study

Changing how students prepare for tests can boost their grades in the new school year

Many students, however, take a more passive approach to studying by re-reading textbooks and highlighting notes—techniques that can give them a false sense of security, says Ned Johnson, founder of Prep Matters, a Bethesda, Md., test-preparation company. After students review the material several times, it starts to look familiar and they conclude, "Oh, I know that," he says. But they may have only learned to recognize the material rather than storing it in memory, Mr. Johnson says.

Top students spend more time in retrieval practice, he says—quizzing themselves or each other, which forces them to recall facts and concepts just as they must do on tests. This leads to deeper learning, often in a shorter amount of time, a pattern researchers call the testing effect.

Students who formed study groups and quizzed each other weekly on material presented in class posted higher grades than those who used other study techniques, says a 2015 study of 144 students. At home, Mr. Johnson suggests making copies of teachers' study questions and having students try to answer them as if they were taking a test. Taking practice tests for the SAT and the ACT is helpful not only in recalling facts and concepts, but in easing

anxiety on testing day, he says. Retrieval practice often works best when students practice recalling the facts at intervals of a few minutes to several days, research shows.

Studying in general tends to be more productive when it's done in short segments of 45 minutes or so rather than over several hours, Mr. Johnson says. He sees a take-off-and-landing effect at work: People tend to exert more energy right after a study session begins, and again when they know it's about to end.

No one can pace their studying that way if they wait until the night before an exam to start. Stu-

Five Tips for Honing Sharper Skills

- Find out what the test will cover and the kinds of questions it will include.
- Start at least a few days before the test to plan how and when you will study.
- Identify helpful resources such as practice tests or instructors' office hours to assist with material you don't understand.
- Practice recalling facts and concepts by quizzing yourself.
- Limit study sessions to 45 minutes to increase your concentration and focus.

dents who plan ahead do better.

Students who completed a 15-minute online exercise 7 to 10 days before an exam that prompted them to anticipate what would be on the test, name the resources they'd use to study, and explain how and when they'd use them, had average scores one-third of a letter grade higher on the exam compared with students who didn't do the exercise, according to a 2017 study of 361 college students led by Patricia Chen, a former Stanford University researcher and assistant professor of psychology at the National University of Singapore.

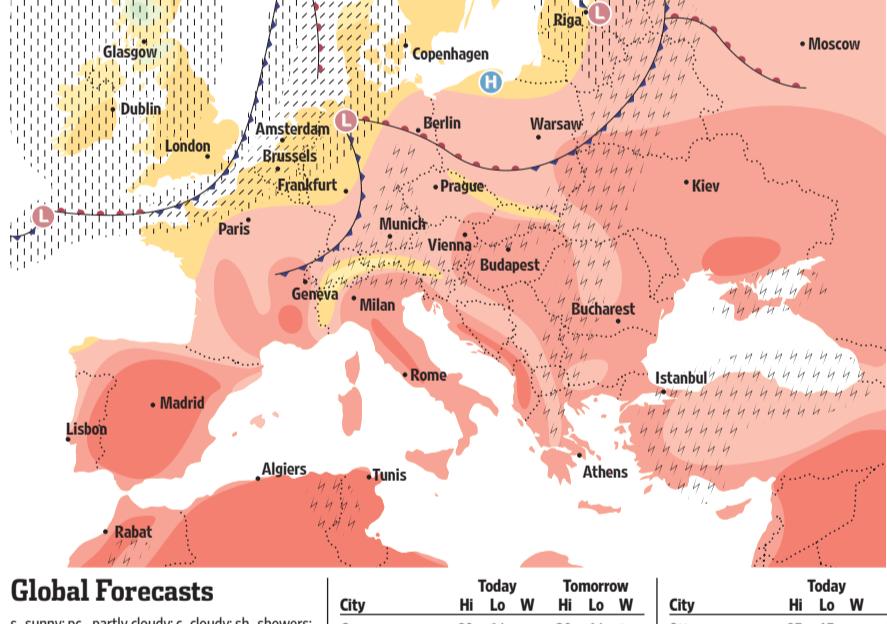
Many teachers in middle and high school try to teach good study habits, but the lessons often don't stick unless students are highly motivated to try them.

When her daughter Deja was still young, Christina Kirk began to encourage her to identify major concepts in her notes and use retrieval practice when she studied. When as a teenager Deja resisted being quizzed by her mother, Dr. Kirk asked an older cousin to serve as a study partner.

Dr. Kirk also encouraged Deja to invite one or two of her more studious friends to their Oklahoma City home so they could quiz each other. After the girls worked for a while, Dr. Kirk took them to the movies. "You have to give them something positive at the end, because they're still kids," she says.

Deja, now 18, still makes use of study groups in her college courses.

Weather

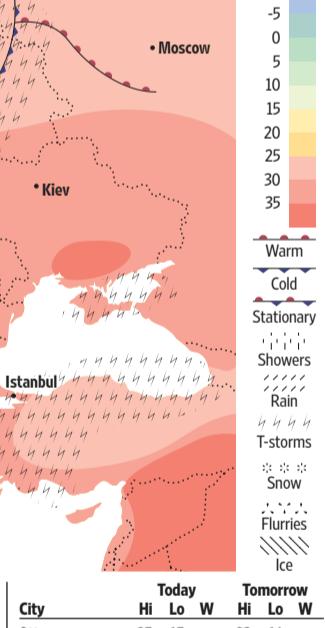


Global Forecasts

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	16	r	21	14	pc
Anchorage	14	9	sh	14	11	sh
Athens	33	26	s	33	26	s
Atlanta	33	24	t	33	23	t
Bahrain	48	31	s	48	31	t
Baltimore	29	22	pc	31	22	t
Bangkok	32	25	t	32	26	t
Beijing	27	19	s	28	20	t
Berlin	26	18	pc	27	15	sh
Bogota	19	9	r	20	10	r
Boise	31	15	s	32	15	s
Boston	26	18	pc	23	20	r
Brussels	21	17	c	21	12	pc
Buenos Aires	20	11	pc	22	13	pc
Cairo	34	26	s	35	26	s
Calgary	24	10	s	26	10	pc
Caracas	32	26	t	32	26	pc
Charlotte	34	23	t	34	23	pc
Chicago	29	18	pc	27	19	pc
Dallas	35	26	t	37	26	t
Denver	30	14	t	30	15	t
Detroit	28	20	t	28	17	pc
Dubai	41	32	s	41	33	s
Dublin	20	10	sh	16	10	sh
Edinburgh	19	11	sh	16	10	r
Frankfurt	27	18	c	25	14	r

AccuWeather.com



City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	29	16	pc	30	16	t
Hanoi	31	25	t	31	26	sh
Havana	32	23	s	33	23	pc
Hong Kong	33	29	t	34	28	t
Honolulu	31	24	pc	32	25	s
Houston	35	25	t	35	25	s
Istanbul	30	24	sh	31	24	s
Jakarta	32	25	pc	33	24	pc
Johannesburg	11	1	s	15	1	s
Kansas City	28	17	pc	29	18	t
Kuala Lumpur	36	26	s	40	25	t
Lagos	39	26	s	40	25	t
Lima	20	14	s	21	15	pc
London	23	15	pc	20	13	s
Los Angeles	26	17	pc	27	17	pc
Madrid	37	20	s	37	20	s
Manila	33	26	t	33	27	t
Melbourne	14	7	sh	12	5	r
Mexico City	22	14	pc	24	14	pc
Miami	33	27	pc	33	27	pc
Milan	34	21	pc	35	20	s
Minneapolis	24	16	t	26	17	t
Monterrey	36	22	pc	37	21	pc
Montreal	25	15	pc	22	18	r
Nairobi	25	16	pc	26	18	r
New Delhi	39	28	s	38	28	s
New Orleans	33	25	t	33	25	pc
Orlando	33	24	t	33	24	t
Paris	29	17	s	30	17	t
Rome	37	27	pc	37	27	t
Sao Paulo	17	15	r	20	16	c
Seoul	27	23	r	27	23	sh
Shanghai	33	28	t	34	28	t
Singapore	30	26	t	30	26	c
Stockholm	23	12	pc	19	13	c
Sydney	23	13	s	18	9	s
Taipei	37	27	pc	37	27	t
Tehran	35	26	s	37	26	s
Tel Aviv	32	26	s	32	25	s
Tokyo	28	23	pc	28	24	sh
Toronto	24	19	pc	26	16	pc
Vancouver	21	14	s	21	13	t
Washington, D.C.	30	24	t	32	24	t
Zurich	27	16	pc	29	15	t

The WSJ Daily Crossword | Edited by Mike Shenk



STAND APART | By Alice Long

Across	Down
1 Exercise	22 "Zip-__-Doo-Dah"
6 Indispensable item	23 Cold shower
10 It has a supporting role	24 Stand
13 His New York Times obit called him "a cranky voice of CBS"	27 "Our Town" setting
15 End of a slide, at times	31 Arrested
16 Capitalist way	32 Comic strip character in a striped shirt
17 Stand	33 Rent
18 What you might take to relax	34 "Right back __!"
19 Dept. of Educ. concern	35 Gray
20 "Hold on..."	37 Love of TV's "The Real"
	38 "O __ babbino caro" (Puccini aria)
	39 Vegas offering
	40 Put out, in a way
	41 Mink's Himalayan cousin
	44 Stand
	45 Tries for a part
	46 Mideast monarchy
	48 Milan-based label
	50 Made one's case
	51 Put on some concealer, say
	54 Stand
	55 Salmon topping, at times
	58 Basic cell structure?
	59 Estate employee
	60 Temple fixture

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Thursday, August 17, 2017 | B1

Euro vs. Dollar 1.1700 ▼ 0.31%

FTSE 100 7433.03 ▲ 0.67%

Gold 1276.90 ▲ 0.25%

WTI crude 46.78 ▼ 1.62%

German Bund yield 0.445%

10-Year Treasury yield 2.224%

Uber Investors Rachet Up Discord

Accusations fly over search for new CEO and board makeup at ride-sharing company

BY GREG BENSINGER

The fighting among **Uber Technologies** Inc.'s investors spilled further into view with a new letter from one shareholder alleging underhand tactics by board member **Benchmark Capital**.

The letter, sent Tuesday, is the second from **Sherpa Capital**'s Shervin Pishevar in the last four days. It claims Benchmark is coordinating with another Uber shareholder, venture firm **Lowercase Capital**, to force former chief executive Travis Kalanick

and media magnate Arianna Huffington off the board. The letter, which was addressed to "Benchmark Partners," reiterated an earlier call from Mr. Pishevar and two other investors that Benchmark relinquish its board seat and sell much of its 13% stake in the ride-hailing company.

The letter mires Uber, the world's most valuable venture-backed startup, further into a chaotic mix of competing claims and accusations among its biggest shareholders, at a time when most of its top executive positions are vacant.

On Thursday, Benchmark filed a suit against Mr. Kalanick, claiming he knew about misbehavior at Uber, including alleged sexual harassment, in June 2016 when he persuaded Benchmark and other share-



Shervin Pishevar is keeping the heat on a fellow Uber investor.

holders to allow him to add three board seats under his control. The misbehavior led to a months-long probe into Uber's culture by former U.S.

Attorney General Eric Holder's law firm, which issued an internal report in June. This contributed to Mr. Kalanick's ouster as CEO that month.

Benchmark is seeking to force Mr. Kalanick off the board and have control of the three seats returned to the board. It said this week that it acted in part because it viewed Mr. Kalanick as impeding the search for his replacement.

"Resorting to litigation was an extremely difficult step for Benchmark," a Benchmark spokeswoman said in a statement Wednesday in response to Mr. Pishevar's latest letter. "But the Holder report cannot be ignored. Failing to act now would mean endorsing behavior that is utterly unacceptable in any company, let alone a company of Uber's size and

importance."

Mr. Pishevar's letter claimed that Benchmark was the obstructionist. "Benchmark is holding the company hostage and not allowing it to move forward in its critical executive search," said the letter, which was sent to various Uber investors and seen by The Wall Street Journal.

Representatives for Uber and Lowercase Capital declined to comment. A spokeswoman for Ms. Huffington declined to comment and a spokesman for Mr. Kalanick didn't respond to a request for comment.

Uber is seeking a new CEO, heads of finance, marketing and operations, and a new chairman. The CEO search, under way since Mr. Kalanick

Please see **UBER** page B2

U.S. Tech Firms Become Part of Debate

BY YOREE KOH AND JACOB GERSHMAN

Technology companies' recent moves to crack down on white supremacists thrust them into unusual territory for corporations that often take a more hands-off approach toward who uses their services and how.

In the wake of weekend violence at a white supremacists' rally in Charlottesville, Va., **Alphabet** Inc.'s Google and **GoDaddy** Inc. stopped providing hosting support for the Daily Stormer, a neo-Nazi site that the companies said violated their terms of service. **Airbnb** Inc. banned participants in the rally from staying in rentals booked through its site.

Uber Technologies Inc. blacklisted white supremacist James Allsup after Mr. Allsup and another passenger allegedly made racist remarks to their driver in Washington, D.C., on Friday night. In a video Mr. Allsup posted on Twitter, Mr. Allsup is heard asking the driver if what he said was racist. Crowdfunding site GoFundMe removed campaigns to raise money to bail out the driver charged with speeding into a crowd of counterprotesters on Saturday, which killed 32-year-old Heather Heyer.

On Tuesday, payments company **PayPal Holdings** Inc. reiterated that it works to ensure "that our services are not used to accept payments or donations for activities that promote hate, violence or racial intolerance," saying that includes white supremacists and Nazi groups. It is unclear if PayPal has recently removed or suspended any accounts that violated its terms of service.

Behind the swift action from the firms lie considerations about freedom of speech and the legal application of company policy, which seems to vary depending on who the end user is. Companies that are considered communications platforms have the greatest leeway to enforce policies that bar certain users, legal experts say.

Tech companies "certainly have the right to make their own judgments about what's in the terms of service and whether it's being violated," said Mike Yang, former general counsel at Pinterest Inc. and a former deputy general counsel at Google.

Recently, the debate about what kind of speech tech firms allow on their platforms has focused on companies such as Facebook Inc., which has hosted fake news as well as violent live videos, and Twitter

Please see **POLICY** page B2



Frankfurt, located on the Main River, is home to the European Central Bank, but some in the city fear an influx of bankers from London will drive up living costs.

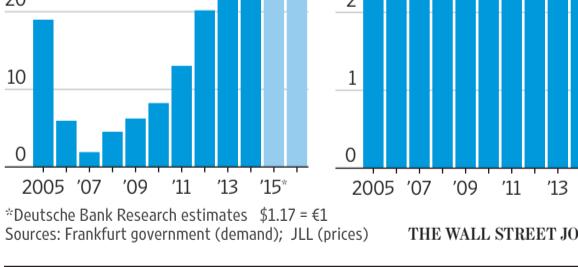
Brexit Bodes Ill for Some Frankfurt Denizens

Housing Crunch

Frankfurt, already grappling with a housing shortage, could see a further increase in prices if new residents arrive.

Apartment demand

40 thousand needed apartments



*Deutsche Bank Research estimates. \$1.17 = €1

Sources: Frankfurt government (demand); JLL (prices)

BY WILLIAM WILKES AND PATRICIA KOWSMANN

FRANKFURT—A bigger tax base, greater clout and a boost for the local economy: The city that hosts the European Central Bank has several reasons to welcome London bankers looking for a new post-Brexit home.

Residents, however, aren't happy.

Many longtime Frankfurt locals see a potential wave of deep-pocketed bankers driving up housing costs and even driving them out of a city that is already struggling to meet its housing needs.

The U.K.'s 2016 decision to leave the European Union

sparked a race among the bloc's capitals to lure bankers who want to keep the ability to sell their services across the EU if Britain leaves the single market.

Frankfurt's charm offensive on the banks is working, as several have said they would shift operations to the German city.

But as Germany's financial hub steps up its campaign to attract bankers from London, residents—already faced with rising property prices and many construction projects around the city—are starting to say "nein."

"The city shouldn't be spending my taxes to get bankers from London," said

Almuth Mayer, a nurse who lives in central Frankfurt and has joined one of several protest groups that have sprung up demanding Frankfurt city officials act to curb spiraling housing costs.

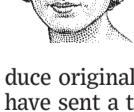
Demonstrations are being planned outside luxury housing blocks to coincide with the national election campaign in September in which German Chancellor Angela Merkel's Christian Democratic Union seeks re-election.

Ms. Mayer said her landlord, property company Rohleder & Paz GbR, has refused to fix leaks and holes in the roof so as to encourage middle-class tenants to leave

Please see **BANKERS** page B2

HEARD ON THE STREET | By Miriam Gottfried

Does the World Really Need Original Content From Apple?



A couple of years ago, news that **Apple** planned to spend \$1 billion to produce original content would have sent a tremor through shares of **Netflix** and media companies. On Wednesday, those stocks barely budged.

Apple wants to produce original content to air on its music-streaming service or on a new video-focused service, and it is budgeting \$1 billion to do it, The Wall Street Journal reported. This isn't the first time the tech giant has signaled an interest in joining the crowded field of original content pro-

ducers. This time, however, the market is smart enough to know that spending a lot of money doesn't guarantee success in original programming, particularly because the competition is already spending a lot more.

Among Big Tech, Netflix is expected to spend more than \$6 billion on content this year, while Amazon is likely to spend more than \$4 billion. Meanwhile, Facebook and YouTube are also producing original content. Then there are the traditional media companies, for whom content creation is the primary business and which have deep relationships with Hollywood talent. Time War-

ner's HBO spends over \$2 billion on content a year, with more than half of that going toward original programming.

Media companies already complain that Netflix is driving up the cost of content with its big spending ways. To get the best shows, Apple will have to spend even more, reducing the value of content ownership. And even if Apple can produce shows that people want to watch, the flood of high-quality original content already hitting the market means stiff competition for consumers' time and attention.

Show business is a tough business even if your name is Apple.

Euro Could Hit Pound Parity, Some Say

BY MIKE BIRD

The British pound reached seven-year lows against the euro this week, with some analysts now projecting that sterling will fall to parity with the common currency—or further.

The pound has risen by around 4% against the dollar this year, climbing to nearly \$1.30, but against the euro it is down by more than 6% to below €1.10. Sterling reversed a little of that move Wednesday, rising 0.2% against the euro.

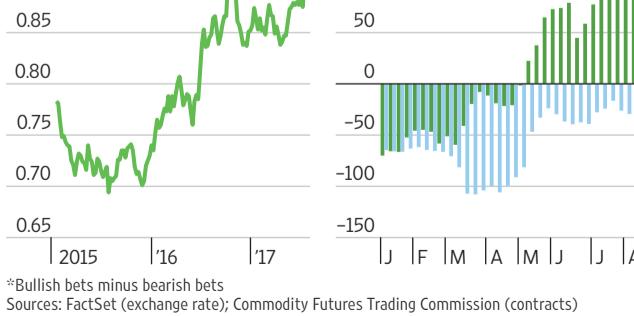
Though sterling's moves against the U.S. dollar often make the most headlines, the U.K.'s economic exposure to

Boom and Gloom

The euro has risen by more than a quarter against the pound in the past two years, as the fortunes of the two currencies reversed.

How many pounds €1 buys

£0.95



*Bullish bets minus bearish bets

Sources: FactSet (exchange rate); Commodity Futures Trading Commission (contracts)

THE WALL STREET JOURNAL.

the rest of Europe gives the pound's movements against the euro a greater economic impact.

David Bloom, HSBC global head of foreign-exchange strategy, expects both sterling and the euro to end the year

at \$1.20, while Morgan Stanley currency analysts see the pound actually dropping slightly below the euro by the early months of next year.

Just two years ago the euro was hitting historic lows against

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BANKERS

Continued from the prior page and make way for bankers. She also has criticized Frankfurt's mayor, Peter Feldmann, for personally going to London to woo banks.

"It's close to criminal," Ms. Mayer said.

A spokesman for the mayor declined to comment.

Edwin Rohleder, partner at Rohleder & Paz GbR declined to comment on the dispute with the company's tenants.

Development of middle-class housing is picking up in Frankfurt, but the pace isn't fast enough to meet booming demand.

The city's population has increased 15% over the past decade to 730,000, mostly thanks to immigrants attracted by Germany's strong economy.

A low unemployment rate and subzero interest rates, meanwhile, have boosted demand for homes. But Frankfurt, which has less than a third the area of New York City, has a scarcity of land, creating a supply crunch that is driving up prices.

Frankfurt rents have risen on average 45% over the last decade, according to JLL.

Rents have risen on average 45% over the past decade, according to real-estate firm JLL. Apartment prices have more than doubled over the same period to €4,550, or about \$5,340, per square meter.

While still much cheaper than European capitals like London and Paris, the rise in real-estate costs has eclipsed the average 25% wage increase in the city.

"Too much available building land has gone to luxury housing already, [while] nurses and other lower earners can't afford to live here," said Jürgen Lutz, head of Frankfurt rental association MHM, a group that helps Frankfurt residents with housing issues.

Mr. Lutz called for the local government to tighten

rental controls and build more homes.

A Frankfurt city government spokesman said that authorities are aware of the residential housing shortage problem and are trying to address it by making more land available for construction, transforming office buildings into apartment complexes and helping lower-income residents with subsidized housing.

Estimates of how many bankers could move to Frankfurt with Brexit vary. According to Deutsche Bank analysts, a 5,000-person inflow could give an extra 4% boost to residential prices.

That figure could rise if more people end up coming, given the city already has an estimated shortage of 36,000 houses.

Frankfurt's housing problem hasn't spilled over nationally, but the topic is sensitive for both the local and national authorities.

Berlin has largely held off in giving public support to Frankfurt's campaign to attract bankers ahead of September's elections. But behind closed doors, it is considering steps to make the country attractive to banks, including making more flexible labor laws for higher earners, according to people familiar with the government's plans.

The shortage of housing mirrors a dearth of office space in Frankfurt, where new building projects are snagged on the city's strict zoning laws.

At a quaint street near Frankfurt's center, residents complain a playground will soon give space to a new luxury development by property giant Vonovia AG.

The company also is redoing surrounding buildings, which will result in higher rental prices for current residents including Robert Stojanowski, a 37-year-old logistics clerk.

"I was born in Frankfurt and would like to continue to live here," Mr. Stojanowski said at a recent residents meeting to discuss the higher rents. "But I can't afford to."

A spokesman for Vonovia said rent increases will be moderate.

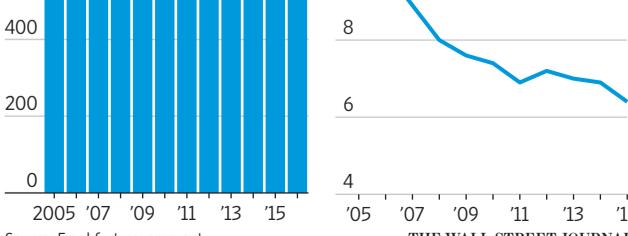
The company plans to build a new playground in the development, he said.

Crowded Streets

Frankfurt's increased population combined with low unemployment has boosted demand for homes.

Population

800 thousand people



Unemployment rate

12%

10%

8%

6%

4%

2%

0%

05 07 09 11 13 15

BUSINESS & FINANCE

Akzo Agrees to Truce With Elliott

BY BEN DUMMETT

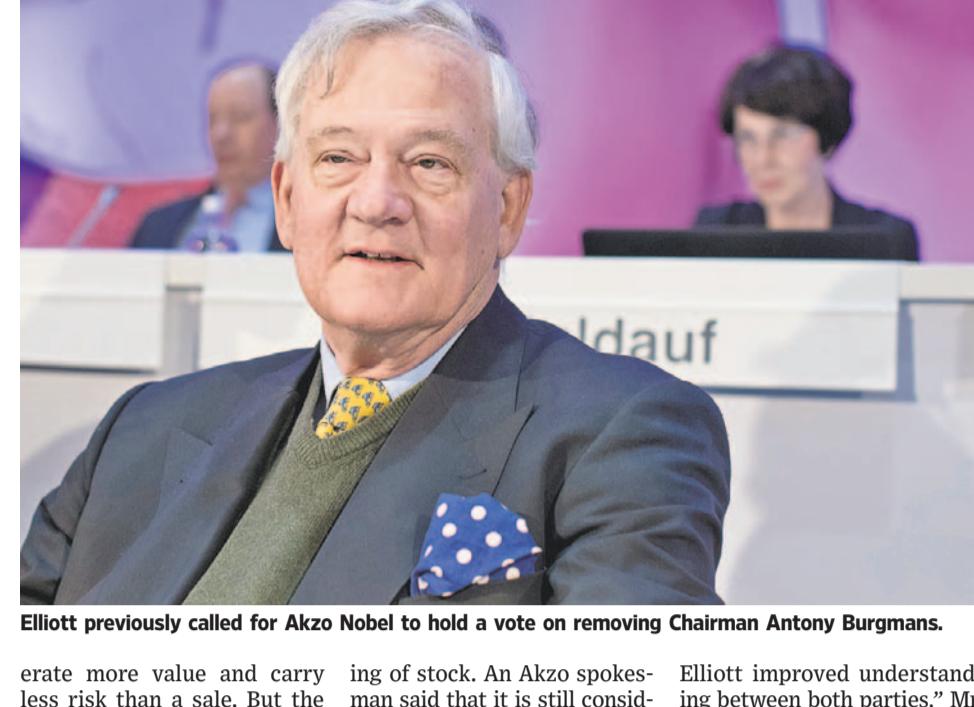
Akzo Nobel NV reached a truce with **Elliott Management Corp.** as the activist investor backed new board members following a months-long standoff over Elliott's push to force the Dutch chemicals company into talks over a \$28 billion takeover bid.

In a joint statement on Wednesday, the two sides said they reached an agreement on Akzo's strategy to fully separate its specialty-chemicals business, following a disagreement on whether it should be sold or listed. The deal would "normalize the relationship" between Akzo and its shareholders and suspend all litigation for at least three months, they said.

Akzo announced two new nominations to its supervisory board, backed by Elliott, and intends to nominate a third supervisory board member, in consultation with major shareholders including Elliott. The activist investor will support the appointment of new Akzo Chief Executive Thierry Vanlancker to the board.

The deal follows a dispute between Elliott and Akzo after a protracted takeover attempt from U.S. rival PPG Industries Inc. As one of Akzo's largest investors, Elliott mounted a bold public-relations and legal campaign to try to force the Amsterdam-based company into unwanted sale talks with PPG.

Akzo had argued that its plan to boost dividend payouts and spin off its specialty-chemicals business would gen-



Elliott previously called for Akzo Nobel to hold a vote on removing Chairman Antony Burgmans.

erate more value and carry less risk than a sale. But the Elliott-led group said Akzo couldn't make that decision until it first tried to negotiate a deal with PPG.

Elliott argued that shareholders had lost confidence in Akzo's leadership after it rejected calls from Elliott and several other large shareholders for the company to hold a vote on the removal of Akzo Chairman Antony Burgmans as part of its plan to push for sale talks.

Akzo said it plans to "fully separate" its specialty-chemicals business, but didn't specify if that means selling the business outright or listing it through an initial public offer-

ing of stock. An Akzo spokesman said that it is still considering both options.

Some investors have argued against an IPO of Akzo's specialty-chemicals business, saying such a move would make it harder for a future bidder to digest the company if it also owned a significant stake in the publicly traded chemicals company.

Akzo's stock price would more likely trade at a discount to its pure paint-making peers as a result of an IPO because of the added difficulty in valuing Akzo given its continued ownership in the chemicals business, some investors said.

"I am pleased our recent constructive discussions with

Elliott improved understanding between both parties," Mr. Burgmans said in Wednesday's statement.

Last week, Elliott lost a legal challenge to remove Mr. Burgmans at a company shareholder meeting in September, but the court left open the ability for the hedge fund to pursue that goal at a later date.

"Today's agreement marks an important next step in positioning Akzo Nobel for success and enabling the company to deliver compelling value to all its stakeholders," said Elliott CEO Gordon Singer.

—Rory Gallivan contributed to this article.

UBER

Continued from the prior page stepped down, has been narrowed to three candidates, people familiar with the matter have said. But the letters and legal wrangling threaten to derail plans to appoint a new company chief by early September.

The rancor among investors

in Uber, which is valued at nearly \$70 billion, comes as the company is weighing new funding of at least \$1 billion from SoftBank Group Corp., as well as a potential deal to buy shares from Benchmark or other investors, according to a person familiar with the matter.

SoftBank is part of a consortium that includes private-equity firms **Dragoneer Investment Group** and General

Atlantic, this person said. Other investors would likely be allowed to offer portions of their stake in the company as well if the board decides to proceed with allowing the investment, this person said, who cautioned that such a deal may not be approved.

Mr. Pishevar said in his letter that Benchmark has threatened to block any funding deals until Mr. Kalanick relinquishes the board seats, which



Tech firms took action against white supremacists after weekend violence at a rally in Virginia.

POUND

Continued from the prior page the pound, when the European Central Bank's quantitative-easing program was getting under way and the Bank of England was expected to raise rates.

Since the summer of 2015 the euro has appreciated by more than 25% against sterling. Britain's EU referendum vote and the increasingly strong performance of the eurozone economy have contributed to that trend.

Central banks responsible for the euro and sterling have diverged, helping to drive the euro higher against the pound.

Expectations that the Bank of England would raise interest rates in response to higher inflation have dimmed. In contrast, investors are increasingly preparing for the ECB to scale back its bond-buying program.

To be sure, sterling-euro parity isn't a consensus call among analysts, and the recent view that the euro will rise is a sharp reversal for some. At the turn of this year, many strategists expected the euro to fall to parity with the dollar, rather than rise to above \$1.17 as it has.

Any decline in sterling against the euro has a greater impact on the British economy, because of the geographic proximity of the monetary union and close trade ties. The euro area makes up a full 47.6% of the Bank of England's sterling exchange-rate index, compared with 19.4% for the greenback.

That means declines in sterling against the euro produce a larger reaction in terms of imported inflation, because more of the goods and services bought from outside the U.K. are denominated in euros than in dollars.

The continuing Brexit negotiations also pose a reason for sterling to remain weak against the euro, according to some analysts. "There are a number of 'divorce' stumbling blocks that need to be overcome before any transitional arrangement is signed, sealed and delivered," said Viraj Patel, foreign-exchange strategist at ING. "Unlike previous times when we have traded beyond this key horizontal level—namely during crisis episodes—there are now fundamental reasons to stay here."

POLICY

Continued from the prior page Inc., which has ramped up efforts to remove some accounts from its site.

Following the violence in Virginia, domain registrars—which act as intermediaries by making sure that a website's domain name is linked to the correct IP address—have also become arbiters of free speech.

If a registrar pulls service from a site, the site will appear offline to the public until it finds another registration provider.

"The number of net intermediaries acting as gatekeepers has increased" since GoDaddy booted Daily Stormer, said Daphne Keller, who studies platforms' legal responsibilities at the Stanford Center for Internet and Society. "Suddenly the domain registrars are sitting in judgment on content and speech," joining the usual players around free speech such as Google, Facebook and Twitter.

Domain registrar GoDaddy said that while it doesn't usually take actions on complaints that would "constitute censorship of content," it decided that an article Daily Stormer posted ridiculing Ms. Heyer crossed the line "to promoting, encouraging, or otherwise engaging in violence against any person." On Sunday, it gave Daily Stormer 24 hours to find a new registrar.

Daily Stormer then registered on Google. Hours later, Google canceled Daily Stormer's website-hosting registration, saying the site violated Google's policies against inciting violence. Daily Stormer, whose site was inaccessible Tuesday, didn't respond to a request to comment.

Daily Stormer has reappeared on the web under what appears to be a new domain name, indicating it had found a new domain registrar.

Many of the actions that companies have taken against supremacists would probably be unconstitutional under the First Amendment if imposed by an elected official or public agency, experts say. The First Amendment's protections of speech and expression are restrictions on government power.

"In general, the First Amendment is no barrier to discrimination on the basis of race, religion, ethnicity and gender. Unless a company is targeting supremacists because of their gender or race, those laws probably wouldn't apply," according to UCLA constitutional scholar Eugene Volokh.

That isn't true everywhere. A few places like Seattle have laws that also ban discrimination on the basis of political ideology. Seattle's public accommodations law says a business can't turn away a patron because of conduct "reasonably related to political ideology" unless the customer's conduct would "cause substantial and material disruption" of the owner's property rights.

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TECHNOLOGY

WSJ.com/Tech

Oracle Retools Sales Staff

By JAY GREENE

Oracle Corp. is starting to see the benefits of revamping its sales force, addressing longstanding questions from Wall Street about the software company's commitment to cloud computing.

Co-Chief Executive Mark Hurd nearly doubled Oracle's sales staff over the past six years to around 35,000 workers. Many hires were put through a revamped training program, then charged with winning over startups and small businesses that Oracle largely had bypassed.

Annual recurring revenue, a measure of Oracle's ability to attract new customers to its cloud-subscription business, topped \$2 billion in fiscal 2017 that ended May 31, up from \$1.4 billion the prior year. A 15% gain in fourth-quarter profit sent shares up 10% to a record \$50.95, where they have hovered since.

Oracle still faces challenges in the cloud, particularly from **Amazon.com** Inc. But the sales changes have helped the 40-year-old company emerge as one of the few pre-internet technology giants to succeed in the era of cloud computing.

Just a few years ago, Oracle was ill-equipped to do so. Its highly compensated sales staff targeted chief information officers at corporate giants, looking for big-budget deals that came with fat commissions. The company not only bypassed smaller businesses—who were among the early adopters of the cloud's web-based, on-demand computing services—but also the division leaders at big companies who were starting to buy cloud services piecemeal.

While Oracle knew chief information officers, Mr. Hurd said in an interview, "We didn't know the head of HR. We didn't know the chief marketing officer."

So he created a program in 2013 to indoctrinate hires fresh out of college in Oracle's sales methods, rather than solely hiring veteran sales executives from other companies. Called "Class Of"—playing off the term for a group of graduating students—the program aims to develop a low-cost sales force that prospects for new markets. Oracle taps its own seasoned salespeople to become mentors to the newbies.

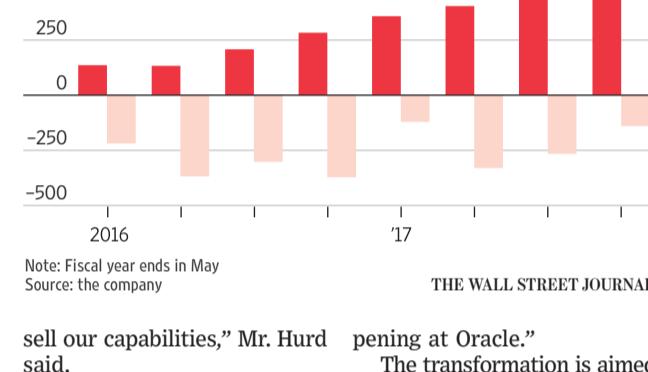
"We can now go from fundamentally startup to enterprise in terms of our ability to



Oracle's Mark Hurd in 2015. He has doubled the software firm's sales staff over the past six years.

Sales Force

Oracle's growing sales team has helped it increase cloud-computing sales quarterly, even as revenue from its traditional business of selling new software licenses declines.



sell our capabilities," Mr. Hurd said.

Oracle's rethought sales approach has turned some doubters around.

As Thierry Zerib prepared to move to **Telesoft**, a Phoenix maker of expense-management software, to the cloud earlier this year, the chief technology officer got a cold call from an Oracle salesperson. Mr. Zerib couldn't imagine becoming an Oracle customer, recalling a frustrating experience years earlier when the company was a reseller of Oracle technology.

But the young sales rep persisted, winning over Mr. Zerib and securing a three-year contract for around \$500,000 to deploy the full suite of Oracle's cloud services.

"I never felt pressure," he said of the negotiation. "There's a change that's hap-

pening at Oracle."

The transformation is aimed at helping Oracle, often criticized by analysts for being late to the cloud, better compete against the likes of Amazon and **Salesforce.com** Inc. Gartner Inc. estimates the overall cloud market, including on-demand computing resources, apps and cloud advertising, hit \$209.1 billion last year. This year it is projected to reach \$245.45 billion.

Winning over smaller accounts for cloud applications might not be enough, analysts warn. Customers often run Oracle databases on the computing processing and storage services operated by rivals such as Amazon, effectively giving the rivals a chance to market their competing applications and services. The risk is that those cloud-infrastructure

competitors swipe Oracle's customers as they shift from running legacy Oracle applications in their own data centers to cloud services.

It is "the longer-term existential threat," said Stifel Nicolaus Co. analyst Brad Reback.

That puts pressure on Oracle's sales team to sell the full cloud portfolio, the databases and other applications as well as the underlying processing and storage.

In four years, more than 4,500 representatives have gone through the five-week Class Of program. Mr. Hurd figures that in a decade or so all of Oracle's sales leaders will be graduates of Class Of

The program didn't initially sit well with some Oracle veterans, who worried mentoring duties would pull them away from managing their own accounts.

"Everybody thought, 'What the hell is this?'" said Mike Mansouri, a manager in the company's El Segundo, Calif., office, who has worked two decades in sales, the past three years at Oracle. "I thought it would do more harm than good."

Two years later, Mr. Mansouri said he was wrong. Recruits he managed were scooping up smaller customers, and he received commissions from deals they closed. He estimated his commission compensation has jumped 25% since the program began.

"They are cracking accounts I wasn't aware of," Mr. Mansouri said.

Mobile Game 'Kings' Propels Tencent Profit

Global top-grossing mobile game "Honor of Kings" is the gift that keeps on giving for **Tencent Holdings** Ltd., the Chinese internet behemoth and the world's biggest video-game publisher by revenue.

By Alyssa Abkowitz
in Beijing and Austen Hufford in New York

The Shenzhen-based company reported a 70% surge in second-quarter profit to 18.23 billion yuan (\$2.73 billion), buoyed by revenue from "Honor of Kings" and other mobile games; triple-digit growth in payment services; and a solid increase in online advertising.

The company beat analyst estimates by more than 30%, reporting overall revenue of 56.6 billion yuan (\$8.5 billion), a 59% increase from a year earlier, and its fastest revenue growth in seven years.

Tencent's shares were up 5.9% in New York on Wednesday afternoon.

"Honor of Kings," which has been the No. 1 global mobile game since March according to App Annie and could make its debut as early as this fall in the U.S., helped push Tencent's mobile-game revenue up 54% year over year, along with new titles in the role-playing genre.

Revenue from personal-computer games increased 29% compared with the same period a year earlier, but management said it expects revenue growth rates to decelerate in future quarters.

Analysts said a time limit for playing "Honor of Kings," imposed on minors in early July, isn't likely to have a material impact on the role-playing fantasy game's revenue, as less than 5% of "Honor of Kings" gamers are younger

than 12 years of age, according to Citi Research estimates.

Tencent imposed the limit amid criticism that children were falling asleep in school because they had played "Honor of Kings" late into the night. The system works by connecting children's game accounts with their parents' accounts, so they can monitor play time, and also requires real-name registration that is checked against a national database to verify player ages.

The company's social advertising revenues, which mainly come from the WeChat social-media app, rose 61% to six million yuan. The company now has 963 million monthly active users on WeChat, an increase of nearly 20% year over year.

Online advertising also helped Tencent's earnings, propelled by more users watching the company's television dramas and variety shows—though Tencent President Martin Lau said it would be quite some time before the video business breaks even.

Tencent also expanded its self-service ad platform to enable first-tier cities to put promotions in WeChat's Moments news feed, which boosted ad sales 55% from a year earlier.

Mr. Lau said there was no urgency for increasing promotions quickly, saying the company is "erring on the very conservative side" in terms of expanding ad inventory.

Tencent's cloud-computing operations also had triple-digit growth. While providing cloud computing for games and video internet startups is Tencent's sweet spot, analysts say the company must pivot to provide solutions for larger enterprises to compete with **Alibaba Group Holding** Ltd., **Baidu** Inc. and **Huawei Technologies** Co.



'Honor of Kings' helped China's Tencent post a 70% rise in profit.

BUSINESS NEWS

BUSINESS WATCH

Maersk Writes Down Tankers, Posts Loss

By DOMINIC CHOPPING
AND COSTAS PARIS

Danish shipping and oil conglomerate **A.P. Moller-Maersk** A/S swung to a surprise second-quarter loss on a write-down in value of its tanker and ports assets, and it warned of the impact of a major cyberattack in June.

The world's biggest container-ship operator said Wednesday it was taking impairments of \$732 million in the quarter, mainly related to lower valuations at Maersk Tankers and commercial challenges in its APM Terminals business.

Maersk warned that the cyberattack, which hit companies across the world in the last week of the quarter, would cost it between \$200 million and \$300 million. The company will register the hit in the third quarter, with the second-quarter results showing minimal effect.

The attack hindered the company's information-technology system, with malware infecting networks used by its container businesses. That prompted system shutdowns that meant several of its shipping terminals were unable to operate.

Customers were also prevented from making new bookings or receiving quotes, which affected revenue in July. Chief Executive Soren Skou said the financial impact relates to lost revenue, extra work during the attack and the cost of resolving the issue. "Business volumes were back to normal two weeks after the cyberattack," he said.

Mr. Skou estimates that Maersk Line lost out on carry-



Maersk, the world's biggest container-ship operator, warned of costs tied to June's cyberattack.

ing 70,000 40-foot containers during the first two weeks of July as customers had to use other firms. Maersk Line carried 2.7 million containers in the second quarter.

Despite the second-quarter loss and the attack's impact, Maersk held to its full-year view that it will generate an underlying profit above the \$711 million achieved in 2016.

For the quarter ended June 30, the group posted a net loss of \$269 million, compared with a net profit of \$101 million a year earlier. Revenue rose 8% to \$9.6 billion. Analysts had expected a profit of \$536 million on revenue of \$9.64 billion, according to a FactSet poll.

The company's Maersk Line unit, traditionally its biggest

earner, returned to profitability as the market continued its emergence from one of the industry's worst downturns, with demand outpacing capacity for the third consecutive quarter while average freight rates surged.

Despite the loss, the company said 'solid economic growth' is boosting freight rates.

\$339 million against a loss of \$151 million.

"We are clearly out of the financial crisis and benefiting from solid economic growth driven by the U.S., Europe and China," Mr. Skou said. "Oil-dependent economies like Russia and Brazil are no longer contracting, which is also good news."

Demand growth of 4% outdid supply growth of 1.4%. Average freight rates increased 22% year-to-year and revenue improved 21% in the company's Maersk Line unit, but the average fuel price increased 61% to \$313 a ton.

"In the first half, container demand was [up] around 6%, twice the global [gross domestic product] growth. This is a very positive development

as demand is steadily above supply, driving up freight rates," Mr. Skou said.

Maersk Oil also reported a rise in profit, boosted by a higher average oil price in the quarter of \$50 a barrel, compared with \$46 last year. The division also benefited from lower costs.

Maersk said its acquisition of the Hamburg Süd shipping line is progressing as planned and is likely to close in the fourth quarter.

Mr. Skou expects more consolidation in container shipping because smaller operators won't be able to compete with bigger players that have grouped into three main alliances to cut costs by sharing ships and port calls.

"Three years ago we had 20 global carriers, now we have 11 and in the future we will have five or six. The consolidation drive is not over," Mr. Skou said.

The company is evaluating the future of its energy unit, with a decision expected before the end of 2018. The four businesses within its energy unit—Maersk Oil, Maersk Drilling, Maersk Supply Service and Maersk Tankers—will either remain part of the group or be separated in the form of joint ventures, mergers or a listing.

The company is trying to reshape itself into a global supply-chain player like United Parcel Service Inc. and FedEx Corp. The plan involves moving ore ships in and out of APM Terminals and moving more cargo inland through DAMCO, its supply-management division handling air-freight, trucks and warehouses around the world.

FINANCE & MARKETS

States Push Retirement Savings

Oregon and others are taking aim at the 42% of workers without a plan through work

BY ANNE TERGESEN

States are forging ahead with efforts to bring retirement-savings plans to residents who don't have access to one through work, as debate intensifies over government's role in ensuring people can support themselves in their later years.

Oregon this summer became the first state to start requiring employers that don't offer a retirement plan of their own to give employees access to a state-run plan, by automatically enrolling them in individual retirement accounts invested in mutual funds.

Eight other states are designing similar programs, two of which—California and Illinois—are expected to launch initiatives next year.

Fans and foes alike say the endeavors will likely end up scrutinized in court, as detractors contend the programs violate federal pension laws.

With several more states considering legislation to authorize programs, "everybody is looking at how Oregon does," said John Scott, director of the Pew Charitable Trusts' retirement savings project. "If Oregon can get off to a good start, that will have a big impact" on confidence in these programs, he said.

Proponents of state-run retirement programs say they are concerned about the esti-



Oregon requires employers without retirement plans to give employees access to a state-run plan.

mated 42% of private-sector workers who don't have access to a workplace retirement-savings plan, many of whom don't save at all. State legislators also are trying to save taxpayers money over the long term by reducing retirees' reliance on public assistance programs, including Medicaid.

Opponents—including some company owners, a trade group for small businesses and the main mutual-fund trade association—have lined up against the state initiatives. They argue that state-run programs may encourage companies to scrap 401(k) plans. They also say that lower-income workers who participate may wind up in worse financial shape if they run up debt

to make up for the income they tuck away.

Oregon's program, called OregonSaves, has begun relatively smoothly. While only 160 employees are eligible to participate in the pilot program that launched July 1, the number is expected to surge by the Jan. 1 deadline for companies with 100 or more employees to enroll participants.

To provide access to a workplace retirement plan for many of the estimated one million Oregon residents who currently lack one, the state is requiring all employers with workers for whom they pay unemployment insurance—including one-person operations—to join the program by 2020. Employees are free to

opt out.

The participation rate of the 160 eligible employees—77%—is slightly ahead of the 70% to 75% policy makers had forecast. That has fueled hope that the program will accumulate enough assets over the next decade to drive down participants' fees from the current 1% and allow the private company providing administrative services, Ascensus Inc., to recoup its costs and turn a profit before its contract expires in 2027.

Business owners in the pilot program say OregonSaves has cost them little aside from the time it took—48 minutes, on average—to register and enroll employees.

Luke Huffstutter, owner of

Anastasia Salon in Portland, who was referred to The Wall Street Journal by the state, said "retirement savings is essential to morale. This is a relationship business. When a hairdresser is in a good place in life, they provide a better experience for customers."

But other employers say they worry about the burdens the program could impose on them. Gary Peck, owner of five greeting-card and gift stores, said he spends about four hours every other week on his payroll. He said the payroll process is labor-intensive because all but five of his 35 to 40 employees work hourly and change their hours each week.

"Now I'll have to take another step and submit money to OregonSaves," said Mr. Peck, who is a member of the National Federation of Independent Business, which represents small employers and opposes state-based retirement savings programs.

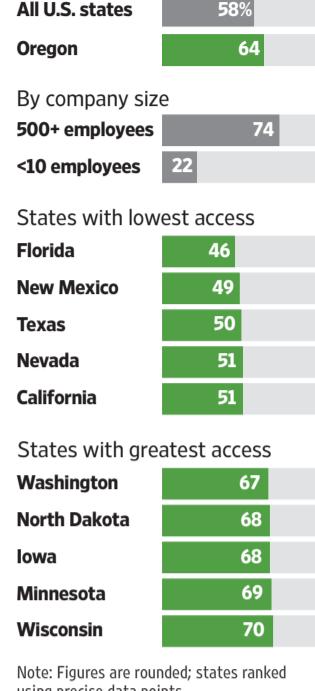
Aligning with the critics, Congress recently revoked an Obama-era regulation that states such as Oregon—with auto-enrollment in IRAs—cite in part to reassure employers that the plans are exempt from the federal law governing 401(k)-style plans. That law imposes fiduciary requirements on employers, making them potentially liable if something goes wrong and workers sue the plan.

Oregon and other states with auto-enroll IRAs have hired lawyers who have issued opinions saying the plans pose no legal risk to employers. But opponents aren't so sure.

"That is a question that's

Account Access

Share of private-sector workers with access to retirement plans



Note: Figures are rounded; states ranked using precise data points

Source: The Pew Charitable Trusts

THE WALL STREET JOURNAL.

ultimately going to have to be decided by the courts," said Gary Sanders, vice president of government relations at the National Association of Insurance and Financial Advisors. The group's members, which include financial advisers who sell 401(k) plans, "don't see the need for the state to compete with the private sector," Mr. Sanders said. He said his association has no plans to file a lawsuit.

Katie Selsenski, executive director of California's Secure Choice program, said she is closely monitoring Oregon's rollout. "It looks promising so far," she said.

Buffett Bets on Credit-Card Firm

BY ANNAMARIA ANDRIOTIS

Warren Buffett's Berkshire Hathaway Inc. is increasingly betting on the growing credit-card industry.

On Monday, Berkshire Hathaway disclosed it bought nearly 17.5 million shares of Synchrony Financial in the second quarter totaling nearly \$521 million.

That is a vote of confidence for the largest U.S. store credit-card issuer, whose shares rose 4.6% on Tuesday.

Berkshire Hathaway already owns \$12.8 billion in American Express Co.'s shares and smaller stakes in Visa Inc. and Mastercard Inc. While Synchrony's cards are mostly geared toward the mass market with its card holders comprising shoppers at stores including Wal-Mart Stores Inc. and Dick's Sporting Goods Inc., American Express is more geared at affluent consumers.

Coupled together, the holdings increase Berkshire Hathaway's exposure to credit cards, an industry where overall outstanding balances in June were up about 6% from a year ago, according to the latest data from the Federal Reserve.

Bill Smead, chief executive of asset-management firm Smead Capital Management Inc., said that Synchrony's relatively cheap stock price likely played a role in the purchase. Synchrony's shares fell in late April after the company increased its outlook for full year 2017 charge-offs. Since the beginning of the year, Synchrony shares are down 14.6%, compared with a 10% increase in the S&P 500.

Most of Synchrony's loan volume is tied to store credit cards that it issues. Those include a mix of cards that can be used only in the store that they are issued for and co-branded cards that can be used anywhere.

Synchrony's net charge-off rate, which reflects the dollar amount of balances it wrote off as a loss compared with its total average loan balances, increased by more than 0.9 percentage point from a year earlier to 5.42% in the second

quarter. The company also continues to set aside more money to cover future losses, with provisions rising 30% in the second quarter from a year earlier.

Synchrony's high interest rates, which run up to the high 20% range for many Synchrony cards, can offset some concern. Berkshire "must like the way their spread is set up despite the fact that there are defaults," said Mr. Smead, whose firm is a Berkshire shareholder.

A representative for Berkshire Hathaway didn't have an immediate comment. A spokesman for Synchrony declined to comment.

The purchase of Synchrony stock was further notable in that it came at the same time that Berkshire sold its holdings of General Electric Co., unloading nearly 10.6 million shares. Synchrony Financial spun out of General Electric in 2015.

Paul Lountzis, president of Lountzis Asset Management LLC, a Berkshire Hathaway

shareholder, said Synchrony is well capitalized. Its board recently approved a share repurchase program of \$1.64 billion for the four quarters through June 2018, above the consensus estimates that averaged around \$1.4 billion.

The store credit-card market is less competitive than the rest of the credit-card industry, with less than a handful of very large players.

Synchrony accounts for about 38% of outstanding store-card balances, according to trade publication Nilson Report. Its longstanding relationships with many merchants increase the chances that Synchrony will remain a dominant player in a market where retailers want to see that lenders have delivered on driving more store sales and loyalty.

"It's always better to be an incumbent and have all those longstanding relationships going back many years," said Mr. Lountzis. The firm "appeals to a different audience" than American Express.

How Buffett Made \$1.5 Billion on GE

Warren Buffett managed to make more than \$1.5 billion by investing in General Electric Co., a stock that has rewarded few in recent years.

The billionaire investor's Berkshire Hathaway Inc. lent GE \$3 billion in the depths of the financial crisis.

The \$1.5 billion in profit for Berkshire is surprising partly because GE's stock isn't associated with large returns. In the past 12 months, the stock is down 19%.

Under the terms of the 2008 deal, Mr. Buffett lent the money in exchange for getting \$3.3 billion paid back, plus \$300 million in annual dividends, and a warrant that allowed him to buy \$3 billion in GE stock for \$22.25 a share for five years.

In 2011, GE paid off the loan by paying Berkshire \$3.3 billion and had already shelled

out three full years of dividends at \$300 million apiece. Together, they accounted for a profit of about \$1.2 billion.

In 2013, as his warrant to buy the GE stock was to expire, GE settled so Berkshire wouldn't have to shell out the \$3 billion to buy the stock, which was then trading above the \$22.25 exercise price. Instead, it gave Berkshire 10.7 million shares, which was equal to the total amount he would receive over the \$22.25 exercise price of the warrant.

Mr. Buffett sold all those shares in this year's second quarter, according to a newly released regulatory filing.

The shares were valued at \$315 million at the end of March.

Add in about \$30 million in regular dividends paid over the time he held the shares, and the \$1.2 billion in profit from 2011, and Berkshire got a total of about \$1.545 billion in cash for lending \$3 billion for three years. Not a shabby return.

—Thomas Gryta

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FINANCE & MARKETS

China Lifts Emergency Market Measures

SHANGHAI—Chinese regulators declared victory over the country's famously unruly stock markets, saying conditions are now calm enough that they have removed the emergency measures put in place to support equities following crashes in 2015 and 2016.

In an unusual statement posted to its website late Tuesday, the China Securities Regulatory Commission said that the country's stock markets "have achieved smooth operation," thanks to "a series of forceful measures to eliminate risks."

China's key stock indexes have climbed steadily since March 2016, while the blue-chip benchmarks have performed better than the Dow Jones Industrial Average and S&P 500 this year, the statement said. Market volatility has dropped sharply during the first seven months of 2017, while share valuations are moving toward a "reasonable" range, it said.

The calm has allowed regulators to phase out measures it had implemented to stabilize the markets after "the period of abnormal fluctuation," the statement said.

The statement marks a turnaround from two summers ago, when Chinese stock markets—which had surged earlier in the year—lost as much as 43% of their value and the central bank rolled out a surprise devaluation of the yuan.

In the wake of the crash, Chinese authorities imposed a flurry of measures to support the market, including a six-month ban on share sales by major corporate shareholders, restrictions on short selling, infusions of state funds and a temporary halt for initial public offerings. Securities regulators called many brokerages and funds directly, urging them to express publicly that they were bullish about stocks and refrain from selling shares. Stocks recovered, then crashed again early last year, spurring regulators to roll out another round of support measures.

The measures were enacted to support stocks after crashes in 2015 and 2016.

Those measures have nearly all been lifted, following an extended period of calm, steady stock appreciation that started May 2016, after the installment of a new securities czar, Liu Shiyu, in February.

Since March of last year, the benchmark indexes in Shanghai and Shenzhen have gained 15.5% and 11.9%, respectively, the securities regulator said in its statement. For most of this year, Shanghai's index hasn't moved more than 1% up or down each day, it said.

In a signal of their newfound confidence, regulators in February eased restrictions on trading index futures that it had implemented in September 2015.

"This [statement] marks a largely positive official summary of market performance since the 2015 crash," said Zhang Gang, strategist at Central China Securities. "It's a stamp of approval over the regulator's achievement in stabilizing the market."

Analysts also noted that the statement trumpets market stability—long a goal of Chinese authorities—ahead of an important Communist Party congress this fall, during which President Xi Jinping is expected to cement his authority.

One big remaining question is whether China will start to withdraw the state funds it pumped into stocks to support them. The money was injected through stock purchases starting in the second half of 2015, by a group of state-backed companies dubbed the National Team. The National Team's stockholdings reached a peak of 1.4 trillion yuan (about \$210 billion) in September 2015, and have since come down, but not much. They still held around 1.1 trillion yuan of equities as of the end of March, according to estimates by Deutsche Bank—around 2% of China's total market capitalization.

—Yifan Xie

Oil Prices Slip on Rise in U.S. Production

By ALISON SIDER

Oil prices fell to a three-week low Wednesday as data showing an increase in U.S. oil production outweighed the largest weekly decline in oil stockpiles this year.

U.S. crude futures declined for a third straight day, falling 77 cents, or 1.6%, to \$46.78 a barrel on the New York Mer-

cantile Exchange—their lowest settlement since July 24. Brent crude, the global oil benchmark, fell 53 cents, or 1%, to \$50.27 a barrel on ICE Futures Europe.

The amount of oil in U.S. storage tanks fell by more than 8.9 million barrels last week, according to the latest figures from the U.S. Energy Information Administra-

tion—on par with the 9.2-million-barrel drop anticipated by the American Petroleum Institute, an industry group.

The decline was nearly three times the three-million-barrel drop forecast by analysts and traders surveyed by The Wall Street Journal.

U.S. stockpiles have become a closely watched proxy as in-

vestors watch for signs that the global oil glut is shrinking.

"At the rapid attrition rate of the past two months, the U.S. oil surplus would be gone by mid-December," analysts at Standard Chartered said Wednesday.

But oil prices were hurt by signs that U.S. producers are continuing pump more crude.

U.S. production rose to more than 9.5 million barrels a day—approaching the 2015 peak of around 9.6 million barrels a day, according to the EIA data.

"That has totally stymied any rally that would be generated by this nine-million-barrel draw," said Bob Yawger, head of the futures division at Mizuho Securities USA.

Persephone Australia

8 mboed peak production, net to BP

Fourth of seven major project start-ups in 2017

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Revealing a major project start-up

MARKETS DIGEST

Nikkei 225 Index

19729.28 ▼24.03, or 0.12%

High, low, open and close for each trading day of the past three months.

Year-to-date
52-wk high/low
All-time high20230.41
16251.54
38915.87 12/29/89**STOXX 600 Index**

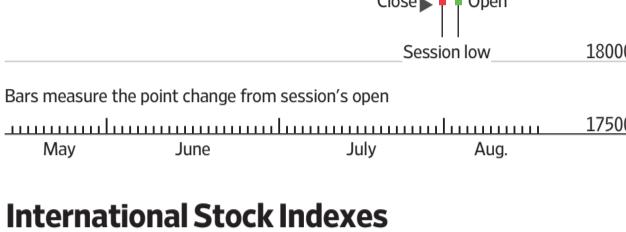
379.09 ▲2.59, or 0.69%

High, low, open and close for each trading day of the past three months.

Bars measure the point change from session's open

May June July Aug.

17500 18000 18500 19000 19500 20000 20500

Year-to-date
52-wk high/low
All-time high396.45 328.80
414.06 4/15/15**S&P 500 Index**

2468.11 ▲3.50, or 0.14%

High, low, open and close for each trading day of the past three months.

Data as of 4 p.m. New York time

Last P/E ratio 23.59 24.91
P/E estimate * 18.78 18.57
Dividend yield 1.99 2.09
All-time high: 2480.91, 08/07/17

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

**International Stock Indexes**

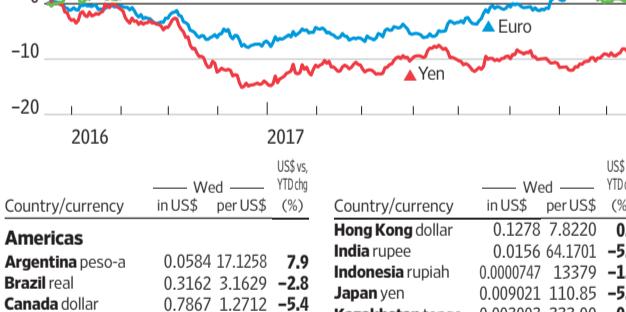
Data as of 4 p.m. New York time

Region/Country	Index	Close	NetChg	% chg	52-Week Range	Close	High	YTD % chg
World	The Global Dow	2851.83	17.50	0.62	2386.93	2881.15	12.8	
	MSCI EAFE	1935.99	17.17	0.89	1614.17	1955.39	12.8	
	MSCI EM USD	1062.31	9.80	0.93	838.96	1078.53	33.8	
Americas	DJ Americas	593.20	1.47	0.25	503.44	599.20	9.8	
Brazil	Sao Paulo Bovespa	68678.19	323.06	0.47	56459.11	69487.58	14.0	
Canada	S&P/TSX Comp	15081.59	-16.25	-0.11	14319.11	15943.09	-1.3	
Mexico	IPC All-Share	51167.77	-171.52	-0.33	43998.98	51772.37	12.1	
Chile	Santiago IPSA	3882.91	35.66	0.93	3120.87	3908.55	20.5	
U.S.	DJIA	22024.87	25.88	0.12	17883.56	22179.11	11.4	
	Nasdaq Composite	6345.11	12.10	0.19	5034.41	6460.84	17.9	
	S&P 500	2468.11	3.50	0.14	2083.79	2490.87	10.2	
	CBOE Volatility	11.93	-0.11	-0.91	8.84	23.01	-15.0	
EMEA	Stoxx Europe 600	379.09	2.59	0.69	328.80	396.45	4.9	
	Stoxx Europe 50	3081.45	18.77	0.61	2720.66	3279.71	2.4	
Austria	ATX	3241.10	24.77	0.77	2245.45	3285.00	23.8	
Belgium	Bel-20	3954.08	21.87	0.56	3384.68	4055.96	9.6	
France	CAC 40	5176.61	36.36	0.71	4310.88	5442.10	6.5	
Germany	DAX	12263.86	86.82	0.71	10174.92	12951.54	6.8	
Greece	ATG	842.41	14.64	1.77	548.72	859.78	30.9	
Hungary	BUX	36892.09	116.15	0.32	27466.59	37119.82	15.3	
Israel	Tel Aviv	1399.13	10.45	0.75	1346.71	1490.23	-4.9	
Italy	FTSE MIB	21984.85	262.74	1.21	15923.11	22065.42	14.3	
Netherlands	AEX	525.89	3.22	0.62	436.28	537.84	8.8	
Poland	WIG	62481.19	168.12	0.27	46321.24	63531.24	20.7	
Russia	RTS Index	1029.76	2.31	0.22	944.88	1196.99	-10.6	
Spain	IBEX 35	10544.30	62.80	0.60	8393.50	11184.40	12.7	
Sweden	SX All Share	559.31	2.70	0.48	489.12	598.42	4.6	
Switzerland	Swiss Market	9037.92	25.40	0.28	7585.56	9198.45	10.0	
South Africa	Johannesburg All Share	55534.60	551.28	1.00	48935.90	56396.24	9.6	
Turkey	BIST 100	106861.99	-51.27	-0.05	71792.96	110231.81	36.8	
U.K.	FTSE 100	7433.03	49.18	0.67	6654.48	7598.99	4.1	

Source: SIX Financial Information/WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Source: Tullett Prebon, WSJ Market Data Group

London close on Aug. 16

US\$ vs. Country/currency Wed YTD chg

in US\$ per US\$ (%)

Country/currency in US\$ per US\$ (%)

in US\$ per US\$ (%)

Country/currency in US\$ per US\$ (%)

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FINANCE & MARKETS

A Speed Trader Agrees to Be Bought

By ALEXANDER OSIPOVICH

Electronic-trading firm **DRW Holdings LLC** has agreed to buy high-frequency trader **RGM Advisors LLC**, the latest sign of how the long period of low volatility is shaking up the high-speed-trading world and forcing out the weaker players.

Chicago-based DRW said Wednesday it is acquiring Austin, Texas-based RGM, though it declined to disclose the purchase price. DRW, whose roots are in futures trading, is buying a firm with an expertise in stock trading. The deal is expected to close in September, DRW said.

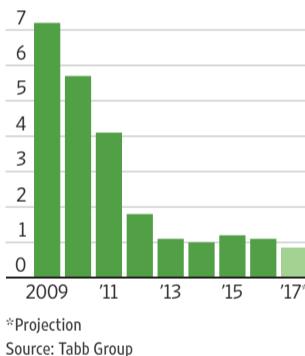
RGM becomes the latest firm to succumb to a wave of consolidation that has whittled down the ranks of high-frequency-trading, or HFT, firms. These firms use sophisticated computer algorithms to trade in and out of financial assets in fractions of a second.

High-speed traders flourished in the years after the financial crisis, but more recently they have hit a rough patch. Revenues at HFT firms from U.S. equities trading were an estimated \$1.1 billion last year, down from \$7.2 billion in 2009, according to research firm Tabb Group.

A big reason for the slump has been a lack of volatility, which eroded profit opportunities. HFT firms make more money when markets swing up and down, because big price moves create brief dislocations between markets that ultrafast traders can exploit.

On the Blink

High-frequency traders' revenue from U.S. equities trading has tumbled amid low volatility.



A costly high-tech arms race in which HFT firms relentlessly compete to shave tiny fractions of a second off data transmission times has also hurt their bottom lines.

Founded in 2001, RGM made around \$800 million in trading profits over its lifetime, but this year it has been losing money, prompting its owners to accelerate efforts to find a buyer, a person close to the firm said. RGM has also cut staff to around 70 employees, down from more than 100 a few years ago.

Besides DRW, the firm also held talks in recent weeks with Hudson River Trading LLC and IMC Financial Markets, this person said.

DRW, which trades on more than three dozen exchanges around the world, is among the big players that have scooped up struggling competitors. In 2015, it bought Chopper Trading, a smaller Chicago firm.

DRW was founded in 1992 by Donald Wilson Jr., a futures trader who got his start in Chicago's trading pits. About a quarter of DRW's business involves HFT, while other ventures include bitcoin trading and real-estate investment.

Mr. Wilson went on trial in New York federal court in December to face civil accusations of market manipulation by the Commodity Futures Trading Commission.

The regulator says he directed a scheme to manipulate a little-known interest-rate contract in 2011—allegations that Mr. Wilson and his firm deny. Both sides are still awaiting the verdict. If the CFTC wins, it could result in a lifetime trading ban for DRW's founder.

Both DRW and RGM are privately held firms that trade their own capital and don't manage money for outside investors.

Guidance Offered on Handling Bond Data

By KATY BURNE

An industry group sponsored by the Federal Reserve on Tuesday recommended a series of new guidelines covering the handling of confidential bond-trading information, the latest example of efforts to improve the integrity of government securities markets.

Participants should limit

the sharing and use of confidential information, and make sure third-party or proprietary information and trader identities aren't divulged when communicating trading patterns, the Treasury Market Practices Group said in its new draft guidelines.

The updated guidelines cover confidential information in U.S. Treasury, agency debt

and agency mortgage-backed securities, "with the aim of promoting integrity and efficient market functioning," the group said, adding that participants also should develop their own written policies and procedures.

Participants should ensure they can communicate "in a clear and truthful manner" about trades, but limit the shar-

ing of information about traders' positions, strategies, orders, and sizes of pending and completed trades, the group said.

Firms should take care not to share information about their own trading positions, "especially when it is a large position relative" to outstanding market activity, the group added. A firm's "own trading position information may be

shared externally only to the extent necessary to facilitate a transaction," it said, and information shouldn't be shared "with the intent to influence market prices or negatively impact market functioning."

The TMGP said it is seeking industry comment on its new guidelines for handling confidential information through Oct. 15.

Juniper Trinidad & Tobago

95 mboed peak production,
net to BP

Fifth of seven major project start-ups in 2017

BP's first subsea field development in Trinidad & Tobago, a \$2 billion investment, will produce LNG gas 50 miles off the south-east coast of Trinidad, in water depth of approximately 360 feet.

Status: Completed

bp.com/7in2017

Revealing a major project start-up



MARKETS

Investors Expect Earnings Boom to Slow

Fewer fund managers forecast companies' global profits will rise over the coming year

By BEN EISEN

Corporate earnings are looking strong right now, but analysts and investors aren't too excited about what lies ahead.

Just a third of fund managers surveyed by Bank of America Merrill Lynch expect global profits to improve over the next 12 months. That share of respondents is down 25 percentage points from the beginning of the year and is at its lowest level since the end of 2015, when sagging oil prices were pulling companies in the S&P 500 stock index into an earnings recession.

In the U.S., analysts currently forecast S&P 500 earnings growth of 5.2% for the July-to-September period, ac-

cording to FactSet. That follows expected earnings growth of slightly more than 10% in the nearly completed second-quarter earnings season, and 14% in the first quarter, which received a lift as profits rebounded from the oil swoon and global growth gained steam.

And if history is any guide, the expectations for the third quarter will almost certainly go lower. Wall Street analysts typically revise their estimates down as the reporting period approaches.

S&P 500 earnings growth has been strong this year, but forecasts are for a deceleration later in 2017.

The expected deceleration in earnings growth threatens to weaken a key underpinning of a bull market that has proven remarkably strong this year. Many have pinned the S&P 500's 10% rise in 2017 on the improving results from U.S. companies, which has come even as President Donald

Cloudy Outlook

Share of fund managers saying they expect global profits to improve over the next 12 months



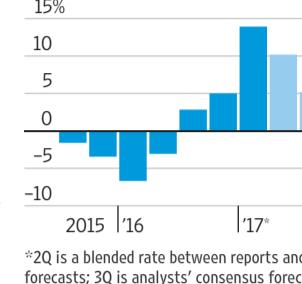
Source: Bank of America Merrill Lynch Global Fund Manager Survey
THE WALL STREET JOURNAL

Trump has so far failed to follow through on policies he said would lift economic growth, such as tax-code changes and large-scale deregulation.

A slowdown in earnings growth would come at a time when investors are raising the bar for what is enough to propel stocks higher. Even as earnings top expectations at a

Slowing

S&P 500 earnings growth has been strong this year, but forecasts suggest a deceleration.



*2Q is a blended rate between reports and forecasts; 3Q is analysts' consensus forecast.
Source: FactSet
THE WALL STREET JOURNAL

high rate during the current reporting season, investors aren't rewarding the companies with share-price gains. The stock performances by companies that beat earnings expectations in the latest quarter have been 0.03% better than the broader market in the trading session after they release results, the narrowest

margin on record, according to Goldman Sachs Group Inc.

Analysts say the muted reaction has happened in part because stocks are already trading at lofty levels relative to history. To illustrate that, some cite the S&P 500's high level relative to profits, a measure known as the price/earnings ratio. For the 12-month trailing ratio to revert to its 10-year norm of 16.77 from this week's level of 21.39, per-share results over the previous 12 months would have had to be 27% higher than where they are today. Or the S&P 500 would have to be 22% lower.

The Bank of America fund-manager survey found that 46% of investors think global equities are overvalued, a record high reading for the survey going back to before the turn of the century.

Still, there are some reasons for earnings optimism. Analysts are lowering third-quarter earnings expectations at a slightly below-average

pace. The bottom-up per-share earnings estimate fell 1.2% in July, slower than the average drop over the past year of 1.4% during the first month of a quarter, according to FactSet.

But questions remain about where the growth to support higher earnings will come from. Corporate executives on earnings calls for the most recent quarter suggested that while optimism remains high that Mr. Trump's presidency will usher in policies that boost the economy, they haven't seen much tangible evidence of it yet, according to a Goldman Sachs analysis.

As Christopher Nassetta, chief executive at Hilton Worldwide Holdings, put it on a call last month: "Expectations for macro indicators such as [gross domestic product] growth and nonresidential fixed investment growth suggest continued improvement. But so far, we have not seen that translate into increased demand."

Rebound in Retail Stocks Gives U.S. Indexes a Lift

BY AMRITH RAMKUMAR
AND JUSTIN YANG

U.S. stocks rose as retail shares bounced back.

Overall moves were relatively muted, continuing a stabilization in global financial markets fol-

WEDNESDAY'S lowing some volatility last week.

The Dow Jones Industrial Average rose 25.88 points, or 0.1%, to 22,024.87, its fourth consecutive gain. The S&P 500 gained 0.1%, and the Nasdaq Composite rose 0.2%.

In Europe, the Stoxx Europe 600 rose 0.7% to 379.09, its third session of gains in a row.

In the U.S., some of the day's biggest gains came from brick-and-mortar stores, a day after they were among the

worst performers in the S&P 500. Shares of **Target** rose 3.6% in late trading, leading the group higher after the company reported same-store sales growth in the most recent quarter that outpaced analysts' expectations and raised its full-year earnings outlook.

Gap, **Dollar Tree** and **Best Buy** were also among the S&P 500's best performers.

"Target really knocked it out of the park," said Chris Gaffney, president of EverBank World Markets. "All of a sudden, people are saying the consumers are showing some strength again."

E-commerce competition and mixed earnings have swung retail stocks recently. Advance Auto Parts and Dick's Sporting Goods posted their biggest percentage declines on record Tuesday after they

missed earnings expectations. **Urban Outfitters** shares were having one of their best sessions ever Wednesday, advancing 17% after the retailer beat Wall Street's quarterly earnings and sales projections.

Shares of **Home Depot** rose 1.4% and boosted the Dow industrials, after the stock fell Tuesday even as the company reported same-store sales that exceeded expectations and raised its full-year outlook.

In Milan, **Fiat Chrysler Automobiles** advanced 2.6% after the company announced it was joining a BMW-led self-driving car technology alliance.

U.S. stocks were relatively steady after minutes from the Federal Reserve's latest meeting showed officials were split about the timing of future interest-rate increases and two of President Donald Trump's

councils of top business leaders disbanded. Although the development could hurt expectations for corporate-friendly policies from the administration, many investors were al-

ready skeptical that such changes would go through and support markets, said Ian Winer, head of equities trading at Wedbush Securities. "Investors are not reacting

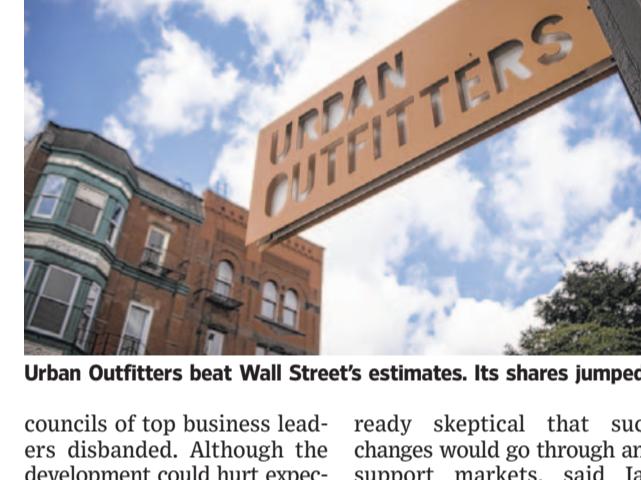
to this as if it's a big deal," he said.

U.S. government bonds and gold prices extended gains after the Fed minutes showed some officials argued that weak inflation meant the central bank should hold off on raising rates.

The yield on the 10-year U.S. Treasury note fell to 2.224%, from 2.264% Tuesday. Yields fall as bond prices rise.

The WSJ Dollar Index, which tracks the U.S. currency against 16 others, dropped 0.4%.

Earlier in Asia, the Shanghai Composite Index pared early losses to close 0.1% lower. Hong Kong's Hang Seng Index gained 0.9%, while South Korea's Kospi rose 0.6% as traders returned from a public holiday to catch up with the region's earlier gains.



Urban Outfitters beat Wall Street's estimates. Its shares jumped.

CHRISTOPHER DILL/BLOOMBERG NEWS

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: heard@wsj.com

Just How Fast Can Europe Grow?

Picking Up Pace

Eurozone gross domestic product, change from a year earlier



Source: Eurostat

observable. The European Commission pegs potential at 1.2% in 2017, down from precrisis levels.

It is natural for an economy to grow above trend following a downturn. If above-trend growth persists,

inflation will be the natural result. But it is also possible for potential growth to rise.

Still, the European Central Bank has been consistent in calling on governments to do more. The place to watch right now is France under its new president, Emmanuel Macron. France has the benefit of better demographics than some of its big peers, a good starting point for efforts to get more people into work and boost productivity in the eurozone's second-biggest economy.

There may be reason for hope.

The crisis did spur some reforms in those countries hardest-hit, like Spain and Italy. Calculations by UBS based on purchasing-managers-index data suggest eurozone potential growth may be around 1.5% now—a welcome pickup. The eurozone is never likely to be the most dynamic spot in the global economy. But it needn't be a permanent laggard either.

—Richard Barley

Cleaning Up China With Piles of Debt

China dreams of a greener future, and is borrowing heavily to get there.

An annual health check on China's economy by the International Monetary Fund out Tuesday highlighted a worrisome trend: China's real fiscal deficit, including borrowing by semiofficial entities such as local-government financing vehicles,

known as LGFVs, hit 12.4% of gross domestic product in 2016, more than one-third higher than the equivalent figure in 2012.

China's official budget deficit is only 3% to 4% of GDP, but most investing is done at the local level through a constantly evolving set of off-balance-sheet entities such as LGFVs, public-private partnerships and so-called industrial funds.

The role of these often highly leveraged institutions in supporting growth is rising. Infrastructure spending hit 27% of total investment in mid-2017, up from 22% in mid-2011. Over the same period, manufacturing and

housing investment fell nearly 10 percentage points to 44% of the total in July.

This infrastructure funding, which used to go mostly into new roads and the over-supplied electric-power sector, is increasingly heading into environmental protection and water management, which China desperately needs. Although such projects may support growth in the long run by keeping the population healthy, they aren't typically big money-makers.

A paper by four Oxford University professors in 2016 found that more than half of infrastructure projects in China over the previous five years were uneconomic.

China needs better water works and cleaner air to safeguard its citizens' health and long-run economic potential. But as debt-funded infrastructure plays a more important role in China's postcrisis growth strategy, the future is looking greener—but not less risky.

—Nathaniel Taplin

Beijing Shows Heavy Hand in Business

Missed Calls

China Unicom's net income



Note: 1 billion yuan = \$149 million

Source: S&P Global Market Intelligence

THE WALL STREET JOURNAL

Instead, this looks more like a way for the government to ask the internet giants to pay for investments in faster networks that have benefited them immensely. Tencent, for example, on Wednesday announced a better-than-expected 59% rise in revenue for most recent quarter, as more people play mobile games and use its WeChat messaging app.

The \$1.6 billion Tencent will sink into Unicom isn't a big sum for it and looks like a reasonable cost for doing business in China.

It is unlikely this private capital will help state-owned firms become more efficient and profitable. More likely, it will just serve to temporarily fill their coffers.

—Jacky Wong

OVERHEARD

Until its legalization in several states, marijuana and the stock exchange were like oil and bong water.

Now, though, dozens of companies are listed on U.S. exchanges that profit from cannabis directly or indirectly.

The gold rush in that industry has had predictable results: some questionable companies that stink up the joint for the rest.

Now, however, arguably the oldest and best-known name in the business will find itself on the Nasdaq Stock Market.

That would be **Hightimes Holding** Corp., the publisher of

the eponymous stoner magazine. In business for over four decades, it has published a number of pieces by authors including Truman Capote, Hunter S. Thompson, Charles Bukowski and William S. Burroughs.

Unfortunately, Hightimes Holding won't be able to grab a giggle-inducing ticker symbol like BUDZ, WEED or HEMP, and not just because those tickers are already taken on the exchanges. The company is using a special purpose acquisition vehicle called **Origo Acquisition** Corp., ticker symbol OACQ. Total buzz kill.