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THE WALL STREET JOURNAL.

DOW JONES | News Corp

THURSDAY, AUGUST 3, 2017 ~ VOL. XLI NO. 236

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As of 12 p.m. ET **DJIA** 21993.90 ▲ 0.14% **NIKKEI** 20080.04 ▲ 0.47% **STOXX 600** 378.63 ▼ 0.43% **BRENT** 52.16 ▲ 0.73% **GOLD** 1270.80 ▼ 0.14% **EURO** 1.1868 ▲ 0.56% **DLR** ¥110.44 ▲ 0.07%

Apple Pushes Dow Above 22000

U.S. blue-chip index goes over the level for first time as corporate results beat forecasts

By Justin Yang and Amrith Ramkumar

A surge in Apple shares sent the Dow Jones Industrial Average past 22000 for the first time, but declines elsewhere pressured major indexes in midday trading.

The Dow industrials were up 27 points, or 0.1%, at 21993.90 at noon in New York, after rising as high as 22036 earlier in the session. The blue-chip index was on track for its seventh consecutive session of gains.

The S&P 500 was down 0.3% and the Nasdaq Composite fell 0.5%. Oil prices were volatile, weighing on energy-companies' shares.

Apple helped keep the Dow industrials in positive territory, rising 4.8% around midday after its most recent quarterly report and giving the index its latest earnings-fueled boost.

Although Apple drove Wednesday's gain, Boeing has been the biggest contributor to the Dow industrials' latest 1000-point move. Through Tuesday's close, the aerospace giant had contributed nearly 400 points since the blue-chip index hit 21000 in March, with much of its gains coming in the past week after the company's quarterly earnings. Its shares were little changed midday Wednesday.

"It's been a name-driven model as far as growth, and today is no exception to that," said Kevin Barr, head of SEI's Investment Management Unit.

Some investors and analysts have cautioned that market gains concentrated in the biggest names, and their relatively high valuations, leave stocks susceptible to a selloff.

However, earnings for the most recent quarter have continued to come in ahead

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◆ Heard on the Street: Thank the foreigners for Dow 22000.... B1
◆ For Apple, China remains a tough market..... B1

Up, Up and Away

The Dow Jones Industrial Average surpassed 22000 for the first time, the fourth thousand-point milestone it has reached since the election.

*Highest point reached prior to 11 a.m. EDT.
Source: WSJ Market Data Group

THE WALL STREET JOURNAL.

What's News

Business & Finance

A **surge in Apple** shares sent the Dow past 22000 for the first time, but it wasn't enough to keep it there. The index was up 27 points, or 0.1%, at 21994 by midday. The Nikkei rose 0.5% to 20080.04. **A1**

◆ **Mondelez's Rosenfeld** is stepping down after 11 years as CEO, as the snack giant faces pressure to improve sales and profitability. **A1**

◆ **Standard Chartered** said it still sees too many uncertainties to start paying dividends again, despite improved second-quarter profit. **B1**

◆ **The OCC took** a first step toward changing the "Volcker rule," as talks on the regulation continue. **B5**

◆ **Apollo Global** Management's second-quarter profit fell as commodity-price weakness slowed investment gains. **B5**

◆ **Tanzania's president** is demanding a greater share of revenue from international miners there, and it is rattling investors. **B1**

◆ **Carlyle Group's** second-quarter profit soared as its investments appreciated. **B5**

◆ **Samsung's Lee** defended himself in court for the first time since his February arrest over a political scandal. **B3**

◆ **Rio Tinto plans** to increase its share-buyback program after it stepped up debt reduction and its half-year profit almost doubled. **B3**

World-Wide

◆ **China stepped** up pressure on India to withdraw from a weekslong military standoff. **A3**

◆ **Major health insurers** in some states are seeking increases as high as 30% or more for premiums on 2018 ACA plans. **A6**

◆ **South Korea** is planning to raise taxes on wealthy individuals and large companies. **A4**

◆ **Trump signed** into law a bill imposing sanctions on Russia to punish it for its interference in the 2016 U.S. election. **A6**

◆ **India's central bank** cut its main lending rate to a more than six-year low, as inflation and economic growth slowed. **A4**

◆ **Senate Republicans** made clear that they want to chart their own course to focus on a tax overhaul and critical fiscal legislation. **A6**

◆ **U.S. immigration** enforcement agents arrested 650 people during an operation aimed at families and children who illegally crossed the border. **A7**

◆ **Rwanda polls** show that more than 90% of voters back Paul Kagame for president. **A5**

◆ **A contest** to equip Australia's military with new armored vehicles is emerging as an economic battleground for regions hit by mining and manufacturing downturns. **A3**

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Fraud Allegations Mount Over Venezuelan Election

ARIANA CUBILLOS/ASSOCIATED PRESS

OUTRAGE: Opposition lawmakers shout 'Fraud' during a session of the national assembly in Caracas, in reference to Sunday's controversial vote. The company that provides the government with voting software said authorities tampered with more than one million votes. **A5, B5**

Mondelez CEO to Exit Amid Struggles

By Annie Gasparro

Irene Rosenfeld is stepping down after 11 years as chief executive of Mondelez International Inc., as the snack giant faces pressure to improve sales and profitability amid an upheaval in the packaged food business.

Ms. Rosenfeld struggled for years to draw more profit from Mondelez's broad portfolio of traditional snacks such as Oreos and Ritz crackers.

"In hindsight I think perhaps we could have gone after the costs a little faster," Ms. Rosenfeld said on Wednesday. "My regret is that we haven't fully realized the potential on the top line."

Now that work will fall to an outsider, Dirk Van de Put, head of Canada's privately held McCain Foods Ltd., who will take over for Ms. Rosenfeld in November.

Ms. Rosenfeld, 64 years old, will continue as chair of the Mondelez board until she retires in March.

In an interview, Ms. Rosenfeld said she told Mondelez board members of her plans to retire about two years ago.

"I didn't have a precise timeline, but I said that after about a decade is a good time to think about a transition," she said.

Mr. Van de Put, who has also worked for Danone SA, Coca-Cola Co. and Mars Inc., will be moving from a $7.3 billion maker of french fries and other potato products to a $66 billion conglomerate whose disparate brands stretch from Triscuits to Trident gum.

"There's a real value in a fresh pair of eyes," Ms. Rosenfeld said, citing his experience at food companies on three continents, in both emerging

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INSIDE

JUNG YEON-JE/AGENCE FRANCE-PRESSE/GETTY IMAGES

SAMSUNG LEADER TESTIFIES

BUSINESS NEWS, B3

MOBILITY DROPS ACROSS AMERICA

Economic, cultural reasons cause struggling small-town workers to stay put

By Janet Adamy and Paul Overberg

WEST BRANCH, Mich.—When she graduated from high school, Taylor Tibbetts was a bright star in this small Northern Michigan town. She won an $18,000-a-year swimming scholarship to Converse College in Spartanburg, S.C., and departed for her freshman year with high hopes.

Once on campus, however, she felt overwhelmed by her courses and scared and isolated among students from all over the country with different values. After just a week, her mother reluctantly agreed to bring her home.

Three years later, sitting on a vinyl booth at her family's pizzeria in West Branch where she now works, Ms. Tibbetts, 21, says she longs to live in a thriving city like Denver or Nashville, and regrets her inability to leave here.

"I can't be the kid that just stays here forever," she says.

Like a lot of small towns in sparsely populated American counties, West Branch, population 2,067, is in an economic funk brought on by the decline of manufacturing and farm consolidation. In recent years, a handful of retailers, a flour mill and a carpet shop have

Please see MOVING page A8

Millennials Unearth an Amazing Hack to Get Free TV: the Antenna

* * *

Cord-cutters are often shocked that $20 'rabbit ears' pluck signals from the air

By Ryan Knutson

Dan Sisco has discovered a technology that allows him to access half a dozen major TV channels, completely free.

"I was just kind of surprised that this is technology that exists," says Mr. Sisco, 28 years old. "It's been awesome. It doesn't log out and it doesn't skip."

Let's hear a round of applause for TV antennas, often called "rabbit ears," a technology invented roughly seven decades ago, long before there was even a cord to be cut, which had been consigned to the technology trash can along with cassette tapes and VCRs.

The antenna is mounting a quiet comeback, propelled by a generation that never knew life before cable television, and who primarily watch Netflix, Hulu and HBO via the internet. Sales of all antenna types in the U.S. are projected to rise 7% in 2017 to nearly eight million units, according to the Consumer Technology Association.

Mr. Sisco, an M.B.A. student in Utah, made his discovery after inviting friends over to watch the Super Bowl in 2014. The online stream he found didn't have regular commercials—disappointing half of his guests who were interested only in the ads.

"An antenna was not even on my radar," he says. He went online and discovered he could buy one for $20 and watch major networks like ABC, NBC, Fox

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U.S. Moves To Pressure China on Trade Policy

By Jacob M. Schlesinger And Bob Davis

WASHINGTON—The Trump administration is planning trade measures to force Beijing to crack down on intellectual-property theft and ease requirements that American companies share advanced technologies to gain entry to the Chinese market.

The administration is considering invoking a little-used provision of U.S. trade law to investigate whether China's intellectual-property policies constitute "unfair trade practices," according to people familiar with the matter.

That would pave the way for the U.S. to impose sanctions on Chinese exporters or to further restrict the transfer of advanced technology to Chi-

Please see TRADE page A4

Oracle #1
SaaS Enterprise Applications Revenue

1,000+ Employees Segment, 2015

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oracle.com/applications

Source: IDC "Worldwide SaaS Enterprise Applications Market Shares, 2015: The Top 15 by Buyer Size," doc #US41913816, Dec. 2016; Table 4. For the purposes of this report, SaaS enterprise applications include the following application markets: CRM, engineering, ERP, operations and manufacturing, and SCM.
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CAPITAL ACCOUNT | By Greg Ip

We Survived Spreadsheets; We'll Survive AI

Whether truck drivers or marketing executives, all workers consider intelligence intrinsic to how they do their jobs. No wonder the rise of "artificial intelligence" is uniquely terrifying. From Stephen Hawking to Elon Musk, we are told almost daily our jobs will soon be done more cheaply by AI.

Yet AI is too amorphous a label to actually convey anything useful about what, precisely, it's supposed to displace. Instead, think of it as a technology that does one thing particularly well: predictions. Such as, will that mark on the X-ray prove to be a tumor? Is the object in the road a paper bag or a child? Which headline will get the most readers to click on an article?

Treating prediction as an input into an economic process makes it much easier to map AI's impact. History and economics show that when an input such as energy, communication or calculation becomes cheaper, we find many more uses for it. Some jobs become superfluous, but others more valuable, and brand new ones spring into existence. Why should AI be different?

Back in the 1860s, the British economist William Stanley Jevons noticed that when more-efficient steam engines reduced the coal needed to generate power, steam power became more widespread and coal consumption rose. More recently, a Massachusetts Institute of Technology-led study found that as semiconductor manufacturers squeezed more computing power out of each unit of silicon, the demand for computing power shot up, and silicon consumption rose.

The "Jevons paradox" is true of information-based inputs, not just materials. Until the 1980s, manipulating large quantities of data—for example, calculating how higher interest rates changed a company's future profits—was time-consuming and error-prone. Then along came personal computers and spreadsheet programs VisiCalc in 1979, Lotus 1-2-3 in 1983 and Microsoft Excel a few years later. Suddenly, you could change one number—say, this year's rent—and instantly recalculate costs, revenues and profits years into the future. This simplified routine bookkeeping while making many tasks possible, such as modeling alternate scenarios.

The Spreadsheet Apocalypse, Revisited

Jobs in bookkeeping plummeted after the introduction of spreadsheet software, but jobs in accounting and analysis took off.

Notes: There is no data for 1982. Changes in occupational definitions in 1983, 2000 and 2011 mean that data is not strictly comparable across time. There was no category for management analysts or financial managers prior to 1983.
Source: Bureau of Labor Statistics THE WALL STREET JOURNAL.

"You could play the what-if game. You know, what if I did this instead of that?" accountant Allen Sneider, the first registered buyer of VisiCalc, told NPR's "Planet Money" in 2015 for a retrospective on spreadsheets.

The new technology pummeled demand for bookkeepers: their ranks have shrunk 44% from two million in 1985, according to the Bureau of Labor Statistics. Yet people who could run numbers on the new software became hot commodities. Since 1985, the ranks of accountants and auditors have grown 41%, to 1.8 million, while financial managers and management analysts, which the BLS didn't even track before 1983, have nearly quadrupled to 2.1 million.

Just as spreadsheets drove costs down and demand up for calculations, machine learning—the application of AI to large data sets—will do the same for predictions, argue Ajay Agrawal, Joshua Gans and Avi Goldfarb, who teach at the University of Toronto's Rotman School of Management. "Prediction about uncertain states of the world is an input into decision making," they wrote in a recent paper.

Unlike spreadsheets, machine learning doesn't yield exact answers. But it reduces the uncertainty around different risks. For example, AI makes mammograms more accurate, the authors note, so doctors can better judge when to conduct invasive biopsies. That makes a doctor's judgment more valuable.

Jim Manzi, a Washington, D.C., entrepreneur whose companies develop AI-based applications for business, says over the decades the AI label has been slapped on whatever the frontier of computing is at the time. That tends to overstate its revolutionary character. Today is no different. If you took statistics in college, you learned how to use inputs to predict an output, such as mortality based on body mass, cholesterol and smoking. You added or removed inputs to improve the "fit" of the model.

Machine learning is statistics on steroids: It uses algorithms and computers to analyze far more inputs, such as the millions of pixels in a digital picture, and not just numbers but images and sounds. It turns combinations of variables into yet more variables, until it maximizes its success on questions such as "is this a picture of a dog" or at tasks such as "persuade the viewer to click on this link."

AI has already made some skills obsolete. Google Translate is faster, cheaper and often as good as a human interpreter. Some AI programs can outperform human radiologists at identifying malignant tumors.

Yet as AI gets cheaper, so its potential applications will grow. Just as better weather forecasting makes us more willing to go out without an umbrella, Mr. Manzi says, AI emboldens companies to test more products, strategies and hunches: "Theories become lightweight and disposable." They need people who know how to use it, and how to act on the results.

Mr. Manzi should know. He co-founded a company, Applied Predictive Technologies, to test companies' strategies using AI, and sold it to Mastercard Inc. for $600 million in 2015. It's still hiring.

DOW

Continued from Page One

of analysts' expectations, supporting stocks.

Nearly three-quarters of the S&P 500 has reported results so far, with more than 70% of the companies beating earnings estimates as of Wednesday morning, according to FactSet. Companies that have reported so far have posted around 11% growth in earnings per share from the same quarter a year earlier, a higher figure than Wall Street anticipated entering reporting season.

By midday Wednesday, the S&P 500 energy sector was down 0.4% as U.S. crude oil prices declined then pared losses. Consumer-discretionary shares were also among the S&P 500's biggest decliners.

A day after soft economic data supported U.S. bond prices, Treasurys were little changed. The yield on the 10-year U.S. Treasury note was at 2.250%, according to Tradeweb, vs. 2.253% Tuesday. Yields fall as prices rise.

In Europe, the Stoxx Europe 600 fell 0.4%, dragged lower as several large banks posted disappointing results. Standard Chartered was among the worst performers. Its shares fell despite the bank's improved second-quarter profit, after executives said the bank still has a long way to go to improve returns.

Taiwan is home to a number of Apple suppliers, and its Taiex stock benchmark was the region's best performer, closing up 0.8%. Technology firms also aided Hong Kong's Hang Seng Index, which closed 0.2% higher.

Positive earnings have been boosting markets since early July. They were behind gains in Japanese shares Wednesday. The Nikkei rose 0.5%.

Global markets are "going to stay the course through the completion of earnings season," said Tom White, chief market strategist at TD Ameritrade Inc. subsidiary Tradewise Advisors Inc. "I see the market staying relatively strong as there's no downside catalyst."

Dow Soars to 22000 On Boeing's Wings

You can thank Boeing for the latest market milestone.

The Dow Jones Industrial Average pierced 22000 for the first time Wednesday. The last 1,000 points have been fueled by a massive run-up in Boeing shares, which have risen 30% and contributed 380 points to the index since it first closed above 21000 five months ago. That is more than twice as much as the next biggest contributor, McDonald's Corp., which had added 171 points through Tuesday's close.

Wall Street analysts say Boeing's slimmer workforce and new manufacturing processes are paying off, and their higher price targets on the shares have provided fuel for the rally. The stock got another boost this week after the company announced it was creating a new unit to develop and build aircraft avionics systems, expanding its strategy of insourcing key technology to cut costs.

The recent gains pushed Boeing's stock price above Goldman Sachs Group, making its shares the most expensive in the Dow. That doesn't matter for most indexes, but it does for the Dow, which retains a quirk that it was given at its birth in 1896: It is weighted according to the share prices of its components, not the market value of the companies.

So Boeing's $239.44 share price means it has about 10 times the influence over the index as General Electric, which closed at $25.44 on Tuesday. Yet GE's market cap, at about $220 billion, is 56% bigger than Boeing's.

—Erik Holm and Amrith Ramkumar

BOB STEFKO FOR THE WALL STREET JOURNAL

Irene Rosenfeld said she told Mondelez board members of her plans to retire about two years ago.

CEO

Continued from Page One

and developed markets. Mondelez board members have been searching for Ms. Rosenfeld's successor since at least the spring.

Ms. Rosenfeld's retirement will shrink an already small pool of female chief executives of the biggest U.S. businesses. As of June, women held 28 of the CEO spots at S&P 500 companies, according to Catalyst, a research group, 5.6% of the total. Catalyst's tally reflects companies in that index as of January 2017.

One woman cited among those 28 CEOs, Tegna Inc.'s Gracia Martore, retired in June. Her departure, and Ms. Rosenfeld's will decrease the total to 26.

Ms. Rosenfeld led Mondelez through several transformations. In 2010, she orchestrated the acquisition of British chocolate company Cadbury PLC for $19 billion. Two years later, she spun off Kraft, Oscar Mayer and other brands and renamed the remaining company Mondelez.

But the more-focused company struggled to grow its stable of legacy brands, particularly in the face of economic turmoil in key emerging markets including China and Venezuela.

"The single biggest factor was the change in the macro environment," Ms. Rosenfeld said.

Activist investors Nelson Peltz and William Ackman took big stakes in the company's stock and urged Mondelez to improve profit.

Ms. Rosenfeld responded in part by cutting costs, closing or selling more than 40 factories. That helped boost the company's adjusted operating margin to 15.3% in 2016 from 12% in 2013.

Mr. Peltz on Wednesday welcomed Mr. Van de Put's hiring and congratulated Ms. Rosenfeld on her efforts to improve profitability.

That work didn't entirely overcome broader headwinds facing food makers. Mondelez has faltered in volatile emerging markets and struggled to address consumer demands for fresher, healthier food.

Slowing sales have sparked consolidation and executive changes in the industry. Kraft in 2015 merged with H.J. Heinz Co. to form Kraft Heinz Co., which made a bid for Unilever PLC this year. General Mills Inc., Hershey Co. and others have named new CEOs this year.

Mondelez sought to buy Hershey last year in a deal valued at more than $25 billion. Ms. Rosenfeld walked away after Hershey rebuffed its advances.

In its second quarter, Mondelez delivered revenue of $5.9 billion and earnings of 48 cents a share. Analysts polled by Thomson Reuters expected 45 cents. Comparable sales in the quarter fell 2.7%, hurt by the impact of a cyberattack.

The company still expects to log 1% growth annually by that measure, with the help of new better-for-you food brands like Vea.

Shares in Mondelez, which were down 1.6% this year, were down less than 0.8% to $43.29 in Wednesday morning trading.

—Joann S. Lublin contributed to this article.

Anti-India Strike Shuts Down Disputed Kashmir

DAR YASIN/ASSOCIATED PRESS

PROTEST: Rock-throwing villagers clashed with authorities in Haal village, where a boy died a day after being wounded by government forces. Separatists called a strike to protest the killing of two top rebels.

CORRECTIONS & AMPLIFICATIONS

JD.com was never on the U.S. government's Notorious Markets List of websites that authorities allege frequently sell counterfeit goods. A Technology article on Tuesday about French fashion house Saint Laurent's launching online sales in China didn't make clear that JD.com has never been placed on the list, unlike its competitor **Alibaba Group Holding** Ltd.

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

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WORLD NEWS

China and India Face Off in the Himalayas

Tension between rivals rose when Beijing moved to extend a road in a disputed area

China stepped up pressure on India to withdraw from a weekslong military standoff that shows how the countries' contest for leadership in Asia is heightening the risk of conflict.

*By **Niharika Mandhana** in New Delhi and **Chun Han Wong** in Beijing*

The dispute began in June when Beijing assembled workers and machines to extend a road in a remote Himalayan territory that is claimed by both China and Bhutan, a small, mountainous nation that is a close ally of India. The road is located near an area known as the "tri-junction," where China, India and Bhutan meet.

Bhutanese soldiers tried to stop the construction, according to India, which said it then dispatched its troops in coordination with Bhutan. Indian and Chinese soldiers have since planted themselves on the disputed land.

Beijing says India is trespassing and must fall back as a "precondition and basis for any meaningful dialogue." New Delhi says road building in the area hurts India's security interests and Bhutan's territorial claims. Bhutan has called China's actions a "direct violation" of the countries' understanding not to change the situation on the ground until their boundary dispute is resolved.

In a position paper released Wednesday, China's foreign ministry accused India of "flagrantly" crossing over into Chinese territory. "India has invented various excuses to justify its illegal action, but its arguments have no factual or legal grounds at all and are simply untenable," the ministry said in the paper.

"No country should ever underestimate the resolve of the Chinese government and people to defend China's territorial sovereignty," it added.

The standoff on the Dolam Plateau is sparking concerns of a prolonged period of strain between China and India, which are maneuvering for power and influence in a region being redefined by China's rise.

DIPTENDU DUTTA/AGENCE FRANCE-PRESSE/GETTY IMAGES

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MANISH SWARUP/ASSOCIATED PRESS

In top photo, a Chinese soldier gestures to an Indian soldier at the longtime rival superpowers' border. At bottom, Indian Prime Minister Narendra Modi, left, talked in October with Chinese President Xi Jinping at a summit in Goa, India.

"If India backed down, it would send a signal to the neighborhood that China is a better bet than India," said Srikanth Kondapalli, a professor of Chinese studies at Jawaharlal Nehru University in New Delhi. "This dispute is not just about a road. It's a reflection of the changes and realignments that are taking place in Asia."

Both countries are headed by nationalist leaders who have emphasized shows of strength. Indian Prime Minister Narendra Modi wants to forestall a unipolar Asia.

Chinese President Xi Jinping, meanwhile, is preparing for a pivotal Communist Party congress in the fall. Foreign diplomats say that Beijing wants to minimize geopolitical tensions that could upset preparations but doesn't want to be seen as soft on boundary claims.

The two nuclear-armed nations face off from time to time along the long, undemarcated stretches of their border. India lost a war, fought over territorial issues, to China in 1962.

The current dispute stands out because India doesn't claim the territory where its troops are positioned. Indian military strategists worry greater Chinese access to the area could leave India vulnerable at the "Chicken's Neck," a narrow sliver of territory near the tri-junction that connects the bulk of India with its northeast.

India's national security adviser, Ajit Doval, was in Beijing late last week. Neither side would say if the dispute was discussed in his talks with Chinese officials.

Ties between the two countries, never close, have grown far knottier as China has pursued regional dominance. It has made inroads into India's traditional sphere of influence, from Nepal to Sri Lanka and the Indian Ocean. In response, India has forged closer relations with the U.S. and Japan, moves that have irked Beijing.

India has also watched warily as Beijing has tried to shift the balance of power in Asia by enforcing its territorial claims in the disputed South China Sea.

The rivalry has surfaced in different ways in recent months. China is blocking India's membership to an international body that controls trade in nuclear technology, and has stymied India's attempt to impose United Nations sanctions on the leader of a Pakistan-based terror group.

In April, India facilitated a visit by the Dalai Lama to sensitive parts of the country, despite repeated warnings from China, which considers the spiritual leader of Tibetan Buddhism a separatist.

The following month, India declined to participate in the launch of the One Belt, One Road initiative, China's expansive infrastructure plan that seeks to tie dozens of countries to its ambitions. China's efforts to build an economic corridor through Pakistan-governed territory claimed by New Delhi has drawn sharp protests from India.

"India's positions on issues that go to the core of China's vision for a new global framework have upset the Chinese," said Jayadeva Ranade, the president of the New Delhi-based Center for China Analysis and Strategy. "It sees India's intervention [over the Himalayan road] as the next in a series of provocative steps."

Since the start of the standoff, Beijing has kept up a steady drumbeat of criticism of India's position, which has been echoed in Chinese media.

A commentary published by the Global Times, a nationalist tabloid, warned, "The public's patience is running short" and "perhaps it is time that it be taught a second lesson," a reference to the 1962 war.

Bhutan is caught in the geopolitical competition. India provides vital economic and military aid to Bhutan and exercises significant influence, but the Bhutanese shun the notion their country is a protectorate of India, as recent Chinese commentaries have asserted.

China, which doesn't have diplomatic relations with Bhutan, would like to harness those sensitivities to diminish India's hold and start building influence there, as it has done elsewhere in the region.

India and China both have incentives to maintain their position yet avoid escalation, adding to the difficulty of predicting how long the standoff will last or how it will end, said Antoine Levesques, a research associate for South Asia at the International Institute for Strategic Studies in London.

The two sides, he said, are searching for a way to "walk the tightrope of showing results and restraint—both of which are important to both of them."

—Te-Ping Chen contributed to this article.

An Arms Deal Becomes a Jobs Contest in Australia

By Rob Taylor

CANBERRA, Australia—A contest to equip Australia's military with new armored vehicles is emerging as an economic battleground for regions hit by mining and manufacturing downturns, with one bidder pledging to revive a pivotal part of the country's former auto industry.

British defense giant **BAE Systems** PLC said this week that it would build 225 wheeled combat vehicles in a former Melbourne car factory that until recently was one of Australia's manufacturing jewels, if it wins the opening part of bidding against Germany's **Rheinmetall** AG.

At roughly US$11.2 billion, the armored-vehicle contract is among the most lucrative deals of its type at the moment. The country's conservative government will decide the winner early next year.

Australia was the world's fifth-largest arms importer last year, according to the Stockholm International Peace Research Institute, accounting for 3.6% of global weapons imports.

The country has embarked on a US$156 billion plan to reshape its military into one of the most potent small forces in the Asia-Pacific region, which is facing security challenges such as North Korea's nuclear and ballistic-missile program, China's growing naval strength, and uncertainty about U.S. defense policy.

Over the next decade, Australia's military will receive new warships, advanced submarines, stealth warplanes and amphibious forces, in part to safeguard South China Sea and Indian Ocean sea routes that carry around one-third of global maritime traffic.

The defense-hardware splurge is being viewed as a bonanza by Australian state governments eager to tap new sources of growth and jobs as the economy struggles to adjust to a slowdown in resource exports and a global shift toward cheaper manufacturing centers.

"Victoria is the traditional home of vehicle manufacturing, and this project would create thousands of jobs at a time when our automotive sector is in transition," said Daniel Andrews, premier of the southeastern state, after BAE's announcement Tuesday. He pledged unspecified backing for the company from his center-left state Labor government.

State governments are viewing the defense-hardware splurge as a bonanza.

BAE sought to bolster its candidacy by offering to build vehicles at a former car plant operated by Holden, a General Motors Co. subsidiary.

Holden was once a symbol of Australia's postwar manufacturing success, while Victoria was the country's answer to Detroit: an industrial heartland now losing traditional manufacturing jobs. This year, Holden followed Ford Motor Co. and Toyota Motor Corp. in ending production in Australia because of competition from lower-cost imports. GM had said the pullout would result in more than 2,900 job losses.

BAE said it would build a defense center in Holden's former Fishermans Bend engine plant that would manufacture its AMV35 armored vehicle, offered in partnership with Finland's **Patria**, if the company wins the contract. "We can be part of Victoria's ambition to develop a defense industry that is globally focused," said BAE Systems Australia CEO Glynn Phillips.

The armored-vehicle project, known as Land 400, is the largest undertaken by Australia's army, which has fought alongside U.S. forces in every major conflict involving Washington since World War I. The program aims to replace, in stages, a range of wheeled reconnaissance vehicles and Vietnam War-era troop carriers.

The second, larger phase involves replacing an additional 450 tracked troop carriers with vehicles featuring advanced armor, lower profiles and remote gun turrets.

The project is expected to create several thousand direct and indirect jobs, according to state and federal government projections and the manufacturing sector.

JOE CASTRO/REX/SHUTTERSTOCK/EUROPEAN PRESSPHOTO AGENCY

BAE Systems rolled out its new AMV35 armored vehicle in Melbourne, Australia, on Tuesday.

Factory Settings

Australia has been losing manufacturing jobs, and mining employment has retreated from the levels of the recent boom years.

Number of employees in Australia

Source: Australian Bureau of Statistics

THE WALL STREET JOURNAL.

Rheinmetall in July chose Queensland state—where 20,000 jobs have been lost since 2015 in a mining downturn, according to the state's resource industry—as its preferred site to build its Boxer armored vehicle should it win the contract battle. The Queensland government, which also offered unspecified backing to create jobs in defense, said the German company's move was a vote of confidence in the state's defense-industries sector.

While details of regional incentives aren't usually made public, state governments offer enticements such as preferential tax treatment to attract investment. The arms companies have been courted by various states in return for local manufacturing involvement, while state and federal lawmakers have lobbied for contracts in job-starved constituencies.

Rheinmetall, already the largest supplier of military vehicles to the Australian military, said that if successful, it would establish a production line in southeast Queensland to design, build and export military vehicles, turrets and tactical equipment, creating advanced manufacturing jobs.

Australia's government plans to lift military spending to 2% of output by 2021 and has pledged to spread construction of naval frigates, submarines and patrol ships to help struggling regions protect jobs and prolong a record 25-year growth streak.

BAE is also in that contest, putting forward its Type 26 frigate against designs from Spanish state-owned shipbuilder Navantia and Italy's Fincantieri SpA.

The Asia-Pacific region is expected to be the main growth area for armor over the next decade. China, India, Malaysia, Pakistan, the Philippines, Singapore, South Korea and Thailand all have armored-vehicle replacements under way. Middle East nations including Saudi Arabia and the United Arab Emirates are re-equipping as conflict continues in Syria and Iraq.

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Seoul Plans Rare Corporate Tax Increase

Firms would pay more to fund public-sector jobs in first rise since 1991; rich targeted, too

By Kwanwoo Jun

SEOUL—South Korea's left-leaning government is planning to raise taxes on wealthy individuals and large companies, the first increase in the country's corporate tax rate since 1991, as President Moon Jae-in seeks to fund a massive expansion in public-sector hiring.

The move by the three-month-old government bucks the prevailing global trend of falling corporate tax rates. Countries such as the U.S., France and the U.K. have either slashed or have considered lowering rates in recent years in a bid to boost competitiveness and business investment.

Mr. Moon, who took office in May, envisions a larger role for government in boosting household income and creating jobs, rather than his conservative predecessor's reliance on growth driven by large manufacturing exporters.

Mr. Moon's government estimates that fulfilling its policy priorities will require an additional $160 billion in fiscal spending over the course of his five-year presidency.

THE BLUE HOUSE/AGENCE FRANCE-PRESSE/GETTY IMAGES

South Korean President Moon Jae-in wants to add more police, firefighters and social workers.

For example, Mr. Moon has promised to create 810,000 public-sector jobs in that time, including firefighters, police officers and social workers.

The government has already passed a $10 billion supplementary budget and a 16% increase in the minimum wage, both of which are aimed at stimulating the economy.

The Ministry of Strategy and Finance, which unveiled the newly revised tax bill on Wednesday, said the overhaul was focused on "redistributing income and expanding the tax-revenue base."

The ministry expects the tax-code revision, which includes tax breaks and higher levies on the wealthy, to generate additional revenue of about $5 billion a year.

Under the new tax code, individual rates will increase by 2 percentage points for the two highest tax brackets, to a maximum rate of 42% for those who earn about $444,000 or more a year. Rates for individuals who earn less than $270,000 will remain unchanged.

Corporate tax rates, meantime, will rise by 3 percentage points to 25% for companies whose net profit exceeds about $180 million a year.

Tax rates for businesses earning less will remain the same.

Samsung Electronics Co., which paid more than $2 billion in corporate tax last year, is all but certain to pay hundreds of millions of dollars in additional taxes under Mr. Moon's plan. The company declined to comment on the government's tax-revision bill.

Park Ju-gun, head of Seoul-based corporate-governance firm CEO Score, estimated Samsung's additional tax bill under the revised tax code at 300 billion won ($260 million) a year.

"For the business point of view, the corporate tax is an extra unwelcome cost," Mr. Park said.

The country's ceiling on corporate tax rates has been untouched since 2009, when the conservative government under then-President Lee Myung-bak lowered rates to 22% from 25% to help boost business investment and spur sluggish economic growth. The corporate tax rate hasn't gone up in a quarter-century.

The Moon government plans to send the new tax bill to the legislature next month for lawmakers' scrutiny. If approved, the law would take effect in 2018.

Passage isn't certain. Mr. Moon's ruling party holds 120 seats in the 300-seat National Assembly, which requires a simple majority to pass the tax increase. Mr. Moon struggled to convince members of other parties to support his extra budget bill before eventually succeeding in July.

The Moon administration argues that the tax increase is necessary to support the greater role of fiscal policy in propping up an economy that is losing steam after decades of rapid growth.

Officials argue that the private sector is no longer creating as many jobs as it once did, while the country struggles with demographic challenges such as an aging population and one of the world's lowest birthrates.

Critics, however, say the taxation overhaul, particularly the corporate tax rise, could backfire, possibly stifling investment and employment or having businesses raise goods prices and stoke inflation.

In a recent report, the Korea Institute of Public Finance estimated that a 1 percentage-point corporate tax increase would reduce jobs and income by up to 0.5% and 0.6%, respectively.

India Reduces Interest Rates

By Debiprasad Nayak And Corinne Abrams

MUMBAI—India's central bank cut its main lending rate to a more than six-year low Wednesday, as inflation and economic growth slowed.

The Reserve Bank of India's monetary-policy committee lowered its repurchase rate by 0.25 percentage point to 6.0%, as predicted by economists polled by The Wall Street Journal. The RBI last cut the rate in October.

"There is an urgent need to reinvigorate private investment," RBI Gov. Urjit Patel told a news conference after the decision, though he cautioned that inflation could accelerate over the rest of the year.

The central bank also lowered its reverse repo rate—the rate at which it borrows money from commercial banks—by 0.25 percentage point to 5.75%.

Four of the six monetary-policy committee members voted for the 0.25 percentage-point cut, Mr. Patel said. One voted for a 0.50 percentage-point cut and another voted to leave it unchanged.

Consumer-price inflation in Asia's third-largest economy slowed to 1.5% in June, well below the 2% bottom of the central bank's target range.

Since it started this easing cycle in early 2015, the RBI has cut its benchmark rate by a total of 2 percentage points on growing confidence that inflation was under control and rising concern the economy may need help to maintain its growth momentum.

Economists said they expect the central bank to cut by another 0.25 percentage point in the coming year.

The RBI said farm-loan waivers granted by state governments and planned increases in wages for public-sector employees could contribute to a spurt in inflation. However, inflation is expected to remain a little above 4% by the end of this financial year, Mr. Patel said.

Food prices have been coming down, bringing inflation rates in India to new lows in recent months. A relatively strong rupee and stable global commodity prices have also helped slow the country's once chronic price increases.

PUNIT PARANJPE/AGENCE FRANCE-PRESSE/GETTY IMAGES

As economists expected, the central bank cut its main tool, the repurchase rate, to 6.0% as inflation and economic growth slowed.

Industrial growth, however, remains weak and needs to be supported by policy, corporate leaders said. The latest slowdown in industrial production suggests the economy isn't out of the woods yet. Growth was at 1.7% in May, down from April's 2.8%.

India's gross domestic product growth slowed to a two-year low of 6.1% during the three months through March.

Indian industry lobbies have been demanding even lower rates to help them boost investment and create jobs. Banks have been reluctant to pass on the lower rates to borrowers as they struggle under a growing burden of bad debt left over from a lending spree a decade ago.

Radhika Rao, an economist at Singapore-based DBS Bank, said the neutral policy stance would "allow the RBI to be noncommittal on the future course of action, retaining the flexibility to react to the evolving inflation trajectory."

TRADE

Continued from page A1

nese firms or to U.S.-China joint ventures.

American business frustration with Chinese trade and market-access practices has mounted in recent years, with U.S. business groups urging the government to take a tougher trade line with China. Many organizations have complained that the Trump administration hasn't pushed hard enough in areas like intellectual property, as it has focused more on Chinese manufacturing and China's $347 billion trade surplus with the U.S. last year.

That discontent has intensified as China's economy continued to expand and its computer and software sectors became bigger competitors internationally. Western firms fear China will use the regulations to bar foreign investments in areas that Beijing targets for investment, including semiconductors, advanced-machine tools and artificial intelligence.

One big question hanging over the White House review is whether the administration pursues any complaint through the World Trade Organization, or whether it chooses to impose penalties on its own without first seeking permission from the international body, which some Trump advisers have argued is incapable of dealing with China's trade practices. Trump aides have regularly vowed to pursue a more unilateral approach to trade but have so far done little along those lines.

It is unclear how long the administration's internal review will take before an announcement is made. Officials at one point had signaled that an announcement could come as soon as this week.

A White House spokeswoman declined to comment on the prospect of trade sanctions.

The White House has been wrestling in recent weeks with how to navigate trade relations with China following a stalemate during mid-July bilateral economic talks that yielded no concrete progress. President Donald Trump in recent days has also expressed open disappointment with Chinese efforts to curb North Korea's nuclear program and administration officials have been increasingly outspoken in their criticism of Chinese trade practices.

Mr. Trump's commerce secretary, Wilbur Ross, wrote an op-ed in Tuesday's Wall Street Journal blasting China, as well as the European Union, for "formidable nontariff trade barriers" and vowing to "use every available tool" to fight those limits.

The White House expects a crackdown on alleged Chinese intellectual-property expropriation would have widespread support among U.S. businesses, which have complained about China's business practices.

The response may be more divided, say industry officials. Those U.S. companies that want to keep their most advanced technology from Chinese hands would probably back the move, while others that want to license technology to Chinese firms could find the measures a hindrance.

China could also retaliate by blocking U.S. investments or making life tougher for U.S. companies in China.

Still, any action on Chinese intellectual property is bound to be more popular with the business sector than other trade moves the president has made, including his decision to withdraw from the Trans-Pacific Partnership as well as his threats to pull out of the North American Free Trade Agreement and to impose tariffs on steel imports.

AGENCE FRANCE-PRESSE/GETTY IMAGES

A cargo ship is loaded in Qingdao. China had a $347 billion trade surplus with the U.S. last year.

The Trump administration's exploration of new trade remedies against Beijing is significant in that they might involve dusting off long-ignored or little-used powers. In this case, one option under discussion is to use Section 301 of the Trade Act of 1974, which gives the U.S. government the authority to investigate alleged wrongdoing by trading partners and decide by itself the relevant penalty—to act, in the eyes of critics, as judge, jury and executioner.

Another option under discussion would be to invoke the International Emergency Economic Powers Act, a 1977 law that gives the president broad powers to regulate commerce after declaring a "national emergency."

Widely used in the 1970s and 1980s, Section 301 cases have largely disappeared since the 1995 creation of the WTO, which has its own dispute-settlement process. A main goal of the Geneva-based institution was to curb such unilateral trade actions and to have them handled by a more-neutral international arbiter. U.S. administrations over the past two decades have decided to steer nearly all trade complaints through the WTO and have rarely touched Section 301.

But Trump aides have often said they didn't consider WTO rules sufficient to deal with Chinese practices and have indicated they may resort to pre-WTO unilateral practices.

"If any other administration self-initiated a Section 301 investigation, I would have found it highly unusual," said Chad Bown, a trade-remedy expert at the Peterson Institute for International Economics. "But with Trump's administration of U.S. trade policy, it appears that even the most obscure and unused U.S. law on the books is fair game."

In May, more than four dozen U.S., European and Asian trade associations wrote a letter to the Communist Party group overseeing cybersecurity, for instance, complaining about a new law that the associations felt would require their companies to place data centers in China, find Chinese partners and transfer technology to the joint ventures. Beijing generally argues that it is trying to protect itself from efforts by Western intelligence services to tap into Chinese computer systems.

U.S. wants China to stop intellectual-property theft and ease market access.

"All countries have legitimate concerns over privacy and national security, but China is the principal country addressing these concerns by requiring foreign companies to transfer their technology and to surrender their brand and operating control in order to do business," the group wrote.

—Ian Talley contributed to this article.

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Rosy Picture Turns Darker In Rwanda

By Nicholas Bariyo

Paul Kagame is so certain he will secure a third term in Rwanda's presidential election on Friday that he claimed victory more than one month ago.

But cracks in the strongman's armor are starting to appear, as the coffee-fueled economy loses steam and rights groups say intimidation and oppression tar a state-building success story.

Polls ahead of the vote show more than 90% of Rwanda's 6.8 million voters back the former rebel leader who shepherded this tiny, landlocked East African nation from 1994's genocide to become a poster child for efficient governance and economic growth.

Lionized by government media and broadcast on digital billboards across the country, he has attracted a cult following after delivering an average economic-growth rate of 8% over the past decade, one of the world's fastest. In the capital Kigali, a new $300 million convention center caps a skyline transformed by commercial and residential developments. Traffic is orderly and crime is rare.

The government's success in reducing poverty has attracted waves of foreign capital from aid agencies and private investors and plaudits from Western leaders including Bill Clinton and Tony Blair, burnishing Mr. Kagame's technocratic autocracy.

But while supporters see a visionary leader, critics, diplomats and rights groups say the president's genuine popularity has risen in tandem with violent repression, including an expanded effort to muzzle the opposition in the weeks before the polls.

"Kagame is not your average African strongman," said Simeon Wiehler, dean of the School of Social, Political and Administration Sciences at the University of Rwanda. "He has proved himself to be a formidable strategic organizer."

Meanwhile, more experts question the "Rwandan miracle" narrative, pointing to negligible fixed foreign investment and a failure of manufacturing and services sectors to grow as planned.

Rwanda's economy grew at 1.7% in the first quarter of 2017, the lowest quarterly real growth in gross domestic product in nearly a decade, according to the country's statistics office.

Mr. Kagame—able to run for the third term after constitutional changes were overwhelmingly approved in a 2015 referendum—is facing off against two unknown candidates who have had only three weeks to canvass for support.

Diana Rwigara, a popular critic of the 59-year-old leader, was disqualified from running after the election authority rejected her supporters' signatures. Thomas Nahimana, a well-known Catholic priest living in France who wanted to repatriate and run for president was barred from returning.

When the U.S. and European Union envoys asked about the electoral commission's vetting process following the elimination of several presidential contenders, Mr. Kagame went on state television and warned them to "stop fueling fire."

In July, Human Rights Watch released a report documenting dozens of extrajudicial killings by Mr. Kagame's security forces over petty crimes, including stealing bananas.

Foreign diplomats and international financial institutions have privately expressed unease about Rwanda's political process, but there will be no formal international election monitoring.

More than 90% of the country's voters back President Paul Kagame.

Kigali sought more than $200 million in financial assistance from the International Monetary Fund last year, and its public debt has skyrocketed to 50% of total economic output, the IMF said.

Drought and lowering crop yields are also damping agricultural growth. Rwandan farmers are approaching the limits of what they can produce on their small, fragmented farms.

"It's important to note that Rwanda's economy is on a slowdown," said Benedict Craven, an analyst with the Economist Intelligence Unit. "If Kagame insists on staying amid a much less rosy economic picture than people have been used to under his rule, there is going to have to be a lot more opposition-crushing than there has been."

A spokeswoman for Mr. Kagame's ruling Rwanda Patriotic Front party said Kigali wouldn't accept "uncalled for interference into the country's democracy by foreigners."

"This is not new. All the time we see the so-called international community make unhinged statements about Rwanda's success," the spokeswoman said. "Rwandans have rejected such influences."

The vast majority of Rwandans appear to strongly back Mr. Kagame as a steady hand who has kept his country stable in a volatile region. Vincent Kalemba, a clerk at a tourism company in downtown Kigali, said only Mr. Kagame would keep Rwanda united and progressing.

"My vote is only for Kagame," the 27-year-old said. "He has steered this country in the right direction, Rwanda will remain safe under his leadership."

Mr. Kagame's party, the Rwandan Patriotic Front, is campaigning on a platform of building new infrastructure, boosting agricultural productivity, mining and tourism. It has also promised to pave 2,500 miles of road over the next seven years.

Frank Habineza, one of Mr. Kagame's two opponents, told The Wall Street Journal that despite being on the ballot, he continues to face intimidation and harassment. Local authorities have disrupted several of his rallies, accusing him of not seeking clearance to hold them.

"The ruling party has basically fused with the state over the past 20 years," Mr. Habineza said: "It's such a big risk to be in opposition."

MARCO LONGARI/AGENCE FRANCE-PRESSE/GETTY IMAGES

Rwandan President Paul Kagame waved to supporters in the capital Kigali on Wednesday at a rally ahead of Friday's election.

Roller-Coaster Ride

Annualized quarterly change in Rwanda's real GDP

Source: National Institute of Statistics of Rwanda
THE WALL STREET JOURNAL.

WORLD WATCH

NAVESH CHITRAKAR/REUTERS

COLORFUL GESTURE: A man splashes paint on the Boudhanath Stupa Buddhist shrine near Kathmandu.

VENEZUELA

Software Firm Cites Tampering With Vote

Authorities tampered with votes during an election this week that was intended to create a body of Socialist Party loyalists to rewrite the country's constitution, the company that provides the government with the voting software said.

The statement from **Smartmatic**, a London-based company that has worked with Venezuela's electoral council since 2004, cast further doubt over the legitimacy of Sunday's election of a powerful constituent assembly made up of Socialist Party loyalists to redraft the constitution.

"Based on the robustness of our system, we know, without any doubt, that the turnout of the recent election for a National constituent assembly was manipulated," Smartmatic CEO Antonio Mugica said.

One of the five rectors in the National Electoral Council, the only one who represents the opposition, this week called the election unconstitutional.

He said the same audits and antifraud controls of past elections weren't employed.

Venezuelan opposition leaders called for an investigation of the rectors who run the National Electoral Council.

The government didn't respond to a request for comment.

—Kejal Vyas

EUROZONE

Factory Prices Extend Downward Trend

The prices of goods leaving the eurozone's factory gates fell in June for the third month in four, as inflation looks set to remain weak despite a sustained pickup in economic growth.

The European Union's statistics agency said producer prices fell 0.1% from May, having also declined in that month and in March. Indeed, the latest month-to-month increase in producer prices was recorded in January. Thanks to rises in the second half of 2016, prices in June were still 2.5% higher than a year earlier, but that was the smallest annual increase in 2017.

The sustained drop in prices at the eurozone's factory gates comes despite a pickup in growth that has seen the eurozone outpace the U.S. over the past 18 months, a sign that the currency area's economy is finally emerging from the shadow of the past decade's financial crises.

Surprisingly strong growth in the first six months of this year has fueled expectations that the European Central Bank will start to remove some of the stimulus it has been providing since mid-2014. In July, ECB President Mario Draghi described the recovery as robust and said policy makers would decide in the fall on the future of their bond-buying program, which is tentatively scheduled to end in December.

—Paul Hannon

ITALY

Authorities Seize German Migrant Boat

Italian authorities ordered a German group's migrant rescue boat seized on suspicion it was used to aid human traffickers in Libya who are engaged in "clandestine immigration."

The Dutch-flagged boat ordered by prosecutors to remain in port in Lampedusa, a fishing island off Sicily, is operated by Berlin-based migrant rescue group Jugend Rettet.

Italian national police in Trapani, Sicily, said the Iuventa "is regularly devoted to the rescue of migrants near the Libyan coast" and that an investigation opened in October has uncovered information to suggest the vessel was used "to aid and abet clandestine immigration."

A judge in Trapani, Sicily ordered the preventive seizure at the request of Trapani Deputy Prosecutor Andrea Tarondo.

Earlier in the day, the group tweeted that the crew of the boat was interviewed in Lampedusa, but hadn't been informed of any investigation.

Prosecutors in Trapani and in Catania, another Sicilian city, have said they suspected some nongovernmental organizations were using vessels to rescue migrants and helping traffickers.

—Associated Press

OUTSOURCING OF AIRPORT SERVICES

1. Pakistan Civil Aviation Authority (PCAA) invites for PROPOSALS through this Request for Proposal (RFP) from the airport operator companies to license the airport services of **New Islamabad International Airport (NIIAP), Islamabad, Allama Iqbal International Airport Lahore and Jinnah International Airport Karachi**.
2. The interested companies would be responsible for providing airport(s) services under a license, and will undertake periodic development of airport infrastructure, pursuant to an approved scheme.
3. The scope of work will include provision of:
   a. Airport services
   b. Commercial exploitation of airport terminal
   c. Maintenance of allied infrastructure related to airport services
   d. Management of existing outsourced concession at the airports
   e. Provision of international standard ground handling services at the airport etc.
4. Interested Companies having relevant experience of rendering airport services with a sound capability to provide efficient and quality services are encouraged to apply.
5. The RFP Documents may be obtained from the Office of the **Deputy Director General Airport Services, Headquarters Pakistan Civil Aviation Authority, Terminal-1, Jinnah International Airport [JIAP], Karachi** on any working day from **0900 hours** to **1600 hours** till **August 11, 2017** on payment of prescribed non-refundable fee of Rs. 113,000/- in Pakistan Civil Aviation Authority (PCAA) Collection Account No. C-2561-8 at National Bank of Pakistan Airport Branch, Terminal -1, (JIAP), Karachi.
6. Proposals / Bids shall be submitted in Two Envelopes separately marked as "Technical Proposal" and "Financial Proposal". The deadline for the submission of proposals / bids is **September 12, 2017** till **1200 hours**. The proposals / bids will be opened 2 hours after the deadline on same date.
7. PCAA reserves the right to reject all bids or proposals at any time prior to the acceptance of a bid / proposal. The PCAA shall upon request communicate to any participating company the grounds for rejection of a bid / proposal, but it is not binding upon PCAA to justify those grounds.

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Insurers Seek Increase in ACA Premiums

New federal data show push to raise costs on Affordable Care Act plans of 30% or more

By Anna Wilde Mathews And Louise Radnofsky

22Major health insurers in some states are seeking increases as high as 30% or more for premiums on 2018 Affordable Care Act plans, according to new federal data that provide the broadest view so far of the turmoil across exchanges as companies try to anticipate Trump administration policies.

Big insurers in Idaho, West Virginia, South Carolina, Iowa and Wyoming are seeking to raise premiums by averages close to 30% or higher, according to preliminary rate requests published Tuesday by the U.S. Department of Health and Human Services. Major marketplace players in New Mexico, Tennessee, North Dakota and Hawaii indicated they were looking for average increases of at least 20%.

In other cases, insurers are looking for more limited premium increases for the suites of products they offer in individual states, reflecting the variety of situations in different markets. **Health Care Service** Corp., a huge exchange player in five states, filed for average increases including 8.3% in Oklahoma, 23.6% in Texas, and 16% in Illinois.

Together the filings show the uncertainty in the health-insurance marketplaces as insurers around the U.S. try to make decisions about rates and participation for next year amid open questions about changes that could come from the Trump administration and Congress.

Insurers face a mid-August deadline for completing their rates. They have until late September to sign federal agreements to offer plans in 2018. In some cases, insurers warn, the figures revealed by federal regulators may not reflect their up-to-date thinking.

The insurers' decisions will be closely dependent on moves by the Trump administration and Congress. Most important is whether the federal government continues making payments that reduce health-care costs for low-income exchange enrollees, which insurers say are vital and President Donald Trump has threatened to halt.

Insurers are also concerned about whether the Trump administration will enforce the requirement for most people to have insurance coverage, which industry officials say helps hold down rates by prodding young, healthy people to sign up for plans.

In Montana, Health Care Service linked 17 percentage points of its 23% rate increase request to concerns about the cost-sharing payments and enforcement of the mandate that requires everyone to purchase insurance. Kurt Kossen, a senior vice president at Health Care Service, said the company's rate requests are driven by causes including growing health costs and "uncertainty and the associated risks that exist within this marketplace, including uncertainty around issues like the continued funding of [cost-sharing payments] and mechanisms that encourage broad and continuous coverage."

Sen. Lamar Alexander (R., Tenn.), who chairs the Senate committee that oversees health policy, said Tuesday that he had told Mr. Trump directly that the government should continue making the payments to insurance companies

The effect of the rate increases will be blunted for many exchange enrollees, because lower-income people receive federal subsidies that cover much of their premiums.

But increases could be tough to stomach for those who aren't eligible for the help, like Harland Stanley, 53, of Louisville, Ky. Mr. Stanley, who owns his own research business, pays about $400 a month for a plan from Anthem Inc., which is seeking an average increase of 34% in the state, though Mr. Stanley's own premiums might rise by less or more than that.

"It's going to hurt," said Mr. Stanley, who said his monthly premium this year is about $120 more than he paid in 2016. "I worry about, what if it keeps going? When is this going to stop?"

Anthem, which is seeking rate average increases of 30% or more in states including Colorado, Kentucky, Nevada and Virginia, has said it would refile for bigger hikes and may pull back its exchange offerings more if uncertainty continues around issues including the cost-sharing payments.

Centene Corp.'s requests ranged from less than 1% in New Hampshire to 21% in Texas and 12.49% in Georgia. Those rate proposals generally assume the current rules surrounding ACA plans continue, the company said.

CareSource, a nonprofit insurer that offers exchange plans in four states, has prepared alternate rate filings for different scenarios, and one of its state regulators Monday asked it to refile with proposed rates that assume no cost-sharing payments.

"It's challenging; you learn to be very fluid," said Steve Ringel, president of the Ohio market for CareSource.

"Resolution of the [cost-sharing payments] is an urgent issue," said Bill Wehrle, a vice president at Kaiser Permanente, which offers exchange plans in a number of states. "We're coming up at a point that's fairly soon, where the pricing decisions we make are set for all of next year."

The impact of potentially losing the cost-sharing payments was also clear in the rates requested by Blue Cross of Idaho, which average 28%. That would probably be in the lower teens if the payments were guaranteed, said Dave Jeppesen, a senior vice president. "There's a lot of risk associated with the uncertainty in Congress right now, and we are pricing appropriately for that risk," he said.

A recent Kaiser Family Foundation analysis found insurers' financial results on exchange plans improved in the first quarter of this year, a sign of potentially emerging stability. That is reflected in a number of states where rate-increase requests are limited. The exchange in California said Tuesday that insurers were seeking an overall average increase of 12.5%—but there would be an additional 12.4% boost layered onto middle-tier "silver" plans if the cost-sharing subsidies aren't paid.

JESSICA EBELHAR FOR THE WALL STREET JOURNAL

Harland Stanley in Louisville, Ky., uses Anthem, which seeks an average increase of 34% in the state.

On the Rise

Average premium increases proposed by big insurers for Affordable Care Act plans in select states

Source: U.S. Department of Health and Human Services

THE WALL STREET JOURNAL

A Republican Bid To Keep Health Overhaul Going

The White House and some Republicans who want to keep up efforts to repeal the Affordable Care Act have seized on a proposal aimed at giving states significant flexibility, though Senate leaders are suggesting they won't revisit the health-care issue in the near future.

The proposal, which Sens. Lindsey Graham (R., S.C.) and Bill Cassidy (R., La.) unveiled when the GOP's primary legislation to overhaul the 2010 health-care law was faltering, is designed to let states craft their health systems to some degree. It would repeal a requirement that most people purchase insurance or pay a penalty and a related mandate that most employers offer it. The plan would keep the ACA's taxes except one on medical devices. But rather than using the money for premium subsidies and a Medicaid expansion, as the ACA does, it would be offered as block grants to states so they could address their health-care needs.

The White House has hosted meetings on the proposal, including a session Monday with Mr. Cassidy, Health and Human Services Secretary Tom Price and four GOP governors. But the plan faces long odds in the Senate, where Republican leaders have said repeatedly in recent days they have no plans to bring another health proposal to the floor anytime soon.

With the absence of Sen. John McCain (R., Ariz.), who is undergoing brain-cancer treatment, Republicans don't have enough votes to reopen debate on health-care legislation, and Senate Majority Leader Mitch McConnell (R., Ky.) has indicated he is eager to move on to tax reform and other goals. Still, Mr. McConnell suggested he would submit the Graham-Cassidy plan to the Congressional Budget Office for an estimate of its impact on costs and coverage.

When he first unveiled the idea, Mr. Graham said he believed it might appeal to Democrats because blue states could use the block-granted money to re-create state models of the ACA. But Democrats say the plan is unworkable because it effectively ends the ACA's subsidies and Medicaid expansion.

—Michelle Hackman

Senate GOP Rebuffs Trump's Push

WASHINGTON—Senate Republicans made clear on Tuesday that they want to chart their own course to focus on a tax overhaul and critical fiscal legislation, bypassing requests from President Donald Trump and White House officials to keep health care their top legislative priority.

By Siobhan Hughes, Natalie Andrews and Janet Hook

In his first press conference since a GOP health bill collapsed in the Senate, Majority Leader Mitch McConnell (R., Ky.) on Tuesday left health legislation off the list of items to be voted on before the chamber leaves for recess later this month, despite Mr. Trump's calls to dive back in.

Mr. McConnell, who has said he prefers to keep disagreements with the president private, also disclosed that he had told Mr. Trump that most senators don't support changing the chamber's rules to allow bills to pass on a simple majority vote, as the president urged on Twitter.

"There are not the votes in the Senate, as I've said repeatedly to the president and all of you, to change the rules of the Senate," Mr. McConnell said.

Mr. McConnell was one of several senators in recent days who have resisted White House entreaties on health care, often expressed in language that is frank for leaders of the same party.

Sen. John Cornyn (R., Texas) took a shot at White House Budget Director Mick Mulvaney, who said Sunday that Congress should continue to work on health care rather than move on to other issues.

"I don't think he's got much experience in the Senate, as I recall," Mr. Cornyn told reporters on Monday night about Mr. Mulvaney, who served three terms in the House.

A spokesman for the Office of Management and Budget said Mr. Mulvaney was merely conveying Mr. Trump's view. "Health care is a priority for most Americans," the spokesman said. "It should be for Congress as well."

In an effort to keep the health-care effort front and center, Mr. Trump has threatened to take away government contributions toward the cost of lawmakers' health care and to stop government payments to insurers that reduce copayments and deductibles for some of the poorest customers under the 2010 health law. Mr. Trump also has ousted White House staffers most closely linked to the Republican National Committee and the House leadership—former Chief of Staff Reince Priebus and spokesman Sean Spicer.

Potentially rebuffing Mr. Trump's plans, Senate Health, Education, Labor and Pensions Committee Chairman Lamar Alexander (R., Tenn.) said Tuesday that his committee would begin drafting legislation this week to stabilize the Affordable Care Act's fragile insurance markets, where people who don't get health coverage through work purchase insurance. He said the committee aims to pass short-term legislation in mid-September.

For its part, the White House on Tuesday rejected a suggestion made at the White House press briefing that Mr. Trump's agenda was suffering because he was losing credibility on Capitol Hill.

"What's hurting the legislative agenda is Congress's inability to get things passed," White House spokeswoman Sarah Huckabee Sanders said.

Next on the Senate Republicans' agenda is a tax overhaul. "We began to discuss today at lunch tax reform," Sen. Bob Corker (R., Tenn.) said Tuesday. "That's our next agenda item, and it's something that regardless of who's president we would want to be pursuing at this time."

Senate and House Republicans plan to advance the issue in September after their recess and have been working with administration officials on a coordinated plan. But Senate Republicans also dismissed White House suggestions they take input from Democrats.

"I don't think this is going to be 1986, when you had a bipartisan effort to scrub the code," Mr. McConnell said.

Congress also must pass legislation to fund the government beyond Sept. 30, when the current spending law expires, and it needs to raise the borrowing limit by the end of September.

MARK WILSON/GETTY IMAGES

Sen. John Cornyn took a shot at White House Budget Director Mick Mulvaney, who said Congress should continue to work on health care.

President Signs Bill Imposing Sanctions Against Moscow

By Rebecca Ballhaus And Natalie Andrews

President Donald Trump on Wednesday signed into law a bill imposing sanctions on Russia to punish it for its interference in the 2016 U.S. election, a White House official said.

The president said in a pair of statements the bill was "seriously flawed" because it "encroaches on the executive branch's authority to negotiate," and includes a number of "clearly unconstitutional provisions." But he said he had signed it "for the sake of national unity," and that it showed the American people want to "see Russia take steps to improve relations with the U.S."

The measure, which also imposes sanctions on Iran and North Korea, passed the Senate last Thursday on a 98-2 vote. The same bill passed the House last week, 419-3. The overwhelming majority showed the president that there was enough strength in Congress to override a veto should he choose to block the legislation.

While the measure was debated in Congress, White House officials wouldn't commit to whether the president would sign the bill, saying it may infringe on presidential authority. The bill includes a provision that would require the president to consult Congress before relaxing any sanctions against Moscow or restoring Russia's control over diplomatic compounds in the U.S. that had been seized by the Obama administration as part of U.S. reprisals for the alleged election interference.

According to a January report from the U.S. intelligence community, Russia's interference was directed at the highest levels of its government. Its tactics included hacking state election systems and disseminating through social media and other outlets negative stories about Democratic nominee Hillary Clinton and positive ones about Mr. Trump, the report said. Mr. Trump has expressed skepticism about the findings. Russia has denied the allegations.

JIM WATSON/AGENCE FRANCE-PRESSE/GETTY IMAGES

Mr. Trump signed the measure 'for the sake of national unity.'

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'Air Capital Of the World' Has Problem

With too few aviation workers, Wichita is trying to hold on to its biggest industry

By Shayndi Raice

WICHITA, Kan.—This sun-baked central Kansas city has long been a center of aircraft manufacturing, with sprawling facilities for companies like **Textron** Inc. and **Spirit AeroSystems Holdings** Inc. dotting the landscape.

Manufacturing jobs largely supported by aircraft makers have fallen to 52,000 as of June from a high of 69,000 in July 2008, when demand for business jets was hit hard by the financial crisis, prompting a wave of pink slips.

Now the city of 390,000 is scrambling to scare up enough workers to keep the factories humming.

"When people lost their jobs they either found other types of work or left town," explains Dave Franson, president of the Wichita Aero Club and a former executive at Cessna, a unit of Textron. "You have what has been an eight or nine year gap of people migrating away from the industry here."

Wichita, known as the "air capital of the world," is working with the industry to train thousands of new workers while sprucing up downtown in an attempt to make it a place where people want to stay—and to dissuade companies from shipping the jobs overseas.

In recent years, Wichita State University bulldozed a former golf course to double the school's size and build an "innovation campus" focused on the aviation industry. Airbus SE moved its local headquarters there so interns could study and work at the same time. And the local technical college has worked with the industry to offer free tuition to help train and supply workers.

Meanwhile, the city is working with the private sector and nonprofits to invest in parks, a bike-share program, a new baseball stadium and a luxury apartment building to try to attract more talent to the city and make the downtown area more livable.

"We're no longer going to play this traditional incentive game and offer cash to companies," said Mayor Jeff Longwell. "We think quality of life will do more."

The problems in Wichita mirror those in other manufacturing areas, where a skills gap has emerged due in part to aging workers and changing technology. But the turbulent aviation industry—which is easily affected by economic cycles—adds another wrinkle to the challenge.

The labor shortage doesn't appear to have had much of an effect on pay—puzzling economists, who say weak inflation, slowing productivity and the effects of globalization may be holding back wage growth. Average weekly wages in 2016 were up 1.4% in the manufacturing sector in Kansas from a year earlier, according to Bureau of Labor Statistics data.

David St. Pierre, a 44-year-old jet mechanic, has been laid off nine times and moved five times in search of work since 1996. He came back to Wichita in 2011—his third stint living in the city.

Now, he is one of 459 employees receiving help from his employer, Textron, to get new training and certification, in his case for an airframe and power-plant license.

"If you're willing to transfer back and forth, there's work," said Mr. St. Pierre, standing in Wichita Area Technical College's airplane hangar lab. In addition to a big salary bump, he is hoping the new credential will make it easier to find a new job locally the next time the industry hits bumps so he won't have to move his wife and four children.

WATC, with funding and support from the industry, last year launched a tuition-free program whose courses include sheet-metal assembly and composite technology. The program expects to have 110 students over the next few months, up from 77 currently signed up, WATC President Sheree Utash said.

Wichita, with a flat landscape and a concentration of early aviation entrepreneurs like Walter Beech and Clyde Cessna, emerged as a hub for aircraft making in the 1920s and 1930s, becoming the largest city in Kansas.

But technological advances and a sharp downturn in business jets after 2008 put Wichita's workers on a roller coaster. Beechcraft went bankrupt and was bought by Textron. Boeing Co., a presence in Wichita for more than eight decades, closed its doors here in 2012, citing defense budget cuts.

Now things are starting to look up, especially for commercial aircraft. Spirit is delivering 47 fuselages as well as engine and wing parts for Boeing 737s each month—and Boeing wants more next year. Spirit will hire 300 new workers by the end of March 2018, or twice the 150 it needs to keep up with attrition, said Vic McMullen, vice president and general manager of operations at Spirit.

It isn't easy finding people to fill those jobs. And an aging workforce means the company needs to be prepared for an exodus of skilled workers.

Justin Welner, vice president of human resources for Spirit, said that one third of his 10,000 plant employees are eligible for retirement. "Behind them, the younger generation doesn't have the same kind of affinity for that kind of work," he said. "It's been harder and harder to recruit experienced mechanics."

In 2012, when officials first woke up to the coming skills gap, concern was deep.

"There was a massive panic in Kansas," said John Tomblin, executive director of Wichita State University's National Institute for Aviation Research, prompting the building boom that saw the school expand onto the golf course and Airbus's move to campus.

"You need to have engineers coming out of that college pipeline who are ready for a career in aerospace," said John O'Leary, vice president of Airbus Americas Engineering who oversees the 300 engineers, support personnel and students working at the WSU campus site.

That kind of cooperation benefits the company and the students. "Before they cross that [graduation] stage, they have a job," Dr. Tomblin said.

AMY KONTRAS FOR THE WALL STREET JOURNAL

Workers assemble fuselages of Boeing 737s at Spirit's Wichita plant. The city is working to dissuade firms from shipping jobs overseas.

Back from the Brink

Manufacturing jobs in Wichita, Kan., change from a year earlier

Source: Federal Reserve Bank of St. Louis
THE WALL STREET JOURNAL.

U.S. WATCH

FBI

Senate Confirms Director Nominee

Christopher Wray, President Donald Trump's pick to lead the Federal Bureau of Investigation, won Senate confirmation with the support of most Democrats, putting the former Justice Department official and private lawyer in charge of an agency buffeted by political crosswinds.

The bipartisan nature of the 92-5 vote Tuesday was a shift after Mr. Trump's abrupt firing in May of the last FBI director, James Comey, amid the agency's investigation into alleged Russian meddling in the 2016 election and any potential connection with the Trump campaign. Mr. Comey's dismissal alarmed lawmakers in both parties, but Democrats were especially critical.

—Aruna Viswanatha and Del Quentin Wilber

ECONOMY

Inflation Complicates Fed's Rate Decision

Consumer prices were flat in June from the prior month and annual inflation remained well below the Federal Reserve's 2% target, a potential yellow flag for the central bank as it considers interest-rate increases later in the year. Inflation is turning into a conundrum for the Fed. Officials have been expecting a pickup as the economy improves, but it isn't appearing.

The Fed's preferred measure of inflation, the price index for personal-consumption expenditures, was unchanged in June from the prior month, the second straight flat reading. It was up 1.4% in June from a year earlier and has dropped for four consecutive months on an annual basis, from 2.2% in February.

Consumer spending didn't offer much spark either, rising a tepid 0.1% for the month. Adjusted for inflation, consumer spending was unchanged in June. Personal income was flat, the Commerce Department reported Tuesday, held back in part by a drop in the income households earn on dividends from investments.

—Sarah Chaney

MICHELLE HERRICK

Michelle Herrick, a photographer in Phoenix, watches TV using an antenna with her 11-year-old twins.

TV

Continued from Page One

and CBS free.

There is typically no need to climb on a rooftop. While some indoor antennas still look like old-fashioned rabbit ears, many modern antennas are thin sheets that can be hidden behind a flat TV or hung like a picture frame.

But many consumers still aren't getting the signal.

Carlos Villalobos, 21, who was selling tube-shaped digital antennas at a swap meet in San Diego recently, says customers often ask if his $20 to $25 products are legal. "They don't trust me when I say that these are actually free local channels."

This year, he got an earful from a woman who didn't get it. "She was mad," he recalls. "She says, 'No, you can't live in America for free, what are you talking about?' "

Almost a third of Americans (29%) are unaware local TV is available free, according to a June survey by the National Association of Broadcasters, an industry trade group.

Since the dawn of television, the major networks have broadcast signals over the airwaves. It is free after buying an antenna, indoor or outdoor, and plugging it into your TV set. It still exists, though now most consumers have switched to cable television, which includes many more channels and costs upward of $100 a month.

Much of the confusion dates to federal legislation that required broadcasters to stop sending analog signals in 2009 and shift to high-definition digital transmissions. The change meant old TVs wouldn't get the broadcasts, forcing consumers to buy new TVs or converter boxes to pick up the free signals.

Scott Wills, a wireless-industry executive living in the San Francisco Bay Area, worked for over a year on the legislation that set the transition in motion. Mr. Wills discussed his work extensively with his son, who was almost a teenager at the time.

About a decade later, Mr. Wills had a hunch many people, especially young people, thought the transition simply killed TV signals, rather than made them better. He asked his son. "His answer was, 'Dad, you should know better than anyone that there's no broadcast TV!" Mr. Wills recalls. "He thought broadcast TV went away."

His son, Hunter, now 24 and living in Chicago, says he mostly watches Netflix. "I had no idea," he said of broadcast's continued existence. "I'm still not even that familiar with the concept."

The Federal Communications Commission spent millions on a campaign to educate the public about the digital TV transition and Congress set aside more than $2 billion to help consumers pay for converters so old TV sets could process digital signals. But the focus was largely on older people who already relied on antennas.

William Lake oversaw the agency's effort. A few years later, when he offered to buy an antenna for one of his daughters, then in her early 20s, so she and her roommates could get live TV, she had no idea what he was talking about. "She thought it was some modern satellite service or something," the former FCC official says.

Richard Schneider, founder of a manufacturing company called Antennas Direct, says his occupation results in awkward small talk. "If I'm at a party and I tell people what I do for a living, they'll say, 'That's still a thing?' I'd think you'd be out of business by now.'"

Quite the opposite. He started selling antennas as a hobby more than 15 years ago and expected to sell only a few hundred each year. He says he sold 75,000 antennas in June. Even the latest high-definition flat-screen TVs need an antenna to get free broadcasts.

Michelle Herrick, 39, a photographer in Phoenix, says she was desperate to cancel her cable subscription after her bill topped $200 a month. The only reason she hadn't was because she wanted local stations.

Then, about two years ago, her mother told her about modern antennas. Now, Ms. Herrick is the one who regularly has to explain to puzzled guests how she's able to watch free television. "Everyone I talked to, they had no idea."

Waiver to Expedite Work on Border Wall

By Jim Carlton

SAN DIEGO—The Trump administration said it would waive certain federal regulations to expedite the rebuilding of a wall along this city's boundary with Mexico, in a move that environmental groups said would further endanger sensitive wildlife areas.

The waiver by the Department of Homeland Security applies to work including construction of additional barriers and roads along a 15-mile stretch of rugged hills beginning at the Pacific Ocean, where extensive fencing is currently in place to separate San Diego and Tijuana, Mexico.

"The [San Diego border control] sector remains an area of high illegal entry for which there is an immediate need to improve current infrastructure and construct additional border barriers and roads," Homeland Security officials said in a statement.

The waiver, authorized by Congress in 2005, has been used five previous times—most recently in 2008—to give the department the authority to fortify a border that critics said has been a porous entry for illegal immigration and drug smuggling into the U.S.

Towering metal fences and barricades installed before 2008 have contributed to erosion problems in sensitive wetland areas, said David Shirk, a professor of political science and international relations at the University of San Diego.

Officials at the Center for Biological Diversity said the work to rebuild the San Diego barriers—part of President Donald Trump's promised wall along the 2,000-mile U.S.-Mexico border—would harm habitat for endangered species. Agency officials said they remain committed to environmental stewardship with the wall projects.

Hundreds Arrested in Immigration Operation

By Laura Meckler

WASHINGTON—Federal immigration enforcement agents arrested 650 people last week during an operation aimed at families and children who illegally crossed the border and had been ordered deported, officials said.

Those arrested included 73 individuals who crossed the border as part of family units and 120 who entered as unaccompanied minors. Agents also arrested 457 others whom they "encountered" during the operation.

Under Trump administration policy, undocumented immigrants aren't safe from deportation just because they aren't high-priority targets like convicted criminals. Rather, anyone encountered during an operation can be arrested and processed for deportation.

One hundred thirty of the 650 arrested had criminal convictions, the Immigration and Customs Enforcement agency said Tuesday. Under Obama-era rules, agents targeted people with serious criminal records and recent border crossers, while other undocumented immigrants were mostly safe from deportation.

ICE said that unaccompanied children targeted had either reached age 18 or were at least 16 with criminal histories or suspected gang ties.

"The practice of targeting unaccompanied minors who fled violence in Central America is appalling. The fact that ICE is targeting the family members who took them in makes it even worse," said Frank Sharry, executive director of the advocacy group America's Voice.

"This kind of enforcement is designed to strike terror in the heart of immigrant communities," he said.

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MOVING

Continued from Page One

all closed their doors.

What is troubling about this rural town and many places like it is that while lots of struggling residents see leaving as the best way to improve their lives, a surprising share remain stuck in place. For a number of reasons—both economic and cultural—they no longer believe they can leave.

When opportunity dwindles, a natural response—the traditional American instinct—is to strike out for greener pastures. Migrations of the young, ambitious and able-bodied prompted the Dust Bowl exodus to California in the 1930s and the reverse migration of blacks from Northern cities to the South starting in the 1980s.

Yet the overall mobility of the U.S. population is at its lowest level since measurements were first taken at the end of World War II, falling by almost half since its most recent peak in 1985.

In rural America, which is coping with the onset of socioeconomic problems that were once reserved for inner cities, the rate of people who moved across a county line in 2015 was just 4.1%, according to a Wall Street Journal analysis. That's down from 7.7% in the late 1970s. It has fallen faster than the mobility rate in metropolitan areas, which the rural rate is now slightly below.

This drop in mobility is not only keeping rural residents from climbing a ladder to better livelihoods, it is choking off the labor supply for employers in areas where jobs are plentiful. This limits the economic growth that naturally occurs when people and capital cluster together, says David Schleicher, a professor at Yale Law School who has studied the issue.

It has also contributed to the nation's deepening political divide. Small-town residents fed a populist revolt that helped put Donald Trump in the White House last year, reinforcing the administration's plan to focus on issues such as curbing immigration and creating jobs through infrastructure spending.

For small towns, mobility has always been something of a problem: When the brightest youngsters leave and don't return, "brain drain" can be a drag on the community, even if it is a boon for the other cities they settle in. Now, the lack of mobility has become a drag on the entire U.S. economy.

"We're locking people out from the most productive cities," says Peter Ganong, an assistant professor of public policy at the University of Chicago who studies migration. "This is a force that widens the urban-rural divide."

A decade ago, Ogemaw County hit an economic peak thanks to a stable of manufacturing jobs that accounted for more than one-fifth of payrolls in the county, plus work on dairy, soybean and corn farms. Automotive industry workers from Detroit, 175 miles to the south, for decades snapped up waterfront cottages, creating a flow of people between town and country.

Longtime residents say they love the rhythms of the place; schools close for the first day of deer-hunting season and Friday summer festivals bring lots of residents downtown.

Today, manufacturers employ only a third the number of workers that they did 10 years ago, according to census data. Their payrolls have plummeted by 74% adjusted for inflation, or by $30 million. Unemployment has averaged 7.7% over the past year, compared with 4.7% nationally. In one of many ominous signs, census figures show that more residents are using wood to heat their homes.

Driving through town, Denise Lawrence, the mayor of West Branch, offered a bleak assessment. "The county is the closest thing to bankrupt that you could be," she says.

Nevertheless, the inflow and outflow of people in Ogemaw County is so small that among its 21,000 residents, it only loses a net of one person a year for every 1,000 residents. Even some young people, who yearn to move to thriving nearby cities like Grand Rapids, find they can't.

Julie Madsen, the assistant manager at the St. Vincent de Paul thrift store in West Branch, says as many as 80% of queries for financial help come from people under age 35.

Economists say there are several practical reasons for the declining rural mobility—the first being the cost of housing. While small-town home prices have only modestly recovered from the housing market meltdown, years of restrictive land-use regulations have driven up prices in metropolitan areas to the point where it is difficult for all but the most highly educated professionals to move.

A lawyer who leaves Alabama, Mississippi or South Carolina for a job in New York, New Jersey or Connecticut would spend just 21% of his income on housing after moving, Prof. Ganong has found. But a janitor making such a move would have his higher salary gobbled up by housing costs equal to 52% of income.

PHOTOS: MARK FELIX FOR THE WALL STREET JOURNAL

Taylor Tibbetts, above, longs to live in a thriving city like Denver or Nashville but has found it hard to make a move. Below, Shiloh Maier, would like to move to Grand Rapids to be closer to her daughter, but she hasn't been able to find work.

Settling In

The share of Americans who reported moving in the past year is at its lowest level since measurement began just after World War II.

Source: Census Bureau THE WALL STREET JOURNAL.

Shiloh Maier, 38, is desperate to leave West Branch and move to Grand Rapids so she can be closer to her 8-year-old daughter, who lives near there with her ex-husband. The graphic designer has applied for about 70 jobs this year. She is a college grad but finds that employers are bypassing her in favor of younger graduates, who are cheap and abundant in the state's second-largest city.

She continues to work in West Branch as a customer service manager for a manufacturer earning $20 an hour. Every other weekend, she makes the nearly three-hour trip to bring her daughter back for a visit—two loops that result in 12 hours of weekend driving.

"I'm stuck," she says.

For many rural residents across the country with low incomes, government aid programs such as Medicaid, which has benefits that vary by state, can provide a disincentive to leave. One in 10 West Branch residents lives in low-income housing, which was virtually nonexistent a generation ago. Civic leaders here say extended networks of friends and family and a tradition of church groups that will cover heating bills, car repairs and septic services—often with no questions asked—also dissuade the jobless and underemployed from leaving.

Tom Quinn, president of the local Kirtland Community College, says the rationale boils down to: "I've got good social services. I'm stuck in one big rut. If you ask me to go to Indianapolis, I can't—even if there's a job there."

"People can't move," says Mandi Chasey, county economic development director.

Another obstacle to mobility is the growth of state-level job-licensing requirements, which now cover a range of professions from bartenders and florists to turtle farmers and scrap-metal recyclers. A 2015 White House report found that more than one-quarter of U.S. workers now require a license to do their jobs, with the share licensed at the state level rising fivefold since the 1950s.

Janna E. Johnson and Morris M. Kleiner of the University of Minnesota found in a nationwide study that barbers and cosmetologists—occupations that tend to require people to obtain new state licenses when they relocate—are 22% less likely to move between states than workers whose blue-collar occupations don't require them.

Beyond the practical difficulties, rural residents and experts say there is another impediment to mobility that is often more difficult to overcome—the growing cultural divide.

Tom W. Smith, who runs the University of Chicago's General Social Survey, says that cities' welcoming attitudes toward immigrants from abroad, same-sex marriage and secularism heighten distrust among small-town residents with different values. That widens the cultural gulf.

Economists have tried to measure whether Americans' eroding trust in one another is damping mobility—such confidence helps ease the transition to a new town—and found signs that this sliding trust may be keeping people from uprooting.

According to the GSS, the share of Americans who agree with the statement "Most people can be trusted" has fallen over the past four decades to 31% in 2016 from 46% in 1972. Raven Molloy, an economist with the Federal Reserve Board of Governors, found in research that states with large declines in overall trust were also places where job-switching had decreased markedly.

Cody Zimmer, 29, of Ogemaw County toyed with moving to work for an uncle in New Jersey or closer to Detroit after a decadelong career in skilled manufacturing periodically left him unemployed. But student debt and a divorce damaged his finances, and he says his best option ended up being renting his mom's house outside West Branch. "If anything happened there, I'd be right back out on my own," Mr. Zimmer says of these other places.

A drop in mobility is choking off labor supply in areas where jobs are plentiful.

Bad experiences in cities also turned him off. In one job, he traveled the country cleaning Home Depot locations and recalls feeling uneasy when a black worker at a Kansas City McDonald's told him to leave because white boys didn't belong in that part of town, he says. He took his children to Detroit for a motocross event at Ford Field and panhandlers hit him up for money.

"Mainstream news media—not to degrade your position—they say Detroit is getting better, but I don't trust it," Mr. Zimmer says.

Many West Branch residents say that the town's economic woes aren't enough to make them leave. They point to the safety net the community provides—a helping hand to pay bills, or the way people come together when a neighbor is diagnosed with cancer. "One of the big cultural divides when people move from small towns to cities is this feeling that you can't be involved in your community," says David J. Peters, associate professor of sociology at Iowa State University. "You feel powerless to change large cities."

Christopher Palazzolo grew up just north of Detroit, but after living in West Branch for 26 years, he can't imagine going back. The 49-year-old father of three has watched his income slide to $11.63 an hour as a retirement home cook, down from the $15 per hour he paid himself when he co-owned a nearby restaurant until 2009. He calls the skinnier wage "rough."

The bank foreclosed on his family's home, and for the past eight years they have lived in a low-income housing development, where black rubber tires are strewn around the sand-filled playground, and early-model Pontiac Grand Am cars fill the parking lot. About 70 applicants are on a waiting list for units there.

"I don't need a fancy car or a bigger house," Mr. Palazzolo says. "I have no interest whatsoever in dealing with the city, the congestion. I like my little corner of the world."

After leaving Converse College, Ms. Tibbetts enrolled the next year at Lincoln College in Lincoln, Ill., joined the swim team and felt more confident in the classroom. But she returned home after a semester because she clashed with her swim coach. As a conservative Christian, she also found the cultural divide on campus difficult to bridge. Students smoked pot, engaged in casual sex and had parties at their parents' homes behind their backs. "Our world now is godless," she says. "I don't know if the places where I've been are places where I could discover God better."

Determined to try again, she started at Olivet College in south central Michigan in 2016. But she struggled to fit in there, too. She felt uncomfortable when a professor asked students to write about why Donald Trump would make a bad president. Ms. Tibbetts began racing back to work at the pizzeria on weekends to avoid roommates who threw up in the shower after excessive drinking. She eventually moved home.

On a recent evening inside the pizzeria, where Tiffany-style lamps dot the ceiling, Ms. Tibbetts said she isn't content with her decision. She looked around at the familiar faces and confessed she gets embarrassed when customers rib her about abandoning college.

After a brief stint teaching skiing in Colorado, she is still eyeing other paths out of town, such as a traveling job pitching Red Bull energy drinks at entertainment events.

"I was ready to go from the minute I graduated," she says. "It was just so hard."

West Branch, Mich., is hurting from the decline in manufacturing and farm consolidation.

Stuck in Place

Few people are moving in many low-opportunity regions such as Appalachia, the Mississippi Delta and the rural Midwest.

Share of each county's population that reported moving in the past year, 2011–15

Source: Census Bureau THE WALL STREET JOURNAL.

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LIFE & ARTS

BOOKS

On the Trail of Nazi-Looted Books

How hundreds of thousands of volumes stolen from Jewish families in Paris during World War II ended up in Minsk

BY LUCETTE LAGNADO

FRANÇOISE BASCH still remembers her grandfather's "massive" library at his home in the heart of Paris.

Her grandfather, Victor Basch, a French Jewish intellectual and professor, loved his books, she recalls. But during World War II, the Nazis seized the entire collection after he fled Paris.

Professor Basch and his wife were shot to death by members of the Vichy regime and the Gestapo in Lyon, where they had sought refuge. But some of his books recently surfaced in—of all places—Minsk, the capital of Belarus.

According to Holocaust experts, the Nazis stole tens of millions of books from Jews and other victims. Recently, scholars have focused on 1.2 million volumes the Nazis plundered—including 500,000 taken largely from French Jewish families and institutions. The books went from France to Germany to Silesia, where they were scooped up by the Red Army as spoils of war.

In 1945, the Soviets sent the books in 54 railcars to Minsk, where they have remained for 72 years, known to almost no one but a handful of researchers and professors. The mystery of how half a million French books ended up 1,300 miles from Paris in Minsk—and what to do with them—has captivated Holocaust scholars and historians.

The Nazis also looted art, grabbing paintings by Monet, Renoir, Picasso and others. This sparked a campaign in recent years to trace the works and return them to the owners or their heirs.

Now, the curtain is being lifted on the books the Nazis stole in France. Many belonged to prominent Jews such as the Rothschilds and Professor Basch, along with other "enemies" of the Reich, including Communists and Freemasons. Experts say that most Hebrew books or volumes on Judaism went to Frankfurt. There, the Germans hoped to create a research "institute on the Jewish question." When Frankfurt came under American control after the war, there were efforts to return the books. But most owners were dead, so the U.S. turned the volumes over to a Jewish organization which distributed them to America, Israel and elsewhere; these in turn placed them in libraries and other institutions.

A large quantity of books ended up in Soviet hands. These were mostly secular works that went to Berlin, instead, and included novels by Victor Hugo, Marcel Proust, Emile Zola and Jean-Paul Sartre. There also were books on politics and philosophy, as well as volumes by Salvador Dalí and Marc Chagall. These were found after the war by the so-called Trophy Brigades of the Red Army—special divisions that picked up cultural property in occupied countries.

The French books were stored alongside hundreds of thousands of volumes the Nazis plundered from Belarus. Some experts say that—and the fact that Belarus longed to replenish what they had lost—is why so many of the books ended up in Minsk.

Devastated by the war, the Soviets were in no mood for restitution. While they eventually gave back some cultural treasures, including some French archives, the books remained in Minsk and were barely discussed until the 1990s, after the fall of Communism.

Only in recent years have there been serious efforts to track and document the books that ended up there. One problem that slows the quest: Books typically don't have the material value or sizzle that great paintings do.

"In many cases books are not unique," says Patricia Kennedy Grimsted, senior research associate at Harvard's Ukrainian Research Institute in Cambridge, Mass. "But," she points out, "many of these are unique."

Dr. Grimsted, who tracked the books' journey from Paris to Minsk, says "they do have financial value—but not in the millions like the art." Dr. Grimsted's research received support from the Conference on Jewish Material Claims Against Germany, a New York-based organization tasked since 1951 with compensating Holocaust survivors using German funds. The organization, also known as the Claims Conference, has sought restitution for those who lost property or art. The Claims Conference is leading many of the efforts to examine the Minsk collection.

The books, taken from the private libraries of the Rothschilds and other prominent Jewish families in Paris, include first editions and volumes inscribed by French authors.

The books would also have value to victims' relatives, such as Ms. Basch, who was very attached to her grandfather, a historian who taught aesthetics at the Sorbonne. According to Nazi records, a squad descended on Professor Basch's Paris apartment in January 1941 and took 17 cases of books.

Ms. Basch, who is herself a historian, says she was moved to learn about her grandfather's books. "I am terribly excited that his books are somewhere and within reach and I might someday look at them," she says. "But there isn't much time," she added, "I am 87. I mean this is such a slow process and these books are in Minsk."

"Why don't those books come back to France?" she asked.

France and Belarus have held conferences on the books, including one in Paris in March titled, "What became of the books plundered by the Nazis?"

In September 2016, a group of scholars from France, Belgium and America went to the National Library of Belarus and other Minsk libraries to meet experts and go over the books' tortured history.

Wesley Fisher, director of research for the Claims Conference, helped organize the Minsk gathering. He recalled having to promise to the organizers that the meeting wouldn't involve restitution, "which it did not," Dr. Fisher says. "Do we specifically think these books should be returned? The answer in a perfect world is yes but it is not a perfect world," Dr. Fisher says. The Claims Conference created a website on the looted books and the Minsk collection.

Vladimir Makarov, a scholar and retired professor in Minsk, penned an essay about the French trove and its tragic origins. "These libraries had their own holocaust," he wrote. "They suffered as suffered many thousands of people who on political, racial or other grounds were considered enemies of the Reich."

> The French books were stored alongside volumes the Nazis plundered from Belarus.

At the Paris conference in March, Anatol Stseburaka, an assistant professor at the School of Business and Management of Technology of the Belarusian State University in Minsk, said for years the books were decaying in an old church because there was no room for them in the library. After a new library building opened in 2006, the books were moved. While he thinks researchers would be welcome, he worries about talk of restitution. "Restitution is a bit of a taboo for us," Mr. Stseburaka says, "We lost nearly all we had in the war." But he feels "optimistic" there could be joint projects with Western scholars.

Aliaksandr Susha, deputy director of the National Library of Belarus, echoed that the country's libraries lost most of their collections in World War II. He expressed a willingness for more exchanges. "We are ready for cooperation and interaction," Dr. Susha noted, adding that his library welcomes foreign visitors and its collections are open to all. He also expressed willingness to discuss "the possibilities of the transfer and exchanges of publications," including books. He labeled the notion of restitution "a very very difficult question" and added: "we are ready for such discussions."

In France, François Croquette, roving ambassador for human rights and Holocaust issues, said he and his government were trying to "gather information about books looted by the Nazis and allow their lawful owners to get them back after such a long wait."

At the Journal's request, Mr. Stseburaka searched for books belonging to Victor Basch in Minsk. He found five works inscribed to Professor Basch, including a book about Leonardo da Vinci and one about the world economic crisis.

Those books, says his granddaughter, "belonged to a French citizen, to someone who was assassinated because he was French and a Jew. So, why aren't they restituted to France or to his family?"

"Who knows?" she says, "I may set off to Minsk."

Painful Journey

A trove of some 500,000 books looted by the Nazis in Paris ended up in Minsk.

Paris
During World War II, the Nazis seized books from prominent Jewish families in the French capital.

Minsk
Many volumes ended up in the National Library of Belarus, which opened a new building, above, in 2006.

Berlin
In Germany, the looted cultural property was inspected by its Nazi captors.

Silesia
Some of the stolen books ended up in what is now Poland, where the Red Army seized them as spoils of war.

Note: Country boundaries are current

Sources: Dr. Patricia Grimsted, Harvard University's Ukrainian Research Institute, Cambridge, Mass.; Wesley Fisher, Claims Conference, New York City; photos: Yad Vashem (Paris, Berlin); Getty Images (Minsk)

THE WALL STREET JOURNAL.

Victor Basch, a French philosopher, writer and bibliophile, with his wife Hélène. Some books from the Basch library, including the author-inscribed volume on Leonardo da Vinci, above, were looted by the Nazis and ended up in Minsk.

FROM LEFT: ROGER-VIOLLET/THE IMAGE WORKS; NATIONAL LIBRARY OF BELARUS

Mr. Basch's granddaughter, Françoise, was moved to learn about his books.

MATHIEU GÉNON/HANS LUCAS

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OPINION

REVIEW & OUTLOOK

A Trump Card in Ukraine

Vladimir Putin has assumed he can seize territory without endangering his grip on power at home, and he's been right. But what if the U.S. changed that calculus by raising the cost of Moscow's aggression in Ukraine?

Lethal aid would raise the cost of Putin's military aggression.

President Trump will soon have a chance to test that question when he receives an imminent recommendation from the State Department and Pentagon to sell Ukraine lethal, defensive weapons such as antitank Javelin missiles. These weapons would help Ukrainians defeat Russian armor and make it harder for Mr. Putin's proxy forces to advance farther into Ukraine's eastern provinces, which the Russians invaded in 2014.

Ukrainian President Petro Poroshenko has sought this kind of help for years. But Barack Obama refused on grounds that lethal aid would merely escalate the conflict; he shipped only such nonlethal aid as short-range radar and night-vision goggles. Mr. Putin escalated anyway, violating the Minsk cease-fire accords brokered by John Kerry.

The Russians have declared separatist strongholds in Donetsk and Luhansk and built up forces in the occupied areas. Kurt Volker, the U.S. Special Representative for Ukraine Negotiations, told Radio Free Europe/Radio Liberty last week that "there are more Russian tanks in there than in Western Europe combined." That's in addition to Russia's plans to deploy as many as 100,000 troops for military exercises in Belarus on NATO's front lines this summer.

As President, Mr. Trump hasn't been the patsy for Mr. Putin that his U.S. critics claim. He endorsed NATO's deployment of troops to Poland and the Baltic states. Vice President Mike Pence visited Estonia Monday and affirmed the U.S. will "always" stand with its Baltic allies, and on Tuesday he said in Tbilisi that the U.S. "strongly condemns Russia's occupation on Georgia's soil."

Mr. Trump now has a chance to show he's no Obama echo and make Mr. Putin pay attention by helping Ukraine, which has shown it is willing to fight for independence. Russia's invasion has cost 10,000 lives and displaced more than two million civilians. Mr. Poroshenko has plowed money into upgrading Ukraine's armed forces, embraced U.S. military training and quietly forged good relations with countries like Poland and Lithuania.

Opponents of lethal aid say Mr. Putin can always trump any Ukrainian effort, but then why hasn't he done so already? Russia could occupy all of Ukraine if it wanted to, at least for a time, but it fears the political and military cost. The point of lethal aid is to raise the price Mr. Putin pays for his imperialism until he withdraws or agrees to peace under the Minsk terms.

Mr. Putin launched his attack when Kiev had no soldiers protecting the eastern border, but his proxy troops were forced to slow down when the Ukrainians organized and started to inflict casualties. The Russian doesn't want dead soldiers arriving home before next year's presidential election.

Bolstering Ukraine's defenses would also send a message to Mr. Putin that Mr. Trump wants to negotiate with Russia from a position of strength. This could help the U.S. in Syria, where Mr. Trump has been too willing to accept Russian and Iranian dominance after the fall of Islamic State. Mr. Putin took advantage of Mr. Obama after concluding the American was weak and would never push back. Selling lethal weapons to Ukraine would show the Kremlin those days are over.

The Body Count at the U.S. Border

Every so often comes a dark reminder of the human costs of immigration dysfunction, and last month 10 people suffocated in an 18-wheeler in Texas while trying to move to the U.S. from Mexico and Central America. Congress could prevent similar tragedies with more legal visas for guest workers, as a new report details.

Deaths are rising even as apprehensions are going down.

The National Foundation for American Policy in a report out this week notes that "more than 7,000 men, women and children have died along the Southwest border" over the past two decades. More than 200 people have died so far this year, and last year the count topped 300. This year there have been 7.8 deaths for every 10,000 apprehensions of illegal border crossers.

The number of deaths increased by about 80% between 1999 and 2012, even as apprehensions—a reliable proxy for illegal immigration—plummeted by more than 75%. As a result, a person picking their way across the border is now "5 times more likely to die in the attempt than 18 years ago," the report notes. One reason is that an enforcement crackdown has encouraged people to slip across more treacherous or remote areas of the southwest.

Most immigrants come to the U.S. for work and opportunity, so the solution is to allow them to find jobs legally. The paper notes that the U.S. doesn't have a visa program that permits immigrants to work legally in "year-round industries like construction, hotels and restaurants." In the 1940s and '50s the Bracero program allowed workers to enter legally from Mexico, and illegal immigration apprehensions dropped 95% between 1953 and 1959.

Some who make it across the border stay in the U.S. illegally because they can't risk multiple crossings. A visa holder who could travel home freely might be less likely to venture a dangerous crossing with his entire family. More work visas would also be a fillip for the U.S. economy; agriculture, construction and many other industries report labor shortages despite rising wages.

Former Homeland Security Secretary John Kelly, who has since decamped for the White House, put out a statement that the Texas smugglers "have no regard for human life and seek only profits." But smugglers make money when politicians slap on new restrictions on immigration, and the way to bankrupt them is a system that allows safe, legal entry and exit. Ron Johnson (R., Wis.) has a bill in the Senate to let states experiment with guest-worker programs, which would be a place to start.

The recent deaths are gruesome but hardly unprecedented: The policy brief recalls how a dozen men died in the Arizona desert in the 2000s, one of whom was Lorenzo Ortiz Hernandez, a father of five who took out a loan at 15% interest to underwrite an illegal crossing. He was looking to support his family. Such casualties will continue until Congress finds the political will to reform the broken U.S. immigration system.

ObamaCare for Congress

President Trump likes to govern by Twitter threat, which often backfires, to put it mildly. But he's onto something with his recent suggestion that Members of Congress should have to live under the health-care law they imposed on Americans.

Trump can change a rule that exempts Members from the law's pain.

Over the weekend Mr. Trump tweeted that "If a new HealthCare Bill is not approved quickly, BAILOUTS for Insurance Companies and BAILOUTS for Members of Congress will end very soon!" He later added: "If ObamaCare is hurting people, & it is, why shouldn't it hurt the insurance companies & why should Congress not be paying what public pays?"

Mr. Trump is alluding to a dispensation from ObamaCare for Members of Congress and their staff, and the back story is a tutorial in Washington self-dealing. A 2009 amendment from Chuck Grassley (R., Iowa) forced congressional employees to obtain coverage from the Affordable Care Act exchanges. The Senate Finance Committee adopted it unanimously.

That meant Members and their staff would no longer enjoy coverage from the Federal Employees Health Benefits Program, which subsidizes up to 75% of the cost of a plan. The text of the Affordable Care Act says that staffers may "only" be offered plans created by the law or on the exchanges.

The law didn't specify what would happen to the employer contributions, though Democrats claim this was merely a copy-editing mistake. A meltdown ensued as Members feared that staffers would be exposed to thousands of dollars more in annual health-care costs, replete with predictions that junior aides would clean out their desks en masse.

Mr. Obama intervened in 2013 and the Office of Personnel Management issued a rule that would allow employer contributions to exchange plans, not that OPM had such legal authority. One hilarious detail is that OPM certified the House and Senate as "small businesses" with fewer than 50 full-time employees, and no doubt the world would be better if that were true. This invention allowed Members to purchase plans on the District of Columbia exchange for small businesses, where employers can make contributions to premiums. This is a farce and maybe a fraud.

In last week's Senate health-care debate, Wisconsin Republican Ron Johnson circulated an idea to block subsidies for Members, who earn at least $174,000 a year and wouldn't receive generous taxpayer underwriting on the exchanges. The Johnson amendment would restore staff to the federal benefits program. Alas, the amendment commands almost no support. Not even Democrats want to sign up for their own policy.

But Mr. Trump could direct OPM to scrap the rule for Members, which is reversible because Mr. Obama reworked his own law through regulation that can be undone by a successor. Mr. Obama also refused to pursue a legislative fix for the problem lest Republicans demand something in return.

Revoking the rule would have the political benefit of forcing Members to live under the regime that Democrats rammed into law and Republicans have failed to fix. If Members are pained by higher premiums and fewer insurance choices, perhaps they will be inspired to fix the law for the millions who have had to endure it.

The Disappearance Of Liu Xiaobo's Wife

By Jared Genser

After the July 13 death of Nobel Peace Prize laureate Liu Xiaobo, his wife Liu Xia disappeared. The Chinese government claims she is "free," but even her closest friends are unable to reach her. It's clear that the authorities have detained her illegally.

As Ms. Liu's counsel, I filed a formal complaint to the United Nations Working Group on Enforced or Involuntary Disappearances, asking for urgent intervention. The world must act quickly to secure her release.

At the time of his death, Liu Xiaobo was serving an 11-year sentence for "inciting subversion to state power," imposed in December 2009, primarily for his role as the co-author and first signatory onto Charter 08, a pro-democracy manifesto that advocated multiparty democracy. He was awarded the 2010 Nobel Peace Prize in absentia.

I was hired by Ms. Liu to help her family in mid-2010, a few months before the announcement of the Nobel Prize. As that date approached, we discussed if it made more sense for her to stay in China or fight for his freedom from abroad if he were to win the prize. Despite my concerns about restrictions to her liberty if he won, she told me unequivocally, "My place is in China with my husband."

Within a week of the prize announcement, the authorities created a permanent security cordon around Ms. Liu. She was forced to lived under strict house arrest in her one-bedroom apartment in Beijing. She was allowed to visit her husband once a month, but had no access to the internet, couldn't send or receive mail and couldn't freely use a telephone. A few times journalists broke through security and short videos showed her in severe distress.

To keep Ms. Liu quiet, the Chinese authorities made up charges against her brother Liu Hui. He was sentenced to 11 years in prison for alleged economic crimes and served two years of his sentence.

Viewed briefly being taken by security officials to observe the trial of her brother, Ms. Liu was asked by a journalist why she had been allowed out of the house. "They want to break one leg, then the other. I tell myself to stand straight, don't be afraid," she said.

"Is it a crime to be Liu Xiaobo's wife?" Ms. Liu asked. The Chinese government's behavior shows that the answer is yes.

Both of Ms. Liu's parents, who were allowed to visit her every month during her earlier years in detention, died while she was under house arrest. It's no wonder she suffered severe depression, had a heart attack and otherwise saw her own health deteriorate dramatically.

Throughout this time, the Chinese government claimed to the U.N. that Ms. Liu was "under no legal restriction." That was in one cynical respect true; there is no legal house arrest in China, meaning she has been held illegally.

Beijing maintains that Liu Xia is 'free,' but it's clear the authorities have detained her illegally.

The U.N. subsequently found both Lius were being detained in violation of international law and demanded their immediate release.

Ms. Liu's grief now is undoubtedly profound. She and her husband were famously in love and deeply bonded. Liu Xiaobo once wrote to Ms. Liu, "Even if I were crushed into powder, I would still use my ashes to embrace you."

Despite the death of her husband, the security cordon hasn't lifted. Ms. Liu has now been disappeared, with no end to her detention in sight.

At the U.S. Congress, legislation introduced by Sen. Ted Cruz proposes to rename the street in front of the Chinese Embassy "Liu Xiaobo Plaza." This has top Chinese officials upset. Apparently it frustrates their efforts to erase Liu Xiaobo from the world's collective memory.

Unless Ms. Liu and her brother are allowed to travel abroad, Congress should pass the bill quickly and send it to President Trump to sign into law. All democracies that claim to care about human rights should follow this example.

Ms. Liu has suffered for marrying an extraordinary man. She deserves freedom from fear and to have peace and tranquility for the rest of her life.

Mr. Genser is founder of Freedom Now and pro bono counsel to Liu Xia.

Nukes Won't Save North Korea

BUSINESS WORLD
By Holman W. Jenkins, Jr.

In 2012, the commander of U.S. allied forces in South Korea explained the nature of the thousands of North Korean artillery and conventional rocket systems aimed at Seoul, a city of 24 million.

"These systems are capable of ranging Seoul without moving, and can deliver both high-explosive and chemical munitions with little or no warning."

This would seem a pretty good deterrent given the improbable scenario, as North Korea surely understands, of a U.S. and South Korean attack on the North. Then why nukes?

Penetrating North Korean rationalizations is never a sure thing, but a likely answer is to be found in the recent joint Chinese-Russian proposal of a freeze in North Korea's missile and bomb testing in exchange for an end to U.S.-South Korean annual military exercises.

When North Korea is already spending 22% of gross domestic product to maintain its military, the cost of mobilizing in response to near-constant U.S. and South Korean maneuvers is a killing burden. Washington's and Seoul's war games are their most effective sanction and always have been.

North Korea upped the tempo of its training flights sixfold, to 700 a day, on the first day of the 2013 U.S. and South Korean "Key Resolve" annual maneuvers. That naturally sent Seoul's analysts to their calculators, concluding triumphantly that the North was either draining its war reserve or starving its civilian economy of fuel.

The North especially goes ape over carrier deployments. When President Obama dispatched the USS George Washington, the North denounced "imperialist aggression" and promised "unpredictable disasters." When President Trump sent the USS Carl Vinson, the North raged about "maniacal military provocations."

When the U.S. and Japanese navies are operating in nearby waters, the North must keep its jets in the air and defenses mobilized. When U.S. and South Korean and (recently) Chinese troops are on the move near its border, it must activate troops in response.

Blood-curdling threats are the norm, possibly because they are cheaper than jet fuel. The North's deputy United Nations ambassador warned earlier this year amid various Trump deployments that "thermonuclear war may break out at any moment."

Or not. Both sides have been playing this game for a long time. Miscalculation is always possible, but much less so than in 1950.

Adm. Harry Harris, chief of the U.S. Pacific Command, said before Congress in April that the goal is to "bring Kim Jong Un to his senses, not his knees." Tellingly, the admiral noted North Korean "shortfalls in training and equipment."

In 2013, when Gen. Mike Flynn headed the Defense Intelligence Agency, he testified that "the North's military suffers from logistics shortages, largely outdated equipment, and inadequate training."

The U.S. and its allies can maintain their mobilization virtually indefinitely. North Korea can't. Motor fuel is a sore point, but so are food, equipment, sanitation and health care for troops in the field.

Ultimately, the Kim family regime remains in power by distributing resources to its loyalists, which actually shows every sign of being the growing priority today.

In April, foreign reporters were invited to witness a ribbon cutting on a sumptuous new apartment block in Pyongyang for Kim favorites. The Chosun Ilbo, a South Korean paper, recounted the scene:

"Premier Pak Pong-ju then delivered a speech in which he claimed the opening of the street is more powerful than 'hundreds of nuclear bombs.' A Los Angeles Times correspondent tweeted that the street is 'impressive' and the skyscrapers lining it as 'very modern' but pointed out that the thousands of soldiers massing in the capital 'looked severely stunted. A reminder of widespread malnutrition outside of Pyongyang.' "

In theory, what North Korea wants is a peace treaty ending the Korean War of 1950-53 and removal of U.S. forces from the region. Unfortunately, the North can't afford the treaty it claims to want, because it can't do without a U.S. threat to justify its sociopathic dictatorship.

In the end, the irresolvable dilemma is North Korea's, not the West's. The Kim regime doesn't have a realistic solution for itself except to make sure the standoff goes on forever. The answer to North Korea's nukes is a deep breath and to invest in missile defense, which the world needs anyway. The upside is likely to be a marked deterioration in its conventional forces.

In the meantime, the U.S. and South Korea maintain their long-term watching brief on the northern regime's effort to hold itself together. Keep up the pressure through the annual war games variously known over the years as "Team Spirit," "Key Resolve," "Foal Eagle" and "Ulchi-Freedom Guardian."

No regime is forever. And North Korea's is more mercenary than most—suggesting an endgame in which the Kim family essentially sells out one day.

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OPINION

Tillerson Can End the Qatar Standoff

By Dennis Ross

Defeating Islamic State is the Trump administration's most important national-security priority. But removing it from Mosul and Raqqa may end up meaning little without the ability to secure, reconstruct and govern these and other cities. Preventing a dangerous power vacuum from forming in areas liberated from Islamic State control requires the urgent involvement of unified Sunni Arab states.

The secretary of state needs to put a win on the board to preserve his credibility as a diplomat.

Unfortunately, the Bahrainis, Emiratis, Egyptians and Saudis are currently distracted by a diplomatic imbroglio with Qatar over its support for Hamas and the Muslim Brotherhood. U.S. Secretary of State Rex Tillerson has tried to mediate, but he erred by traveling to the region before negotiating a plan for ending the conflict. Good statecraft requires making it unacceptable to say "no" to the U.S.

Already there are signs that both sides may be more amenable to a face-saving settlement. The Saudi-led coalition has softened its original 13 demands, which included shutting down Al Jazeera and closing a Turkish military base.

Instead they are asking for Qatar to act on a set of principles, including combating terrorism and extremism, denying financing and safe haven to terrorist groups, ending incitement of hatred, and refraining from interfering in the internal affairs of other countries.

These principles are broad enough to create space for both sides to reach understandings, and Qatar's emir, Tamim bin Hamad Al-Thani, has said he is open to dialogue.

The Al-Thani regime allows the U.S. to use Al Udeid Air Base and has invited American universities to open campuses in Qatar. Yet the tiny oil-rich emirate also hosts senior Taliban leaders, supports radical Islamists in Libya and Syria, and finances media platforms for the Muslim Brotherhood to broadcast its message. Any resolution to the conflict must ensure that Qatar gives up this double game.

Assuming that Mr. Tillerson has the support of President Trump, the former Exxon CEO should quietly but bluntly inform all sides how the standoff will end—with Qatar implementing its recently signed memorandum of understanding with the U.S. on terror financing, committing to arresting or expelling all those that the U.S. has designated as supporters or facilitators of terror, and ceasing to provide material support to any group that the U.S. deems a threat to regional stability.

AGENCE FRANCE-PRESSE/GETTY IMAGES

The former Exxon CEO hasn't had much success so far at the State Department.

Mr. Tillerson must make clear that if the Qataris balk, the U.S. will withdraw its forces from Al Udied. This is the type of threat that should concentrate Mr. Al-Thani's thinking.

The Qataris view the American military presence as a security guarantee. Preventing a U.S. withdrawal gives them the political cover they need to end the current standoff. The last thing the Qataris want is to be seen giving in to the Saudis.

Effective American intervention now is necessary for several reasons. A wounded Islamic State could exploit the current confusion to regain its strength. Iran and its Shiite militias are already positioning themselves to fill any power vacuum in both Iraq and Syria, further destabilizing the region. And, for Mr. Tillerson, his future effectiveness as secretary of state could depend on it.

Mr. Tillerson's reluctance or inability to fill out senior State Department positions and the Trump administration's often contradictory messaging have cast doubt on his ability to speak for the president. This is an untenable position for a secretary of state. Mr. Tillerson needs to demonstrate that he can solve diplomatic problems by exercising leverage and producing results, lest America's partners and adversaries begin to question whether it makes sense to work with him.

The most effective secretaries of state were characterized not by their strategic brilliance but their unmistakable authority. No one questioned whether Henry Kissinger or James Baker spoke for the president. The power and authority they exuded made their threats and inducements believable. Without leverage, diplomacy rarely works.

Unlike Messrs. Kissinger and Baker, Mr. Tillerson can't count on the White House's messaging to reinforce his diplomacy. Unless he wants to see his authority slowly erode, Mr. Tillerson needs a high-profile diplomatic success—and soon. The standoff with Qatar provides a perfect opportunity.

Mr. Ross has held senior national security positions in several presidential administrations and is counselor at the Washington Institute.

How U.S. Allies Undermine NATO

By Orde F. Kittrie

The U.S. spends heavily to defend Europe, yet most North Atlantic Treaty Organization members don't spend 2% of their GDP on defense, as the alliance's guidelines call for. Worse, many of these free riders also punish U.S. companies for manufacturing weapons used by the Pentagon to defend NATO allies and other countries. Specifically, several NATO member governments have divested from or even criminalized the purchase of stock in U.S. defense contractors.

Between 2005 and 2013 Norway's government pension fund divested from U.S. defense contractors such as Boeing, Honeywell, Lockheed Martin and Northrop Grumman "because they are involved in production of nuclear weapons." The fund, controlled by Norway's Finance Ministry, is worth some $900 billion. At the end of 2015, approximately $180 billion was invested in 2,099 American companies.

Norway, a NATO member, divested even though these companies produce nuclear weapons only for the U.S. government, and NATO's 2012 Deterrence and Defence Posture Review describes U.S. nuclear weapons as "the supreme guarantee" of members' security.

The hypocrisy goes further: In 2016 Norway authorized its pension fund to invest in Iranian government bonds—even though Iran has sponsored terrorism for decades and is a patron of Bashar Assad's atrocities in Syria.

So far only Norway has divested from companies for producing nuclear weapons. But the government pension funds of Denmark, France and the Netherlands have joined Norway in divesting from American companies that produce other weapons stocked by the U.S. military. These countries have targeted General Dynamics, Raytheon and Textron for manufacturing cluster munitions and land mines, in some cases after production reportedly has stopped.

Six European countries—NATO members Belgium, Italy, Luxembourg, the Netherlands and Spain, plus nonmember Liechtenstein—make it illegal for their nationals to invest in companies that produce cluster munitions or land mines. In Switzerland, citizens can be imprisoned for five years for direct and indirect financing, including stock purchases, of companies that manufacture nuclear weapons, cluster munitions or land mines.

While these weapons often pose a threat to civilians even after conflicts end, the U.S. government deems them necessary. The Obama administration acknowledged in 2014 that land mines are needed to protect South Korea. The U.S. State Department has long said the elimination of cluster munitions "from U.S. stockpiles would put the lives of its soldiers and those of its coalition partners at risk."

European countries divest from the U.S. defense firms that help protect them.

Many NATO governments joined the 2008 international treaty to ban cluster munitions and the 1997 agreement to forbid land mines. Boycotts targeting companies producing these weapons derive from expansive interpretations of particular provisions in these accords. Both treaties say that "never under any circumstances" will a country "assist, encourage, or induce" anyone to engage in activities such as the development or production of the banned weapons.

The treaty banning nuclear weapons, which was adopted by the United Nations General Assembly on July 7, includes similar language. Many of the 122 governments that voted for the nuclear treaty will likely divest from and criminalize purchase of stock in nuclear-weapons manufacturers.

No NATO government supported the nuclear-ban treaty. Yet Norway's divestment from stock in nuclear-weapons manufacturers shows the fervor generated by movements against disfavored weapons can spur such boycotts even if a country ultimately doesn't support the treaty.

The danger of European economic warfare against Israel—including the Boycott, Divestment and Sanctions movement—deservedly has received considerable attention. In contrast, European economic warfare against U.S. companies for implementing U.S. government policy has avoided the spotlight and elicited virtually no response from Washington.

This must change. The targeted U.S. firms together employ hundreds of thousands of American workers. For allied governments to penalize such companies for filling U.S. government orders is unacceptable. It could even increase costs to the U.S. taxpayer, who ultimately would pay extra legal or financing costs associated with producing these weapons.

If left unchecked, this problem will grow. Norway's pension fund has divested from Wal-Mart, America's largest employer, for "serious violations of human rights," according to the fund's website. The fund has also divested from two U.K. companies for producing Britain's nuclear arsenal and one Israeli company for involvement with Israel's antiterrorism fence.

Congress and the executive branch should spotlight and vigorously oppose ally- and partner-government boycotts that target the defense industrial base of the U.S. and key allies such as Israel and the U.K. Governments must know that such boycotts, if continued, will subject them and their companies to commensurate penalties.

Mr. Kittrie, a law professor at Arizona State University and senior fellow at the Foundation for Defense of Democracies, is author of "Lawfare: Law as a Weapon of War" (Oxford, 2016).

Averting a Third Lebanon War

By Mark Dubowitz
And Mike Gallagher

In a rare moment of disagreement between Benjamin Netanyahu and Donald Trump, Israel's prime minister last month rejected a U.S.-Russia cease-fire agreement that he said could cement the buildup of Hezbollah and Iranian forces along Israel's border with Syria.

Mr. Netanyahu has good reason to be concerned. Israel's head of military intelligence, Maj. Gen. Herzl Halevi, confirmed in June a Kuwaiti newspaper report that largely went unnoticed: Iran's Islamic Revolutionary Guard Corps, in cooperation with Hezbollah, has been constructing missile-production facilities in Lebanon.

Buried more than 50 meters below ground and protected from aerial attack, these facilities could produce highly sophisticated rockets with ranges of more than 300 miles and equipped with advanced guidance systems.

Israeli officials now say that preemptive strikes may be necessary to destroy these missile capabilities before they're operational. The result could be a bloody war that would see thousands of Hezbollah missiles hurled into Israeli airspace, with punishing Israeli reprisals and hundreds—if not thousands—of civilian deaths on both sides. It would be more chaos for Washington policy makers scrambling to manage a region already in flames.

Iran has long transferred missiles by ground and air through Syria to Hezbollah in Lebanon. In recent years, Israel repeatedly struck these transfers of what their officials call "game-changing" weaponry—weapons that could challenge Israel's military superiority and pose severe threats to its civilians.

Despite significant success against many of these transfers, Hezbollah's inventory has expanded to more than 150,000 missiles today from an estimated 50,000 missiles at the beginning of the second Lebanon War in 2006. And while many of these projectiles are crude, an increasing number are highly accurate, capable of delivering a massive payload to anywhere in Israel.

Israel, of course, has advanced short-, medium- and long-range missile defenses: the Iron Dome, David's Sling and Arrow systems. But Iran and Hezbollah are now seeking an arsenal that can overwhelm these systems.

If Israeli missile defenses don't hold—and there's reason to believe they may not completely prevent a missile onslaught many times the size and potency of what hit the country in 2006—Israeli civilian casualties will mount. At the first sign of such a scenario, the Israeli Air Force might unleash a devastating air campaign and potentially a ground invasion of Lebanon.

Israeli officials have warned that the ensuing war could be much more devastating than the last one between Israel and Lebanon. And they hold Beirut responsible for Hezbollah's missile buildup. In fact, much of Hezbollah's arsenal is known to be nestled under or alongside Lebanon's schools, hospitals and apartment buildings.

Israel would have little choice but to put Lebanese infrastructure in its cross hairs. Which is why officials are sounding the alarm now, to prevent a devastating war.

The Trump administration should make it clear to Lebanon's Prime Minister Saad Hariri that it is his responsibility to dismantle these facilities, as well as to ensure that southern Lebanon is free of "any armed personnel, assets and weapons" not under direct control of the Lebanese government, as required by United Nations Security Council Resolution 1701.

Israeli diplomats are pleading with Washington to also consider other means to deter Iran. For its use of civilians as human shields, Hezbollah and its Iranian patron should be sanctioned by the U.S. and Europe for committing massive human-rights abuses amounting to war crimes.

Hezbollah's missile buildup, facilitated by Lebanon and Iran, is forcing Israel's hand.

Washington should sanction companies listed on the Tehran Stock Exchange that are directly controlled by the military entities in charge of Iran's ballistic-missile programs, which represent about 20% of the stock exchange's total market capitalization. It should also sanction the thousands of IRGC front companies active in Iran's economy and penalize the foreign companies that do business with the IRGC.

Additional steps might include the rewriting of U.S. Treasury rules to block Iranian access to the dollar and impose enhanced audit standards on any businesses involved with Iran.

The Trump administration should also sanction those sectors of the Iranian economy supporting the missile program, including mining, metallurgy, telecommunications, construction, energy, automotive and computer science as well as the IRGC-controlled academic institutes involved in this missile work. The IRGC reportedly has created a special department at Imam Hossein University in Iran to train Lebanese and other operatives in missile production.

Sanctions lifted under the Iran nuclear agreement should be restored. Blacklist the Central Bank of Iran and expel Iranian banks from the Swift banking system.

Some will worry this financial pressure could put the Iranian nuclear agreement at risk. So be it. This is the price Iran must pay for pushing the region into another bloody confrontation.

And if sanctions don't succeed, Israel should be given the wide berth it needs to address the threat using all means at its disposal.

Mr. Dubowitz is the chief executive of the Foundation for Defense of Democracies. Mr. Gallagher, a former U.S. Marine Corps intelligence officer, is a congressman from Wisconsin.

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Notable & Quotable: Left-Wing Rhetoric

From "Assassination Fantasies" by Seth Barron, City-Journal.org, July 28:

Following President Trump's declaration on Twitter Wednesday that transgender people would not be permitted to serve in the armed forces, protesters converged on Times Square. . . . A few handmade signs stood out in the relatively compact crowd, in particular one that read, in black against a red background,

Lincoln
Garfield
McKinley
Kennedy
Trump

The first four names on this list, of course, are the presidents murdered in office, in chronological order; the last embodies the seeming wish of many on the American Left that someone put him on it for real. . . . The sign was held aloft for the duration of the event, in full view of the crowd, the media, the NYPD, and at least a dozen elected officials, but garnered no comment or acknowledgement. . . .

Public advocate Tish James spoke at the rally, and, in view of the sign calling for his death, led chants in favor of resistance to Trump. James first ascended to office in 2003, after her predecessor, Council Member James E. Davis, was shot to death by a rival at City Hall. . . .

Council Member Corey Johnson, speaking at Wednesday's protest, said that Trump's announcement "is not just an attack on trans service members; this is an attack on the entire United State military by this president." Another city legislator, Jumaane Williams, tweeted a picture of the rally, including the sign calling for Trump's assassination, with the inscrutable comment, "At 42nd street rally against @realDonaldTrump #transmilitaryban. You cannot hate nearly. #istandforhumandignity"—presumably meaning that there is no limit to the amount of hate that one should feel toward the president.

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MUSIC REVIEW | By Jim Fusilli

Folk Full of Comedy and Sorrow

The album, with a sound at home on a mountainside, reflects the artist's slow-developing but increasing comfort in the limelight

Washington

WITH ITS SWAY and moments of breezy virtuosity, David Rawlings's "Poor David's Almanack" (Acony), out next Friday, has the feel of music made on a mountainside back porch for no other reason than the joy of doing so. Recorded on tape during freewheeling sessions at Woodland Sound Studios in east Nashville, many of its 10 songs are reminiscent of old-time folk tunes passed down across generations. But they were written by Mr. Rawlings, alone or with his longtime partner, Gillian Welch.

An extraordinary folk guitarist with a sympathetic ear and a bell-like tone, Mr. Rawlings has released five albums with Ms. Welch, with whom he's been playing since they met at the Berklee College of Music in Boston in the early 1990s. He's issued two albums as the Dave Rawlings Machine that featured, in addition to Ms. Welch, Willie Watson, Brittany Haas, Old Crow Medicine Show's Ketch Secor and the Punch Brothers' Paul Kowert—all of whom appear on "Poor David's Almanack." They're joined here by Dawes' Griffin and Taylor Goldsmith on a collection that doesn't veer very far from the band's mostly folk songs of wry comedy and heartfelt sorrow. Dropping "Machine" from the group's name reflects Mr. Rawlings's slow-developing but increasing comfort in the limelight.

Prior to soundcheck on Monday afternoon at the John F. Kennedy Center for the Performing Arts, where he and Ms. Welch would perform that evening, the agreeable Mr. Rawlings relaxed outside the venue, laughed easily and talked of his influences: the guitarists Norman Blake and Johnny Marr; jazz trumpeter and singer Chet Baker; and mandolinist Bill Monroe, whose cowboy hat Mr. Rawlings wore as protection against a bright mid-Atlantic sun. (He bought it years ago on eBay.) An incongruous foursome, but a reflection of Mr. Rawlings's sound and intent—the purity of traditional acoustic music as conveyed by Mr. Blake and the legendary Monroe; Mr. Marr's commitment to supporting the singer and song with subtle shadings; and Baker's ability to communicate emotion by sliding from consonance to dissonance and back again. Mr. Rawlings said that more than anything he seeks to deliver the listener into the song's landscape and atmosphere.

David Rawlings's new album, out Aug. 11, is 'Poor David's Almanack.'

ALYSSE GAFKJEN

For fans of Mr. Rawlings, there can never be too much of the warm, fluid sound he generates from his 1935 Epiphone Olympia archtop guitar. In concert and on disc, he tends to favor thoughtful single-note or arpeggiated solos that follow their own logic and aren't locked into cliché. At times, it can seem like he's played himself into a dead end. In 1998, at a workshop at Case University in Cleveland, I witnessed a soft, deliberate solo by Mr. Rawlings during which he headed down a path from which I was sure there was no return to the tonic. But with a humble flourish, he resolved it as deftly as a seasoned magician ending an illusion. Startled, I sat in wide-eyed wonder.

On "Poor David's Almanack," Mr. Rawlings's guitar is most often an essential building block rather than the focal point. The gentle folk ballad "Airplane" features characteristic ringing solos even as a string section soars. A droll twist on a country ballad about the devil, "Yup" finds Mr. Rawlings playing twisty filigrees between verses as Mr. Kowert pumps the upright bass and Ms. Haas's fiddle drifts sweetly along. Featuring the full band and Ms. Welch on vocals, "Cumberland Gap" mines Neil Young's folk-rock terrain and Mr. Rawlings plays a delicious solo. (Mr. Young's "Heart of Gold" was the first song Mr. Rawlings learned on guitar.) With Griffin Goldsmith on drums, "Guitar Man" is a rare number featuring Mr. Rawlings on electric guitar; here, his technique doesn't fully translate, but the track works as a change-up, even if the song fades out just as Mr. Rawlings gets going.

At the Kennedy Center, he and Ms. Welch were celebrating the vinyl release of their 2011 album, "The Harrow & The Harvest," and they played that Grammy-nominated disc from top to bottom. With his conversational solos in "Tennessee" and "Down Along the Dixie Line" he extended the somber lyrical narrative. In "Dark Turn of Mind," a fragile ballad that draws from the blues, he issued an mournful solo that slid perfectly under Ms. Welch's voice as she resumed the tale. After intermission, the duo explored the Welch catalog, and in "Revelator" Mr. Rawlings played with a ferocious attack throughout an extended solo to the song's end. "David Rawlings!" Ms. Welch exclaimed as the audience gave him a standing ovation. Soon, though, Mr. Rawlings returned to his customary cunning approach on a down-tempo reading of the standard "Make a Pallet on the Floor." As they have for so many years, his spry, delicate notes landed right where they needed to be.

Mr. Fusilli is the Journal's rock and pop music critic. Email him at jfusilli@wsj.com and follow him on Twitter @wsjrock.

Weather

AccuWeather.com

Shown are today's noon positions of weather systems and precipitation. Temperature bands are highs for the day.

Global Forecasts

s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

	Today			Tomorrow		
City	Hi	Lo	W	Hi	Lo	W
Amsterdam	22	17	pc	22	16	pc
Anchorage	16	13	r	17	13	c
Athens	32	25	s	34	25	s
Atlanta	31	21	pc	28	21	t
Baghdad	50	31	s	49	32	s
Baltimore	32	20	t	31	22	pc
Bangkok	36	28	t	34	27	t
Beijing	29	24	t	34	25	t
Berlin	25	18	pc	28	18	t
Bogota	21	10	r	20	10	r
Boise	39	19	s	38	20	s
Boston	28	20	s	28	19	pc
Brussels	23	17	pc	24	15	pc
Buenos Aires	16	6	pc	16	6	pc
Cairo	37	26	s	37	26	s
Calgary	21	10	pc	26	12	s
Caracas	32	26	pc	32	27	pc
Charlotte	31	20	pc	32	20	pc
Chicago	28	19	pc	28	15	t
Dallas	31	23	pc	34	24	pc
Denver	31	13	t	22	12	c
Detroit	30	20	t	30	18	t
Dubai	45	36	s	46	35	s
Dublin	21	13	r	20	11	sh
Edinburgh	18	12	r	18	11	sh
Frankfurt	28	19	pc	29	20	t
Geneva	32	21	t	33	21	t
Hanoi	34	27	t	33	26	t
Havana	33	23	s	35	24	pc
Hong Kong	33	29	sh	33	28	t
Honolulu	31	24	sh	32	25	pc
Houston	30	24	t	32	25	c
Istanbul	31	24	s	31	24	pc
Jakarta	33	24	s	32	24	pc
Johannesburg	19	7	c	21	8	s
Kansas City	30	20	pc	26	13	pc
Las Vegas	39	29	t	39	30	pc
Lima	21	15	pc	21	15	pc
London	19	16	r	22	15	c
Los Angeles	32	23	pc	32	22	pc
Madrid	36	21	pc	38	22	s
Manila	31	26	t	31	26	t
Melbourne	14	5	pc	12	7	r
Mexico City	26	15	pc	25	14	pc
Miami	33	27	t	34	29	pc
Milan	37	24	pc	37	23	pc
Minneapolis	29	15	pc	17	14	r
Monterrey	36	24	pc	34	23	pc
Montreal	30	18	pc	29	20	sh
Moscow	26	20	s	23	15	pc
Mumbai	31	26	sh	31	26	pc
Nashville	31	21	c	32	21	pc
New Delhi	32	26	t	33	27	pc
New Orleans	30	23	t	29	24	t
New York City	31	22	t	29	22	pc
Omaha	31	19	pc	24	13	pc
Orlando	31	23	t	33	24	t
Ottawa	29	17	t	27	18	sh
Paris	27	19	pc	27	17	pc
Philadelphia	32	22	t	32	23	t
Phoenix	36	28	t	40	29	t
Pittsburgh	29	19	pc	29	21	t
Port-au-Prince	37	24	s	35	24	pc
Portland, Ore.	42	21	s	41	21	s
Rio de Janeiro	29	20	s	30	20	s
Riyadh	45	29	s	45	30	s
Rome	34	22	pc	35	24	s
Salt Lake City	37	22	s	37	22	s
San Diego	27	23	pc	28	23	pc
San Francisco	26	16	pc	25	16	pc
San Juan	31	26	sh	32	27	sh
Santiago	19	3	s	21	2	s
Santo Domingo	34	24	pc	32	24	t
Sao Paulo	26	17	pc	23	13	pc
Seattle	35	19	s	37	19	s
Seoul	33	26	pc	34	25	pc
Shanghai	37	29	t	37	30	s
Singapore	31	26	c	32	27	t
Stockholm	21	13	t	23	13	pc
Sydney	17	11	pc	19	11	r
Taipei	35	27	t	35	26	t
Tehran	35	25	s	35	25	s
Tel Aviv	32	26	s	32	25	s
Tokyo	27	22	pc	28	23	pc
Toronto	30	19	sh	28	21	t
Vancouver	29	17	s	29	18	s
Washington, D.C.	33	23	s	33	24	c
Zurich	30	19	t	30	19	t

The WSJ Daily Crossword | Edited by Mike Shenk

MOONLIGHTING | By Nancy Cole Stuart

Across

1 "Thy hour and thy harpoon are at hand!" speaker
5 Play starters
10 Throw in
13 You might see one in a vault
14 "Parade de Cirque" painter
15 Regulus is in it
16 Worker with pitches and polishes?
19 Quinella's kin
20 Gifts
21 Wins over
24 Many dorm rooms
25 Worker who draws a large congregation?
28 Agenda entry
29 Country reduced in size by about 25% in 2011
30 Harbor workers
34 Fathead
35 Drop temporarily
36 Beat
37 Bounty punishment
39 Bud protector
41 Involved account
42 Worker whose prose is out of this world?
45 Polo in China
47 Western bands
48 Once in a blue moon
49 Buyer in a familiar warning
52 Worker offering soft wares?
56 Niche filler
57 Cavern cacophony
58 Kitchen extension?
59 Make blue, maybe
60 Unnerved
61 Modernists, slangily

Down

1 Ambulatory setting
2 Barnum's "Feejee Mermaid," e.g.
3 What some concert passes allow
4 English conductor Thomas
5 Current setting
6 Cloister figure
7 Melber of MSNBC
8 Crams
9 Double performances
10 Ralph's wife
11 Secretarial positions
12 Quartet in a Morse H
14 Shrewdness
17 Regulus, for one
18 "Something to Talk About" singer
22 Farm feline
23 Moxie, e.g.
25 Medicine container
26 "___ girl!"
27 Where snowboarding debuted as an Olympic sport
31 Merlin Olsen's alma mater
32 Marked by aggressive and speculative investing
33 Argue
38 Guitar sound?
39 Bear
40 Light show lights
41 Doctor Strange's first name
43 A lot
44 "Semper Fi" org.
45 Gleeful
46 Forsaken
48 Chips source
50 Aboard
51 GPS lines
53 Electrical unit now called a siemens
54 Cattle call
55 Rodent reaction

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Previous Puzzle's Solution

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TECHNOLOGY: CHINA'S VPN CRACKDOWN WEIGHS ON FOREIGN COMPANIES B4

BUSINESS & FINANCE

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Yen vs. Dollar 110.4440 ▲ 0.07% **Hang Seng** 27607.38 ▲ 0.24% **Gold** 1270.80 ▼ 0.14% **WTI crude** 49.40 ▲ 0.49% **10-Year JGB** yield 0.075% **10-Year Treasury** yield 2.257%

Standard Chartered Shares Fall

Bank decision to keep dividend suspended led to drop, despite improved profit

By Margot Patrick

LONDON—**Standard Chartered** PLC, a laggard among banks restructuring since the financial crisis, said it still sees too many uncertainties to start paying dividends again.

The Asia-focused bank's shares fell more than 6% Wednesday despite improved second-quarter profit, after executives said the bank still has a long way to go to improve returns.

The bank is in the throes of a multiyear cleanup after years of rampant growth fizzled out three years ago.

Chief Executive Bill Winters has been unloading bad assets and resetting the bank's culture since joining two years ago, but has said it would still take years to get Standard Chartered's return on equity to acceptable levels.

Underlying return on equity in the first half was 5.2%, the bank said Wednesday.

Mr. Winters said the target continues to be to get it above 8% by 2020, lower than targets from rivals who started their post-financial crisis restructurings years earlier.

Parts of Standard Chartered were struggling financially when Mr. Winters took over from a former management team led by Peter Sands. In November 2015, he laid out a plan to cut jobs and relationships with unprofitable clients, and reduce costs. Standard Chartered's balance sheet had ballooned during the 2000s as cheap credit from banks helped lift Asian economies.

Mr. Winters said Wednesday the economic health of its markets is mixed, and that there are still question marks on regulatory and accounting rules that could force banks to hold more capital.

Holding off on dividends for now "is the cautious thing to do," he said, but the board will watch to see how the second half goes.

Standard Chartered's earnings largely met analyst expectations. Revenue in the second quarter was $3.61 billion, up from $3.47 billion in first half of 2016.

Net profit for the first half climbed to $971 million from $465 million a year earlier.

The bank has fallen out of favor with investors, with its shares trading at lower valuations than those of its peers because of the continuing restructuring.

Mr. Winters said the bank has done much of the heavy lifting to get back on track, but that the "external environment is still weighing on our full potential."

Standard Chartered shares were flat in London before the announcement, then slumped when the bank said dividends won't restart yet.

It started reducing, then suspended dividends in 2015.

It has large retail banks in Asia, and services domestic, regional and multinational companies in trade finance and cash management, among other parts of its still-sprawling operations.

Disappointment

Standard Chartered's share price in London

Note: One-minute intervals
Source: Thomson Reuters
THE WALL STREET JOURNAL.

Miners Rattled By Tough Rules in Tanzania

By Nicholas Bariyo And Jacquie McNish

International miners that flocked to Tanzania for its low taxes and friendly laws are running up against a populist president eager to gain a greater share of mining revenue.

Since his election two years ago, President John Magufuli, nicknamed "the bulldozer" for his forceful leadership style, has taken a series of actions he says are aimed at redistributing mining revenue to Tanzanians. The moves range from compelling miners to list their stakes in local stock exchanges and demanding higher taxes and royalties to threatening to tear up entire extraction contracts.

"I will not hesitate to close down all the mines if companies don't pay what they owe us," Mr. Magufuli told a cheering crowd in Tanzania's northwestern mining region last week. "I have launched an economic war."

Tanzania's aggressive steps have rattled investors and led to selling of stock of the most affected companies such as **Acacia Mining** PLC. Some companies have ceased or scaled back operations, including Australia's gold and lithium miner **Liontown Resources**, which has been operating two gold-exploration projects, and has pulled all of its staff out of Tanzania, while Russia's **Rosatom State Atomic Energy** Corp. has paused its $1.2 billion uranium project.

The legislative changes also mark a sea change in a country that has been a darling of foreign miners since the East African nation dismantled its socialist economic controls in the 1990s. The fourth-biggest gold producer in Africa, Tanzania also has reserves of copper, nickel, uranium and natural gas. Tanzania aims to double the mining contribution to its gross domestic product to 10% by 2025. The government says the changes are necessary to stimulate processing of commodities within Tanzania, collect more revenue and create more jobs.

Analysts warn of potentially dire consequences for Tanzania's economy, one of Africa's fastest-growing nations with annual growth averaging 6% to 7% over the past decade.

The latest—and largest—salvo was fired last week, when Acacia, the biggest gold miner in the country with $1 billion in annual revenue, and majority-owned by Canada's **Barrick Gold** Corp., was served with a $190 billion bill for what Tanzanian authorities have said were unpaid taxes, penalties and interest accumulated over the past 17 years.

"Just when you think things couldn't get any worse and then—a surprise!" said a person who attended last week's meeting between Acacia executives and government officials, where the bill, equiva-

Please see MINERS page B2

HEARD ON THE STREET

By Justin Lahart

Thank the Foreigners For Dow 22000

Americans cheering the U.S. stock market's latest milestone should pause to thank the rest of the world for making it possible.

The Dow Jones Industrial Average breached 22000 Wednesday morning after rising more than 2000 points so far this year. **Boeing** counted for 582 points of that gain. About 60% of its sales come from overseas. No. 2, contributing 298 points, is **Apple**, which gets two-thirds of its sales abroad. No. 3 is **McDonald's**, contributing 227 points; foreign sales count for about two-thirds of its total.

Indeed, while there are notable exceptions (hello, **International Business Machines**), the greater the share of a company's sales come from overseas, the better its stock has tended to perform this year.

Data from FactSet and S&P Dow Jones Indices show that companies in the top half of the S&P 500 by overseas sales exposure have had a median return of about 16% so far in 2017. Among those in the bottom half (which includes companies that don't break out foreign sales—in many cases because they are negligible) the median return is 8%.

A big factor behind the outperformance of foreign-exposed companies is the improved backdrop overseas. Buoyed by strength in Europe and many emerging-market countries, global economic growth outside of the U.S. is running at its fastest pace in four years, according to J.P. Morgan. That has led to an acceleration in sales that is outpacing rising costs—making for a sharp pickup in overseas profits. In contrast, in the U.S., where the economic recovery is much further along than places such as Europe, rising labor costs are pressuring profit margins.

That is one reason why analysts are generally forecasting faster earnings growth for companies with higher overseas exposure.

The dollar's recent weakness, which stems in part from the brighter outlook overseas, also helps. On a trade-weighted basis, the dollar in the second quarter averaged 2.5% higher against other currencies from a year earlier, according to the Federal Reserve. That counted as much less of a headwind than in the second quarter of last year, when the dollar

Please see HEARD page B2

Output Pact Is OPEC 'Catch 22'

ESSAM AL-SUDANI/REUTERS

The cartel must find a way to avoid disrupting the oil market when it unwinds curbs on output. Above, an oilfield in Basra, Iraq.

OPEC and other big oil producers are facing a new high-wire act: how to keep the oil market calm if they decide to lift their output curbs and ramp production back up.

By Georgi Kantchev, Benoit Faucon and Summer Said

Saudi Arabian Energy Minister Khalid al-Falih said last week the Organization of the Petroleum Exporting Countries doesn't want to "shock the markets" when it unwinds a November agreement to withhold almost 2% of global oil supply. The deal is set to expire in March 2018.

"We will work on a smooth exit from the agreement. We will make sure it's not abrupt," Mr. Falih told reporters in St. Petersburg after meeting with other oil ministers.

Since the deal, analysts and investors have raised questions about how the group will extricate itself from the arrangement. Investors worry the coalition of OPEC and other big producers like Russia—an alliance that accounts for 55% of world-wide oil output—could simply return to pumping full tilt when the deal expires, potentially sinking prices.

"The producers have created a Catch-22 situation," said Harry Tchilinguirian, head of commodity strategy at BNP Paribas. "There has been no guidance about a formal mechanism for exiting the agreement and that's unnerving the market."

Oil prices have zigzagged since the coalition of OPEC and non-OPEC producers hammered out final details in December, with crude prices at first rallying by around 20% only to fall into a bear market earlier this year. Prices have stabilized in recent weeks, with Brent, the global benchmark, trading just below $52 a barrel early on Wednesday.

55%

Share of world oil output covered by OPEC and its allies

In an interview last week, Russian Energy Minister Alexander Novak indicated his country wasn't planning to remain locked in this agreement beyond March. Russia, the world's largest crude-oil producer, isn't an OPEC member. But it has cooperated with the cartel for the past seven months by cutting its output by 300,000 barrels a day.

The deal between OPEC and non-OPEC producers "is an instrument that can be used in the future," Mr. Novak said. "At the same time, we don't believe it should be used too often. Only in critical situations."

Any exit strategy would likely involve some transition period past March, during which some production volume would be withheld from the market. But Mr. Falih has been vague on specifics.

"What we do and how we do it," Mr. Falih said, when asked in May about an exit strategy, "will be something we decide closer to the date. We certainly don't intend to abandon market monitoring."

Mr. Falih said the details

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For Apple, China Remains a Tough Market

By Alyssa Abkowitz

BEIJING—**Apple** Inc. has been facing plenty of headwinds in China lately, including plunging sales, increasing competition from rival smartphone makers, and government pressure to comply with stiff new security rules.

The new iPhone expected this fall offers a glimmer of hope, some analysts say, thanks to affluent Chinese consumers who are willing to pay premium prices for the latest technology.

While China's overall smartphone market is flat, the higher-priced market, for phones that cost 4,000 yuan ($595) or more, is still increasing, analysts say.

"Consumers are still willing to upgrade and some of them are waiting to buy the next-generation iPhone," said Jin Di, a mobile-market analyst at research firm IDC.

Factoring in the new iPhone, research firm Canalys forecasts shipments of 27 million iPhones, iPads and iPod Touches in mainland China for the last four months of 2017, compared with 22 million during the same period last year.

Apple could use some good news from China. On Tuesday, it reported that sales sank 9.5% to $8 billion in China, Hong Kong and Taiwan, for the third quarter ended July 1. That was the sixth-straight quarterly sales decline in Greater China.

Apple Chief Executive Tim Cook sought to put a positive spin on the news, saying sales in Taiwan rose 20%. The rate of decline also eased from the previous quarter, when sales had fallen 14%.

U.S.-based Apple delivered strong revenue overall for its latest quarter by re-energizing iPad and Mac sales and keeping purchases of iPhones steady. Revenue jumped 7.2% from a year earlier, its best growth since autumn 2015.

Profit increased 12% to $8.72 billion.

Apple's cash reserves continued to swell during the latest quarter to $261.5 billion, compared with $237.6 billion at year-end. About 94% of that cash is held overseas, and investor hopes have been rising that the Trump administration's plan for a U.S. tax holiday would allow Apple to bring the cash home without

Please see CHINA page B4

That Sinking Feeling

Apple's revenue from Greater China has fallen for six straight quarters.

Note: Fiscal year is October through September.
Source: the company
THE WALL STREET JOURNAL.

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INSIDE

VENEZUELAN DEFAULT FEARS RISE

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HEARD

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was up 4.9% on the year. And now the dollar is a tailwind: In July, it was down 1% from a year earlier.

The environment looks as if it should continue to benefit globally focused companies. The European Central Bank is optimistic enough about growth that it looks as if it will soon begin scaling back its bond purchases. That ought to further bolster the euro, and the profits of U.S. multinationals, when the euros they have made get translated into dollars. Meanwhile, slow growth and rising labor costs look as if they will be a continuing feature of the U.S. economy.

Still, investors should be careful not to consider companies with high overseas exposure as a perfect hedge against problems at home. The U.S. still counts as the most important driver of global growth, and if it stumbles, overseas profits won't be immune. Moreover, shares of globally exposed companies are among those with the headiest valuations. If trouble comes to the stock market, the world will not be enough.

Qatar Air Reverses Course

By Robert Wall And Susan Carey

Qatar Airways dropped plans to buy a big stake in **American Airlines Group** Inc., ending a brash attempt by the government-owned Middle East carrier to push into the U.S. amid political upheaval at home.

"The investment no longer meets our objectives," Qatar Airways said on Wednesday. "Qatar Airways will continue to seek opportunities to invest in global aviation."

American Airlines didn't immediately comment. American said Friday that profit fell 16% annually in the second quarter on higher fuel and labor costs.

Qatar Airways in June said it would buy 4.75% of American Airlines and build a stake of as much as 10% over time. American Airlines, the world's largest carrier by traffic and revenue, has a market value of roughly $24 billion.

The surprise approach angered American Airlines Chief Executive Doug Parker, who called it "puzzling and strange."

Qatar Airways said it would "investigate alternative investment opportunities in the United States of America and elsewhere that do meet our objectives."

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BUSINESS & FINANCE

Schools Rethink Recommendations

By Francesca Fontana

BUSINESS EDUCATION

New York University's business school is trying to get a better sense of what its applicants are really like. So the school is asking their friends.

Recommendation letters for applicants to Masters of Business Administration programs often focus on analytic acumen or leadership skills. This summer, NYU's Stern School of Business started asking for endorsements from a pal or co-worker who can comment on the applicant's social skills or emotional intelligence.

STEPHANIE AARONSON/THE WALL STREET JOURNAL

NYU's Stern School is asking applicants for letter from a friend about their emotional intelligence.

Stern's friendly testimonial is just one of the ways business schools are rethinking the recommendations required for admission to M.B.A. programs. Some programs have begun accepting a common application form to save recommenders from writing missives for separate schools. The University of Pennsylvania's Wharton School has implemented word counts to keep statements on-topic.

The rejiggered recommendations share a common goal: Cutting through the fluff to find out who applicants really are. Many applicants ghostwrite their own recommendations at recommenders' request, a practice schools try to discourage.

About 40% of M.B.A. applicants said at least one manager asked them to draft their own recommendation letter, according to a 2014 survey of applicants by the Association of International Graduate Admissions Consultants, a professional organization.

Applicants can share materials like drafts of a personal statement or a copy of their résumé, but ultimately a letter of recommendation "should be the words of the recommender," said Isser Gallogly, associate dean of M.B.A. admissions at Stern. In addition to the two recommendations Stern requires, it now has applicants ask a friend or colleague to write a 250-word statement highlighting traits like empathy and self-awareness. Mr. Gallogly said a friend's endorsement gives admissions officers insight they might not get from professors or managers. Applicants may be unlikely to mention such traits because it "feels a little braggy. They don't really want to get self-congratulatory," he said. Admissions officers also are trying to cut down on information overload.

Some two dozen b-schools collaborated with the Graduate Management Admission Council to create a common recommendation form, introduced last year. Recommenders use the form to provide short answers to questions like, "How does the performance of the applicant compare to that of other well-qualified individuals in similar roles?" and "Describe the most important piece of constructive feedback you have given the applicant."

Mr. Gallogly said the changes ease the burden on recommenders and yield more manageable responses.

Linda Abraham, founder and president of admissions consulting firm Accepted.com, said nicely written but vague recommendations communicate almost nothing about the applicant. Before Wharton capped recommendations at 600 words, some recommenders submitted long letters that were no more useful than a succinct response, said Blair Godfrey Mannix, director of operations and evaluations for Wharton's M.B.A. program.

Until this year, Wharton had asked recommenders to rank candidates' skills in various percentiles, like many other M.B.A. programs do. Trouble was, most recommenders tended to rank applicants in the top percentile for each category, so "the rubric doesn't give as much information as you think it would," Ms. Godfrey Mannix said.

This year, Wharton will ask recommenders to describe candidates' personalities, picking six traits—such as conscientiousness or humility—from a list of 20. Letters of recommendation were the first thing on Lindy Gould's mind when she decided to apply to M.B.A programs. On the opening day of application season last summer, she sent emails seeking recommendations to contacts including Helen Chan, with whom she had worked at Teach For America and who now is senior managing director of recruitment there.

Ms. Gould, who will attend Columbia Business School full-time in the fall, sent Ms. Chan copies of her personal statement, resume, GRE score and an outline of her strengths and weaknesses. Even so, Ms. Chan said she spent about five hours writing three letters for her former colleague.

MINERS

Continued from the prior page

lent to nearly 200 times Acacia's 2016 revenue and nearly 10 times Barrick's current market capitalization, was presented. "It was stunning."

The Tanzanian government didn't respond to requests for comment.

The demand follows a ban on exports from two of Acacia's three mines, imposed in March when a government audit, ordered by Mr. Magufuli, allegedly found 10 times more gold in the company's export containers than it had declared to Tanzanian authorities. Acacia says it declared everything of commercial value and has yet to see the government's audit reports. If the gold content of its exported concentrates was as high as claimed by the audit, the company says, its Bulyanhulu and Buzwagi mines in northern Tanzania would be the world's largest gold producers. Currently, these are ranked outside of the top 10 largest gold mines in the world.

Losing Luster

Gold is shrinking as a percentage of Tanzania's exports.

Source: Bank of Tanzania
THE WALL STREET JOURNAL.

On Friday, Acacia said a senior international employee of one of its subsidiaries had been prevented from leaving the country, and his passport was confiscated at the airport. It said other staff also were facing increased pressure from government agencies.

Acacia isn't the only miner colliding with Mr. Magufuli's nationalist policies.

South Africa's **AngloGold Ashanti**, which operates Tanzania's largest mine, filed for international arbitration over legislative changes that increased royalties to 6% from 4% of all minerals produced in the country.

The new rules also entitle the government to a 16% stake in a company's stock without compensation—and the right to buy a further 34%—and introduced a 1% clearing fee on all mineral exports.

Other companies with exploration projects, including **Strandline Resources**, **Magnis Resources** and **Graphex Mining**, have suspended trade in their shares on the Australian Securities Exchange, citing the new mining rules.

Since the new rules apply to all extractive industries, they may also jeopardize plans by energy giants, including **Exxon Mobil** Corp. and **Statoil** ASA, to build a $30 billion liquefied natural gas plant in the country. Exxon declined to comment and Statoil said it was following the situation.

Some observers see the new law as a correction of unusually generous terms, including a raft of tax exemptions granted to foreign investors at the end of the last century when Tanzania opened up its economy.

"Tanzanians have not benefited from these minerals; foreign companies have been paying little taxes and repatriating almost all the proceeds," said Rugemeleza Nshala, executive director of Dar es Salaam-based nonprofit Lawyers Environmental Action Team. "Now that the laws have been tightened, government will no longer be helpless."

Despite maintaining a strong annual growth of around 7% over the past decade, driven in part by the mining sector, Tanzania's poverty levels at roughly 47% of the population have remained stagnant, according to the World Bank.

"The policy changes are not intended to disadvantage anyone," said Justice Minister Palamagamba Kabudi in July. "Some of the terms in old contracts were unfair; the whole idea is to get fair and up-to-date laws for the benefit of our people."

OPEC

Continued from the prior page

would pivot off the oil-market outlook. The cartel's supply cuts have worked more slowly than expected. Oil in storage, a proxy for the severity of a three-year global glut, remains higher than historical averages, though it is slowly coming down.

Representatives of OPEC nations say there hasn't been any serious planning yet for what to do when the deal expires—or if it suddenly falls apart.

Many OPEC members, which rely on oil for a substantial part of their budgets, are struggling to keep up with the current cuts, so it is unlikely that an agreement to extend the current deal will come easily, analysts say. So far, seven of 11 OPEC members that agreed to cut output are falling short of their targets.

"OPEC needs to come up with a plan because if we don't, we will shock the market," an OPEC delegate said, underscoring the fear that members will flood the market with oil, sending prices lower, after the agreement's expiration.

A senior Saudi official said: "OPEC is known for making deals rather than exiting them in a planned manner."

OPEC Secretary-General Mohammed Barkindo told The Wall Street Journal on Sunday that the group remained committed to the production-cut deal and stabilizing the oil market, citing "the severity of this current oil cycle on all producers."

For Saudi Arabia, OPEC's most influential member, an extension would be a double-edged sword.

The kingdom has shouldered the bulk of the OPEC production cuts so far and has pledged to further limit its exports, putting its market share at risk. At the same time, Saudi Arabia wants to list in the second half of 2018 a minority stake in Saudi Arabian Oil Co., or Aramco, in what could be the world's largest-ever initial public offering.

"The Saudis need higher prices before the IPO so they won't let OPEC give up its market-management role that easily," said Tamas Varga, an oil analyst at broker PVM.

One challenge is beyond OPEC's control. With American drillers able to quickly turn production taps on and off, any oil-price increase would be met with a rise in U.S. output.

"U.S. shale has introduced a short-cycle supply which is quick to react" to price movements, BNP's Mr. Tchilinguirian said. "The exit will be more difficult because of shale."

—Nathan Hodge contributed to this article.

Pumping Up

After cutting output sharply to adjust to the 2008 financial crisis, OPEC has ramped up since the start of the decade.

1 **Sept. 2008** 500,000-b/d output cut*

2 **Oct. 2008** 1.5 million-b/d output cut*

3 **Dec. 2008** 2.2 million-b/d output cut*

4 **Dec. 2011** Collective output ceiling set at 30 million b/d, limits for individual members abandoned†

5 **Nov. 2016** 1.2 million-b/d output cut, country allocations restored‡

*Iraq exempted †Includes Iraq ‡Nigeria, Libya and Iran exempted from cuts
Source: International Energy Agency
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Rio Tinto Profit Soars Amid Cuts In Costs, Debt

By Robb M. Stewart

MELBOURNE, Australia—**Rio Tinto** PLC plans to increase its share buyback program this year and reward investors with its highest interim dividend to date after it stepped up debt reduction and its half-year profit almost doubled from a year ago.

The decision is a reflection of a rebound in the mining industry's fortunes that has gained momentum, benefiting from a recovery in prices of commodities including iron ore and coal, as well as efforts to slash costs since prices slumped in 2015.

The mining company plans to return a total $3 billion to its shareholders.

The gain in Rio Tinto's earnings came as it said Wednesday it expects further increases in cash flows from its operations in coming years. The company said it would continue to invest in projects that underpin its growth plans. By contrast, rival **BHP Billiton** Ltd., the world's biggest listed mining company, has recently been assailed by activist investors for not doing enough for shareholders.

"We continue to have the strongest balance sheet in the sector," said Rio Tinto Chief Executive Jean-Sébastien Jacques, who took the helm of the company about a year ago, adding that it was also one of the few in the industry committing to significant investments.

Rio Tinto said it would return a total $3 billion in cash to shareholders, including a $1 billion increase to a $500 million share-buyback program initiated earlier in the year, and a raised interim dividend.

The company emerged from the downturn in the resources sector in better shape than many of its peers, thanks to a rebound in prices for many of its products and following aggressive steps to cut costs and improve efficiency in mines from the U.S. to remote patches of Australia's Outback.

The Anglo-Australian company's net profit rose to $3.31 billion in the first half from $1.71 billion a year earlier, while revenue rose 25% to $19.32 billion from $15.5 billion. As cash flows from operations increased and Rio Tinto hit a target to strip out $2 billion in cash costs six months earlier than planned, it said it reduced net debt by $2 billion over the first half to $7.6 billion.

Rio Tinto said it would beef up the repurchase of its London-listed shares by the end of the year and offer a dividend of $1.10 a share, up from 45 cents a year ago and higher than even at the peak of the commodities boom.

Anglo American PLC kicked off earnings season for the world's big mining companies last week with a jump in its half-year profit and plans to reinstate a dividend slashed two years ago as commodity prices slumped.

In early 2016, Rio Tinto scrapped a longstanding pledge to maintain or increase its dividend each year and adopted a more flexible policy allowing it to adjust the payout to circumstances after swinging to a loss for 2015. A year later, the company laid out plans to buy back shares and further reduce debt with the repurchase of bonds.

JUNG YEON-JE/AGENCE FRANCE-PRESSE/GETTY IMAGES

Guards escorted Samsung Electronics Vice Chairman Lee Jae-Yong to court in Seoul on Wednesday. He faces charges including bribery.

Samsung Leader Testifies

Group's de facto head claims ignorance of payments made in South Korean scandal

By Eun-Young Jeong

SEOUL—The de facto head of the **Samsung** conglomerate defended himself in court for the first time since his February arrest over a political scandal that has gripped South Korea and toppled its president.

Lee Jae-yong, who has been in custody since the arrest, stepped into the stand Wednesday and responded to questions from prosecutors, his attorney and judges for more than five hours.

The 49-year-old Mr. Lee—grandson of Samsung's founder and vice chairman of **Samsung Electronics** Co.—had been on the sidelines during court hearings since the first one in April, when he responded to basic questions from the judge confirming his identity. The other four defendants, former Samsung officials who include the onetime head of the conglomerate's corporate strategy office, have already testified.

Mr. Lee faces multiple charges, including bribery.

Along with former President Park Geun-hye, Mr. Lee is one of the highest-profile figures in the corruption scandal. Ms. Park was removed from office in March by the country's Constitutional Court, after her impeachment over accusations that she colluded with her friend Choi Soon-sil to extort money from Samsung and other South Korean conglomerates.

The prosecutors' case centers on some $37 million that Samsung arranged to pay to entities allegedly controlled by Ms. Choi. The payments include an $18.6 million equestrian agreement Samsung made with a small sports consulting company in Germany.

In his testimony, Mr. Lee claimed ignorance of Samsung's payments and dismissed allegations he had sought favors from South Korea's former president, denying prosecutors' accusation he had ordered his company to fund entities linked to Ms. Choi. "About 95% of my responsibilities are with Samsung Electronics and its affiliated companies," he said, adding that he wasn't generally briefed on the conglomerate's sports-related donations.

Prosecutors say Mr. Lee ordered his company to fund entities linked to Ms. Choi, and that in exchange Ms. Choi colluded with Ms. Park to have the country's pension service cast a decisive vote in favor of a 2015 merger of two Samsung affiliates. That deal was seen as critical to consolidating Mr. Lee's grip on Samsung Electronics, the world's biggest smartphone maker. Samsung has acknowledged making the payments, but has denied they were in exchange for political favors. Ms. Park and Ms. Choi have both denied wrongdoing.

Mr. Lee testified that the merger was decided by the heads of the two Samsung affiliates and dismissed its link to his succession. "To this day, I don't understand how the merger strengthens my link to Samsung Electronics," he said.

Wednesday's court hearing also zeroed in on Mr. Lee's three private meetings with the former president between 2014 and 2016, in which prosecutors allege Mr. Lee asked for government favors.

Mr. Lee acknowledged Ms. Park had asked him for Samsung's support in equestrian activities in the first meeting. In the second meeting, Mr. Lee said Ms. Park reprimanded him for not following through on her equestrian requests.

Prosecutors said that Samsung's agreement to fund a German sports consulting company to train equestrian athletes, including Ms. Choi's daughter, came just one month after Mr. Lee's second meeting with Ms. Park. Mr. Lee said he didn't know of Samsung's agreement with the German company or of Ms. Choi's link to it at the time.

C WAGNER/UNIQLO

The retailer is offering shirts and lightweight jackets at some airports and shopping malls in the U.S.

Uniqlo Taps Vending Machines

By Khadeeja Safdar

Your flight is boarding soon, but you forgot to pack warm clothes. What to do?

Uniqlo is betting that you might consider a lightweight down jacket from a vending machine.

The **Fast Retailing** Co.-owned retailer plans to roll out 10 of them this month and next in airports and shopping malls near New York, Houston, Oakland, Calif., and other U.S. cities.

The machines are part of the company's retooled expansion plans after a more ambitious effort to increase Uniqlo's U.S. presence fell short of expectations. Vending machines are cheaper to operate than physical stores and are a convenient way of selling basic, travel-friendly clothes to harried consumers, said Marisol Tamaro, Uniqlo's U.S. marketing chief.

"At the airport, you don't have a lot of time to wait in line and explore a store," she added.

Best Buy Co. operates 183 machines, most of them at airports, and has said in filings that they generate millions in revenue. Other brands, including **Benefit Cosmetics** LLC, also have tried airport vending machines as a way to tap a captive preboarding audience. Uniqlo has used similar machines as a marketing tool in Singapore and other countries.

After opening 45 stores in the U.S., Uniqlo is now using vending machines, temporary stores and a few flagship locations to expand its physical footprint. It has two new locations planned for Washington this fall, including a store in Union Station and a pop-up shop.

"We're trying to understand where we can be more successful without making a big commitment," said Ms. Tamaro, calling the vending machines a "learning lab."

Selling fashion through a kiosk can be tricky, said Sam Cinquegrani, founder of **ObjectWave** Corp., a digital-services firm. "The more emotional the purchase, the less likely that technology like a vending machine would work," he said. "Those kind of items become very difficult when there isn't a personal touch."

Fast Retailing, based in Japan, operates more than 1,700 Uniqlo stores in Asia and once planned to add hundreds more in the U.S. But it slowed down in 2015 after sales at the American stores it initially opened missed forecasts, particularly locations in suburban areas. The company considered buying J. Crew Group Inc. in 2014 but talks broke down.

Apparel chains across the U.S. are struggling with years of overbuilding and consumers' shift to e-commerce.

Uniqlo is now focusing on developing its e-commerce capabilities and stores in big U.S. cities, where executives believe customers are more interested in its emphasis on functional design.

The six-feet-high vending machines will sell heat-retaining shirts and lightweight down jackets. The limited selection allows Uniqlo to offer a range of sizes and colors. Items will be dispensed in boxes and cans and can be returned in a store or via mail.

As more shopping moves online, expect to see consumers become more comfortable with experiments like Uniqlo's, said Marshal Cohen, retail industry analyst at NPD Group.

"Nowadays, convenience trumps touch and feel," he said. "Sure, you don't have the same interaction with the consumer, but in reality that interaction isn't as big of a deal anymore."

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Apps, Other Services Buoy Apple

Music subscriptions, payment transactions and apps were big revenue contributors

By Tripp Mickle

When Apple Inc. last year began breaking out revenue from app sales, music subscriptions and payment transactions, the accounting change seemed opportunistic. Sales of iPhones were declining and services provided a growing business to showcase.

The change now appears more than justified.

On Tuesday, Apple said services—the App Store, iTunes, Apple Pay, iCloud and more—generated more than $27.8 billion in revenue for the 12 months ended July 1, making it the equivalent of a Fortune 100 company and larger than Facebook Inc.'s total revenue in 2016.

The company hit the milestone a full quarter before predicted by Chief Executive Tim Cook, as rising subscriptions to Apple Music, **Netflix** Inc. and other services lifted services revenue 22% in the June quarter to $7.27 billion. The iPhone is still Apple's chief moneymaker, but services combined with better-than-expected iPad and Mac sales reduced Apple's total revenue from the iPhone to 55% in the quarter from 57% a year ago.

"The business is really impressive when you think about it in terms of scale compared to other publicly traded companies out there," said Jeff Dillon, chief executive of Jackson, Mich.-based Dillon & Associates, which counts Apple among its largest holdings. "There's a long runway to go there."

Apple's total revenue rose 7.2% in the quarter to $45.41 billion, while profit was up 12% to $8.72 billion. The company's stock rose 5% in midday trading Wednesday.

Apple boosted services revenue while facing a host of challenges, including shuttered movie sales in China, shrinking iTunes market share in the U.S., and a music-streaming service that is a distant No. 2 player in paid subscriptions to Spotify AB.

The company remains guarded about which sources are driving services revenue. Apple annually reports total payments to app developers, and in June said Apple Music subscriptions hit 27 million. But it hasn't broken out revenue from AppleCare, Apple Pay, iTunes, iCloud storage or any of the other pieces that contribute to the business.

The growth in services is driven by the size and quality of Apple's user base. Apple now has more than 1 billion devices in use world-wide. Its pricier iPhones, iPads and Macs are typically bought by more affluent consumers who load them up with apps or pay extra to store photos in the cloud. The App Store generates nearly twice the revenue of Alphabet Inc.'s Google Play, according to App Annie, a tracking service.

Apple to some extent is drafting off broader consumer trends. An increasing number of customers are shifting from cable subscriptions to streaming-subscriptions services such as Netflix, HBO Now and Hulu, and many sign up through the App Store, giving Apple a 15% cut of the subscription.

Apple said its number of subscriptions rose 12% in the past 90 days to 185 million. In a call with analysts, Chief Financial Officer Luca Maestri credited some of the growth to making App Store purchases easier by adding more payment options, such as Alibaba Group Holding Ltd.'s Alipay in China.

The services business hasn't been without headaches. In China, the government shut down Apple's movie and book sales because they violated local media guidelines. Apple also has faced criticism globally for removing apps in China such as the New York Times earlier this year, and others that allowed users to evade the country's censorship laws.

Apple's streaming-music service continues to lag behind Spotify, which in June reported more than twice as many paid subscribers at 60 million. Movie rentals and sales on its iTunes service in the U.S. have been pressured by Comcast Corp. and Amazon.com Inc., reducing its market share to about 20% from more than 50% in 2012.

The iPhone maker is trying to differentiate to gain Apple Music subscribers and video viewers by branching out into original content. It released the reality show "Planet of the Apps" in June and will add "Carpool Karaoke" next week. It recently hired two top Hollywood television executives to spearhead a push into original programming.

"We'll see how this area goes, but it's still an area of great interest," Mr. Cook said on the call.

The services growth over the past decade is impressive considering late CEO Steve Jobs didn't want an app store. The iPhone launched without one, and Mr. Jobs primarily wanted to offer only Apple services, but employees and outsiders prevailed in getting him to change his mind, former employees said.

DAVID CHANG/EUROPEAN PRESSPHOTO AGENCY

An Apple Store in Taipei, Taiwan. The iPhone is still Apple's chief moneymaker, but iPads and Macs sold well in the latest quarter.

CHINA

Continued from page B1

paying steep taxes.

Along with shrinking sales in Greater China, Apple has also been grappling with new cybersecurity rules imposed by the Chinese government.

Last month, Apple said it would open a data center in China that will be operated by a government-owned firm. Over the weekend, Apple removed virtual private network, or VPN, apps that allow Chinese users to skirt internet censors from its App Store in China to comply with new rules that require providers of such apps to obtain licenses from regulators.

"We would obviously rather not remove the apps, but like we do in other countries, we follow the law wherever we do business," Mr. Cook said on a call with analysts.

Industry consultants say Apple is taking care not to offend the Chinese government, especially as it prepares to launch the critical iPhone 10th anniversary model this fall.

The government cooperation might not be enough, as domestic smartphone makers including **Huawei Technologies** Co. roll out technologically advanced phones at lower prices.

Some analysts also expect demand for the new iPhone to be crimped by a love affair in China with the WeChat app by **Tencent Holdings** Ltd., which offers social messaging, mobile payments and a suite of so-called mini-programs akin to Apple's App Store. WeChat is the No. 1 app in China, based on time spent using it.

Mr. Cook played down concerns over WeChat on Tuesday, calling Tencent "one of our biggest and best developers." He added, "We're looking forward to working with them even more."

—Tripp Mickle in San Francisco contributed to this article.

Facebook Says It Improved Diversity

By Yoree Koh

Facebook Inc. said its efforts to diversify its workforce are starting to bear fruit, thanks in part to an effort to hire more women straight out of college.

The social network has made strides in increasing the percentage of women at the company over the past year. Women now account for 35% of global employees, up from 33% the previous year, Facebook said Wednesday. In technical roles—positions where there are typically the fewest female, black and Hispanic employees—the percentage of women has increased to 19% from 17%.

Facebook said 27% of all new-graduate hires in engineering were women. That outpaced the 18% of computer-science graduates who are women, said Maxine Williams, Facebook's head of diversity, citing a statistic from the National Center of Education Statistics.

"I'm happy with the trends, I'm feeling good about the growth, but I want more," Ms. Williams said.

Facebook, like its tech peers, has struggled to make its workforce more diverse, which experts say is key to producing technology adapted for a wide variety of audiences.

Experts say there are several causes for the homogeneity, from the universities companies tend to favor recruiting from, to the referral hiring programs that limit potential candidates to a narrow network of friends that typically come from similar backgrounds.

Ms. Williams said there are also systemic issues at play. While the company can take steps to improve its hiring process and try to reduce unconscious bias, she attributed problems to the pipeline issue, referring to the pool of candidates available to hire.

"The pipeline is not everything, but it's part of the issue," she said.

China's New VPN Rules Lift Business Costs

China's moves to tighten the screws on its already heavily gated internet stand to significantly raise the costs and level of difficulty for foreign companies doing business in the country.

*By **Liza Lin** in Shanghai and **Josh Chin** in Beijing*

The government's recent crackdown on tools that allow internet users to circumvent China's elaborate system of web filters could make it harder for companies to communicate with business partners, clients and suppliers overseas.

The effort to block use of unapproved virtual private networks, or VPNs, and uncertainty over internet access is already weighing on foreign companies' operations in China, according to foreign business groups.

"The success of our members is dependent upon instantaneous access to information on a world-wide basis as well as the ability to freely communicate with their affiliates, suppliers and customers around the world," said Lester Ross, chairman of the policy committee at the American Chamber of Commerce in China. "We urge the government to take such concerns into account."

IMAGINECHINA/ASSOCIATED PRESS

An Amazon Web Services sign in Shanghai. Amazon has curbed access to VPN services in China.

Many see the crackdown as a sign China plans to be aggressive in enforcing a new cybersecurity law aimed at giving Beijing more control over flows of information across the country's borders.

"This will affect the majority of foreign companies that operate in China," said Han Lai, China country manager for KrolLDiscovery, a legal-technology consulting firm based in Washington, D.C.

Forcing companies to send data offshore only through government-approved VPNs is a first step in implementing new rules that require businesses in "critical industries" to store broad categories of data inside China and get permission before moving it out of the country.

The new rules could significantly increase costs for foreign companies by requiring them to set up new data centers in China or renting space from local cloud providers, analysts said. Firms will also have to set up specialized data-management systems for their China business.

By using a VPN under the control of Chinese regulators, companies also make it easier for the government to track their activities and potentially steal their data, said Michael Hull, co-founder of Psiphon, an Ontario-based censorship-circumvention company targeted in the crackdown.

"I can't think of a worse thing for a company to do than that. It's better not to use a VPN," Mr. Hull said.

The closing of leaky windows on the Chinese internet began last month when censors disrupted Facebook Inc.'s messaging app WhatsApp, used by activists and others to send encrypted messages, and several foreign VPNs.

More recently, Apple Inc., Amazon.com Inc. and the Waldorf Astoria Hotel in Beijing joined a list of companies that have taken steps to shut down access to unregistered or illegal VPN services.

Apple's move to withdraw some VPN apps from China's iTunes store has already had its costs, said Graham Webster, senior research scholar at Yale Law School. Many foreign and Chinese businesses depend on the commercial VPN products that Apple decided to remove from the iTunes store, he said, because other options could be less convenient and much more expensive.

All three companies said they took the steps to comply with China's new cybersecurity law.

Many internet users have speculated the new restrictions are related to a Communist Party conclave this fall, when President Xi Jinping is expected to promote allies into top leadership positions while seeking re-election to a new five-year term.

But industry insiders say the current assault on VPNs is broader and more intense than previous crackdowns associated with political events.

Cybersecurity has been a focus for China since U.S. government contractor Edward Snowden alleged in 2013 the U.S. National Security Agency built back doors into tech gear to spy on other governments.

BUSINESS WATCH

KKR, WALGREENS

Firms Aim to Take PharMerica Private

KKR & Co. and **Walgreens Boots Alliance** Inc. reached an agreement to take **PharMerica** Corp. private in a deal valued at $1.4 billion, the companies said Wednesday.

Shareholders of institutional pharmacy-services company PharMerica will receive $29.25 a share in cash. Walgreens Boots Alliance will be a minority investor in a newly formed company that KKR will control.

On Wednesday, shares of PharMerica were up 15% to $28.88 in late-morning trading on the New York Stock Exchange. The Louisville, Ky., company's decision to be acquired followed a review of strategic alternatives. The company's board has approved the transaction.

The deal still requires PharMerica shareholder approval, but the firms expect the acquisition to close by early 2018.

—Bowdeya Tweh

AT&T

Veteran Executive Retires Amid Shift

AT&T Inc. said veteran executive Glenn Lurie will retire next month, the latest sign of the telephone company's efforts to retool its management team to run a more entertainment-focused business.

Mr. Lurie led the team that landed an exclusive U.S. agreement with Apple Inc. to launch the first iPhone a decade ago. The arrangement demanded concessions from Cingular, later renamed AT&T to match its corporate parent, but put the wireless carrier at the front of the coming smartphone revolution.

The departure follows a broader shake-up in the telecom company's upper ranks as it positions itself to take over Time Warner Inc.

The reorganization announced last week put longtime executive John Donovan in charge of a new communications unit to house AT&T's sprawling telecom operations, including wireless service, satellite TV and landlines. John Stankey, who previously led the unit that includes DirecTV, is poised to take the helm at a media unit that will include Time Warner should the deal close.

—Ryan Knutson and Drew FitzGerald

SEATTLE

Uber and Lyft Face Setback in U.S.

A federal judge on Tuesday dealt a setback to ride-hailing companies **Uber Technologies** Inc. and **Lyft** Inc. in their battle to block a unionization effort in Seattle for thousands of contract drivers.

U.S. District Judge Robert Lasnik for the Western District of Washington state dismissed a case brought by the U.S. Chamber of Commerce, which had sued in March to block a Seattle ordinance that would clear the way for Uber and Lyft drivers to vote to collectively bargain for certain benefits. Uber, but not Lyft, joined as a plaintiff in the suit. Uber and Lyft have fought the U.S.'s first real unionization effort for drivers, arguing it threatens drivers' flexibility and isn't in their best interests. Passed in 2015, the ordinance took effect in January setting in motion a union organizing effort by the Teamsters and a drive by the ride-hailing companies to persuade drivers to reject collective bargaining.

A stay on the ordinance is still effect, though, until the judge rules on a separate case brought by several Uber drivers. Uber said it would appeal Tuesday's decision to the Ninth U.S. Circuit Court of Appeals.

Seattle's union efforts are an important test case for the contract labor model that fuels Uber, Lyft and other sharing economy startups.

Uber and Lyft both condemned the ruling.

—Greg Bensinger

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Fears Rise Over Venezuela Default

By Julie Wernau And Carolyn Cui

Investors have been bracing for a Venezuela debt default for more than a year, but fallout from the country's widely criticized election last weekend could prove to be the tipping point.

The government and state-owned oil company **Petróleos de Venezuela** SA, also known as PdVSA, together owe $5 billion in principal and interest payments due between now and the end of the year, according to Caracas Capital Markets. The country has $725 million due this month alone, the Venezuelan investment bank said.

The problem: Venezuela only has about $3 billion of its foreign reserves in cash, according to S&P Global Ratings. That means the country is dependent on oil exports to make up the difference.

The U.S. government has been threatening tough sanctions to punish President Nicolás Maduro for what Washington and other governments have called an illegal vote on Sunday, designed to advance the president's power. Mr. Maduro has said that the vote was necessary to give the government the ability to fix Venezuela's political and economic crises, and put an end to anti-government protests.

While the Trump administration on Monday imposed new sanctions against Mr. Maduro personally, it hasn't ruled out restrictions on the Venezuelan crude-oil trade that could deprive the government of its only real source of cash. Last week, the U.S. had leveled sanctions on 13 high-ranking Venezuelan officials.

The Venezuelan government didn't respond to requests for comment Tuesday.

Paying Up

Any sanctions that affect oil, Venezuela's main revenue source, are expected to crimp the country's ability to pay its debts.

Source: Caracas Capital Markets
THE WALL STREET JOURNAL.

RONALDO SCHEMIDT/AGENCE FRANCE-PRESSE/GETTY IMAGES

The government of Nicolás Maduro has $5 billion in debt and interest payments due by the end of the year.

"There's a huge dependency on exports to the United States at a time of profound economic turbulence. It would be basically cutting off the single most important source of revenue. It would significantly raise the risks of default," said Roberto Simon, lead analyst for Latin America in the geopolitical intelligence team at FTI Consulting.

Venezuela exports 780,000 barrels of oil a day to the U.S., accounting for 49% of its oil exports, according to **Torino Capital** LLC. The U.S. is also weighing restrictions on Venezuela's imports of U.S. oil, which would impede Venezuela's ability to produce oil for export.

In a sign of investor nervousness, the cost of insurance against a potential default by Venezuela has been rising, with the probability of default approaching 70% on Wednesday. That is the highest level since February 2016, when oil fell below $30 a barrel, according to Victor Fu, an emerging-market strategist at Stifel Nicolaus & Co.

Prices for PdVSA bonds due in November have dropped 3.5% since the last trading day before Sunday's election, according to Thomson Reuters data. The bonds are down 16% since the beginning of July. Venezuela's bonds due in 2038 have dropped 4.5% since before the election and are down 11% since the beginning of July.

Not everyone is convinced a default is coming, even if there were additional U.S. sanctions. "If only sanctions to exports of oil from U.S. to Venezuela are enacted, we think the downside will be limited as we think that would not be enough by itself to trigger a default this year," **Bank of America** Merrill Lynch said in a note Monday.

But if Venezuela does miss a payment, some observers say the default would likely make it among the largest in history. While it is difficult to know exactly how much Venezuela owes in external debt, some estimates say the figure approaches $150 billion.

A default would likely cause oil prices to rise, though it is unlikely to spill over to other bond markets because Venezuela's economy isn't closely linked with others and many investors have already gotten out of Venezuelan bonds in preparation for a default, some analysts say.

A default could also free up cash for the government to spend on desperately needed food and medical imports. Yet it could soon exacerbate the country's economic crisis, as creditors seek to seize oil assets and cut off the country's remaining supplies of financing, according to risk consulting firm Eurasia Group.

Venezuelan bonds have been widely held because they are in the major emerging-market bond indexes, with $342 billion tracking the **J.P. Morgan** EMBI bond indexes that contain Venezuelan bonds.

Venezuela's bonds have outperformed the benchmark index by a wide margin through much of the country's economic crisis. Venezuela's portion of that benchmark returned 121% from a trough in February 2016 through early March of this year, according to UBS Wealth Management. They were the largest contributors to emerging-market bond returns last year.

Part of the reason is Mr. Maduro has been determined to pay Venezuela's debts, fearing that any default could enable creditors to seize the country's oil shipments and energy assets. Short on cash, Venezuela has been ravaged by food shortages, high inflation and violent clashes with protesters.

The country's international reserves briefly dipped below $10 billion in recent days, its lowest in 15 years, according to Venezuela's central bank. S&P estimated that about $7 billion of those reserves are in gold, which wouldn't be easy to sell.

A white paper from sovereign-debt attorney Lee Buchheit and Mitu Gulati, a professor at Duke University School of Law, warned off bondholders who have been buying PdVSA debt in Venezuela with the expectation that they will be able to hold out for a big payday after any default.

The bonds don't have collective-action clauses that force the minority of bondholders to go along with a supermajority of holders, which has led some legal observers to say that a default could lead bondholders to seize assets and hold up restructuring efforts. Messrs. Buchheit and Gulati say Venezuela has several legal maneuvers available to it that could make collecting on those debts difficult.

—Ryan Dube contributed to this article.

U.S. Acts To Change Volcker Trade Rule

By Liz Hoffman And Ryan Tracy

The U.S. national bank regulator took a first step toward changing the Volcker rule trading ban, as regulators continue behind-the-scenes discussions about revamping the much-criticized regulation.

The Office of the Comptroller of the Currency asked for public feedback Wednesday on potential changes to the rule's definition of proprietary trading, the scope of firms subject to the rule, metrics calculated to measure banks' compliance and restricted investment funds known as "covered funds," among other topics. It asked a series of questions, including whether banks should be able to conduct "additional activities" and whether the rule should be changed to "remove unnecessary burden."

The OCC and four other regulatory agencies that enforce the rule—the Federal Reserve, Federal Deposit Insurance Corp., Securities and Exchange Commission and Commodity Futures Trading Commission—have publicly committed to discuss potential changes in recent weeks, but haven't reached an agreement on specifics, according to people familiar with those discussions.

The regulatory talks continued Friday at a meeting of the Financial Stability Oversight Council of senior regulators, where officials discussed recommendations to change the rule made by the Treasury Department in a June financial regulation report.

"During the discussion, the FSOC member agencies shared many good ideas on how the Volcker rule could be improved," Treasury Secretary Steven Mnuchin said in a statement Tuesday. "I look forward to continuing to work with our banking and market regulators on modifying the rule."

Acting Comptroller Keith Noreika in July said his agency could move on its own to solicit public comment on the rule, although he said he was hoping to do so jointly with other regulators.

On Wednesday, he called the move to seek public input "one piece of a larger interagency effort to improve the rule."

"A bipartisan consensus has emerged that the Volcker rule needs clarification and recalibration," he said in a statement. "Regulators do not have a monopoly on good ideas."

Carlyle's Earnings Surge

By Matt Jarzemsky

Carlyle Group LP's second-quarter profit soared as its investments appreciated, adding to private-equity firms' strong showing for the period.

For the three months ended June 30, the Washington, D.C., asset manager reported earnings of $57.6 million, or 59 cents a share, up from $6.1 million, or 7 cents a share, in the year-earlier period.

Economic net income, a closely watched performance measure that reflects changes in the value of the firm's holdings, rose to $274.8 million, or 81 cents a share, from $115.1 million, or 35 cents a share, a year earlier. The latest result topped the 41-cent average estimate of analysts in a FactSet poll.

Private-equity managers are benefiting from global economic growth and healthy investor appetite for ownership in both public and private companies, along with other assets such as corporate debt and real estate.

Carlyle's private-equity funds appreciated 8% during the period. Blackstone Group LP's buyout funds appreciated 2.8% during the period, while KKR & Co.'s private-equity portfolio gained 7.3% during the quarter. The S&P 500 rose 2.6%.

PETER FOLEY/BLOOMBERG NEWS

Co-CEO William Conway says Carlyle is finding good investments.

"We continue to deploy capital at a steady pace," Carlyle Co-Chief Executive William Conway said. "The environment for new investments remains competitive, but our deep, global teams continue to find good investments."

Distributable income, the slice of profits available for payout to shareholders, dropped to 56 cents a share from 84 cents a year earlier. Carlyle said it would pay a 42-cent dividend, down from 63 cents a year earlier.

As of June 30, Carlyle had $169.8 billion in assets under management, up from $161.9 billion the prior quarter but down from $175.6 billion in June 2016.

Carlyle took a $6 million write-off related to settlements with two investors in commodities investment funds that the firm had managed, which lost hundreds of millions of dollars in a Moroccan refinery deal gone awry. Liability insurance kept the write-down near the low end of the firm's previous estimate of up to $60 million.

The settlements mark the completion of Carlyle's exit from hedge-fund businesses it had acquired from 2010 to 2014, and which struggled due to poor performance.

Apollo's Profit Declines in Quarter

By Matt Jarzemsky

Apollo Global Management LLC's second-quarter profit fell as commodity-price weakness slowed investment gains.

For the period ended June 30, the New York private-equity firm's profit dropped to $86.9 million, or 44 cents a share, from $174.1 million, or 91 cents a share, in the year-earlier period.

Economic net income, which reflects unrealized investment gains, declined to $183.5 million, or 46 cents a share, from $394.9 million, or 98 cents a share, in the same period a year earlier.

The latest profit result matched the 46-cent average estimate of analysts in a FactSet poll.

Volatility in oil and gas prices dented the investment gains of Apollo and peer Blackstone Group LP during the period, a relative weak spot in a generally strong quarter for private-equity managers. Apollo's private-equity holdings increased 1.9%, trailing a 3.1% advance in the year-earlier period because of what the company called "depreciation in energy investments due to declines in commodity pricing."

Blackstone last week reported its private-equity investments appreciated 2.8%, as it also flagged energy-related headwinds. By contrast, Carlyle Group LP's buyout funds gained 8% during the period, while KKR & Co.'s gained 7.3%.

Nevertheless, Apollo's relatively strong longer-term record continues to attract investors. The firm recently secured $24.7 billion for its ninth flagship private-equity fund, the largest buyout fund ever raised.

The firm and its peers have been raising money with relative ease, as pensions, sovereign-wealth funds and other large investors seek alternatives to stocks and bonds in an era of high valuations.

Distributable earnings, a measure of cash profits available for payout to shareholders, rose to 60 cents a share, from 40 cents a share in the year-earlier period.

Apollo's investment exits during the quarter included the $2.8 billion sale of Texas oil and gas producer **Double Eagle Energy Permian** LLC to **Parsley Energy** Inc. Apollo sold stock in publicly traded portfolio companies such as snack-cake maker Hostess Brands Inc. and miner Warrior Met Coal Inc.

The firm said it would pay a 52-cent dividend for the second quarter, up from 37 cents a year earlier.

Apollo's assets under management rose to $231.8 billion, from $197.5 billion at the end of the prior quarter.

FINANCE WATCH

SOCIÉTÉ GÉNÉRALE

Legal Expenses, Low Rates Hit Profit

The French lender **Société Générale** SA said net profit dropped 28% in the second quarter, hit by legal costs and persistently low interest rates.

The bank said net profit fell to €1.06 billion ($1.25 billion) in the three months through June, from €1.46 billion a year earlier, meeting analysts' expectations.

Revenue fell 26% to €5.2 billion after the bank agreed to pay €963 million to settle claims that it paid a middleman alleged bribes to secure business from Libya's sovereign-wealth fund during Moammar Gadhafi's rule.

The year-earlier figure was buoyed by a €725 million gain on the sale of Société Générale's shares in Visa Europe.

Excluding one-time items, revenue was down 1% as a strong investment-banking result offset lower retail revenue.

—Noemie Bisserbe

INSURANCE

Generali's Net Rises

Italy's **Assicurazioni Generali** SpA said its net profit rose for the first half of the year, helped by improved performances in the property-and-casualty and financial parts of the business.

Net profit for the period stood at €1.22 billion ($1.44 billion), compared with €1.18 billion for the first half of last year.

Operating income rose 4% despite the negative impact of low interest rates.

—Giovanni Legorano

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	—%RETURN— YTD	12-MO	2-YR
■ Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866									
Fax No: 65-6835 8865, Website: www.cam.com.sg, Email: cam@cam.com.sg									
CAM-GTF Limited		OT	OT	MUS	07/28	USD 310276.91	2.7	4.7	1.7

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FUND NAME	GF	AT	LB	NAV DATE	CR	NAV	YTD	12-MO	2-YR
China A-Share Fund Cls A AUD H	OT		OT	HKG	08/01	AUD 13.67	15.9	18.7	4.2
China A-Share Fund Cls A AUD UnH	OT		OT	HKG	08/01	AUD 12.25	12.1	15.5	-0.9
China A-Share Fund Cls A CAD H	OT		OT	HKG	08/01	CAD 12.59	15.3	17.3	2.9
China A-Share Fund Cls A EUR H	OT		OT	HKG	08/01	EUR 13.21	15.0	16.5	2.7
China A-Share Fund Cls A EUR UnH	OT		OT	HKG	08/01	EUR 12.60	9.3	13.7	NS
China A-Share Fund Cls A GBP H	OT		OT	HKG	08/01	GBP 13.19	14.5	16.4	4.1
China A-Share Fund Cls A GBP UnH	OT		OT	HKG	08/01	GBP 15.26	13.9	20.7	11.8
China A-Share Fund Cls A HKD H	OT		OT	HKG	08/01	HKD 13.41	14.9	17.0	2.9
China A-Share Fund Cls A HKD UnH	OT		OT	HKG	08/01	HKD 13.74	23.2	20.7	3.4
China A-Share Fund Cls A NZD H	OT		OT	HKG	08/01	NZD 13.46	16.0	19.0	4.4
China A-Share Fund Cls A NZD UnH	OT		OT	HKG	08/01	NZD 11.50	15.5	17.2	-2.5
China A-Share Fund Cls A RMB (CNH)	OT		OT	HKG	08/01	CNH 14.78	17.9	21.3	6.7
China A-Share Fund Cls A USD	OT		OT	HKG	08/01	USD 13.64	22.6	20.1	3.2
China A-Share Fund Cls A USD H	OT		OT	HKG	08/01	USD 13.41	15.4	17.8	3.4
China Greenchip-A Units	AS		EQ	CYM	08/01	HKD 63.65	25.1	24.3	3.9
China Greenchip-A Units AUD H	AS		EQ	CYM	08/01	AUD 10.80	25.7	25.3	4.5
China Greenchip-A Units CAD H	AS		EQ	CYM	08/01	CAD 10.51	25.7	24.5	3.6
China Greenchip-A Units NZD H	AS		EQ	CYM	08/01	NZD 11.05	25.3	25.3	5.0
China Greenchip-A Units USD	AS		EQ	CYM	08/01	USD 10.51	24.8	24.1	3.7
China Greenchip-A2 QDIs Units	AS		EQ	CYM	08/01	HKD 11.47	24.8	24.0	3.7
GC Hi Yield Inc - Cls A MDIs GBP H	OT		OT	CYM	08/01	GBP 9.57	5.7	10.9	9.9
GC Hi Yield Inc-Cls A MDIs AUD H	OT		OT	CYM	08/01	AUD 9.15	6.8	12.8	11.8
GC Hi Yield Inc-Cls A MDIs CAD H	OT		OT	CYM	08/01	CAD 9.23	6.1	11.7	10.4
GC Hi Yield Inc-Cls A MDIs NZD H	OT		OT	CYM	08/01	NZD 9.51	7.1	13.4	12.6
GC Hi Yield Inc-Cls P HKD Acc sh	OT		OT	CYM	08/01	HKD 15.12	7.2	13.0	11.2
GC Hi Yield Inc-Cls P HKD MDIs sh	OT		OT	CYM	08/01	HKD 9.21	7.2	12.9	11.2
GC Hi Yield Inc-Cls P MDIs SGD H	OT		OT	CYM	08/01	SGD 10.06	6.1	11.7	10.9
GC Hi Yield Inc-Cls P USD Acc sh	OT		OT	CYM	08/01	USD 15.13	6.5	12.2	10.8
GC Hi Yield Inc-Cls P USD MDIs sh	OT		OT	CYM	08/01	USD 9.20	6.5	12.1	10.7
GC Hi Yield Inc-ClsA MDIs EUR H	OT		OT	CYM	08/01	EUR 10.01	5.3	10.2	9.3
Hi-Div Stk Cls A RMB H Acc	OT		OT	HKG	08/01	CNH 12.42	24.2	22.4	8.5
Hi-Div Stk Cls A RMB UnH Acc	OT		OT	HKG	08/01	CNH 14.47	18.1	20.8	9.7
Hi-Div Stk Cls A1	OT		OT	HKG	08/01	USD 87.86	22.5	19.7	6.1
Hi-Div Stk Cls A2 AUD H MDIs	OT		OT	HKG	08/01	AUD 10.24	21.8	19.0	5.9
Hi-Div Stk Cls A2 CAD H MDIs	OT		OT	HKG	08/01	CAD 10.38	21.4	18.0	4.6
Hi-Div Stk Cls A2 GBP H MDIs	OT		OT	HKG	08/01	GBP 9.88	23.2	19.7	5.1
Hi-Div Stk Cls A2 HKD MDIs	OT		OT	HKG	08/01	HKD 10.84	23.4	20.4	6.4
Hi-Div Stk Cls A2 MDIs	OT		OT	HKG	08/01	USD 11.75	21.9	19.0	5.7
Hi-Div Stk Cls A2 NZD H MDIs	OT		OT	HKG	08/01	NZD 10.43	21.3	19.2	6.3
Hi-Div Stk Cls A2 RMB H MDIs	OT		OT	HKG	08/01	CNH 10.38	25.9	23.4	9.1
Hi-Div Stk Cls A2 RMB UnH MDIs	OT		OT	HKG	08/01	CNH 10.51	18.6	21.7	10.1
Hi-Div Stk Cls A2 SGD H MDIs	OT		OT	HKG	08/01	SGD 11.35	NS	NS	NS
Intel-China Converg Fund-A AUD H	AS		EQ	CYM	08/01	AUD 10.80	22.7	24.3	NS
Intel-China Converg Fund-A CAD H	AS		EQ	CYM	08/01	CAD 11.69	14.9	17.7	NS
Intel-China Converg Fund-A NZD H	AS		EQ	CYM	08/01	NZD 12.12	18.1	19.6	NS
Intel-China Converg Fund-A Units	AS		EQ	CYM	08/01	USD 164.45	23.2	26.3	1.9
Intel-Chinese Mainland Foc Fund	AS		EQ	CYM	08/01	USD 51.40	38.7	40.7	8.4
VP Classic-A Units	AS		EQ	HKG	08/01	USD 333.72	31.1	31.0	8.8
VP Classic-B Units	AS		EQ	HKG	08/01	USD 149.76	30.7	30.4	8.3
VP Classic-C Units	AS		EQ	HKG	08/01	USD 18.85	30.4	30.1	8.0
VP Classic-C Units AUD H	AS		EQ	HKG	08/01	AUD 15.48	29.6	29.2	8.3
VP Classic-C Units CAD H	AS		EQ	HKG	08/01	CAD 15.01	29.6	28.7	7.5
VP Classic-C Units HKD H	AS		EQ	HKG	08/01	HKD 12.74	29.3	28.7	NS
VP Classic-C Units NZD H	AS		EQ	HKG	08/01	NZD 15.29	26.8	26.9	7.4
VP Classic-C Units RMB	AS		EQ	HKG	08/01	CNH 12.40	19.0	24.2	NS
VP Classic-C Units RMB H	AS		EQ	HKG	08/01	CNH 12.67	31.8	32.0	NS
VP Multi-Asset Fund Cls A HKD	OT		OT	HKG	08/01	HKD 10.63	10.5	NS	NS
VP Multi-Asset Fund Cls A USD	OT		OT	HKG	08/01	USD 10.72	9.7	7.0	NS
VP Taiwan Fund	AS		EQ	CYM	08/01	USD 20.18	20.5	19.1	17.0

For information about listing your funds, please contact: Freda Fung tel: +852 2831 2504; email: freda.fung@wsj.com

LIST YOUR FUNDS

In print & online. Contact:

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MARKETS DIGEST

Nikkei 225 Index

20080.04 ▲94.25, or 0.47%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲5.05%
52-wk high/low	20230.41	16083.11
All-time high	38915.87	12/29/89

STOXX 600 Index

378.63 ▼1.63, or 0.43%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲4.76%
52-wk high/low	396.45	328.80
All-time high	414.06	4/15/15

S&P 500 Index

Data as of 12 p.m. New York time

2470.26 ▼6.09, or 0.25%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	23.94	25.03
P/E estimate *	18.94	18.42
Dividend yield	1.97	2.11
All-time high:	2477.83, 07/26/17	

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

International Stock Indexes

Data as of 12 p.m. New York time

Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range Close	52-Week Range High	YTD % chg
World	**The Global Dow**	2861.76	-4.04	-0.14	2384.24		2867.78	13.2
	MSCI EAFE	1952.92	-0.18	-0.01	1612.29		1953.88	13.8
	MSCI EM USD	1070.40	1.40	0.13	838.96		1071.07	34.8
Americas	**DJ Americas**	594.61	-1.77	-0.30	503.44		597.92	10.0
Brazil	**Sao Paulo Bovespa**	67057.39	541.15	0.81	55788.00		69487.58	11.3
Canada	**S&P/TSX Comp**	15240.48	38.38	0.25	14319.11		15943.09	-0.3
Mexico	**IPC All-Share**	51211.60	16.59	0.03	43998.98		51772.37	12.2
Chile	**Santiago IPSA**	3863.39	5.78	0.15	3120.87		3876.80	19.9
U.S.	**DJIA**	21993.90	29.98	0.14	17883.56		22036.10	11.3
	Nasdaq Composite	6333.45	-29.49	-0.46	5034.41		6460.84	17.7
	S&P 500	2470.26	-6.09	-0.25	2083.79		2484.04	10.3
	CBOE Volatility	10.42	0.33	3.27	8.84		23.01	-25.8
EMEA	**Stoxx Europe 600**	378.63	-1.63	-0.43	328.80		396.45	4.8
	Stoxx Europe 50	3088.93	-10.82	-0.35	2720.66		3279.71	2.6
France	**CAC 40**	5107.25	-19.78	-0.39	4293.34		5442.10	5.0
Germany	**DAX**	12181.48	-69.81	-0.57	10092.53		12951.54	6.1
Israel	**Tel Aviv**	1439.23	-7.91	-0.55	1372.23		1490.23	-2.1
Italy	**FTSE MIB**	21573.61	-39.20	-0.18	15923.11		21828.77	12.2
Netherlands	**AEX**	525.30	-2.18	-0.41	436.28		537.84	8.7
Russia	**RTS Index**	1021.42	7.18	0.71	898.05		1196.99	-11.4
Spain	**IBEX 35**	10513.90	-72.80	-0.69	8229.40		11184.40	12.4
Switzerland	**Swiss Market**	9122.68	67.68	0.75	7585.56		9148.61	11.0
South Africa	**Johannesburg All Share**	55200.49	-189.58	-0.34	48935.90		55554.23	9.0
Turkey	**BIST 100**	106525.44	378.01	0.36	71792.96		108605.51	36.3
U.K.	**FTSE 100**	7411.43	-12.23	-0.16	6615.83		7598.99	3.8
Asia-Pacific	**DJ Asia-Pacific TSM**	n.a.	n.a.	n.a.	n.a.		n.a.	n.a.
Australia	**S&P/ASX 200**	5744.20	-28.20	-0.49	5156.60		5956.50	1.4
China	**Shanghai Composite**	3285.06	-7.58	-0.23	2976.70		3292.64	5.8
Hong Kong	**Hang Seng**	27607.38	67.15	0.24	21574.76		27607.38	25.5
India	**S&P BSE Sensex**	32476.74	-98.43	-0.30	25765.14		32575.17	22.0
Indonesia	**Jakarta Composite**	5824.25	19.04	0.33	5027.70		5910.24	10.0
Japan	**Nikkei Stock Avg**	20080.04	94.25	0.47	16083.11		20230.41	5.1
Malaysia	**Kuala Lumpur Composite**	1770.61	5.48	0.31	1616.64		1792.35	7.9
New Zealand	**S&P/NZX 50**	7748.31	18.87	0.24	6664.21		7748.31	12.6
Pakistan	**KSE 100**	46949.04	415.61	0.89	39278.11		52876.46	-1.8
Philippines	**PSEi**	7872.65	-33.95	-0.43	6563.67		8071.47	15.1
Singapore	**Straits Times**	3348.80	10.60	0.32	2787.27		3354.71	16.2
South Korea	**Kospi**	2427.63	4.67	0.19	1958.38		2451.53	19.8
Taiwan	**Weighted**	10519.27	81.98	0.79	8902.30		10519.27	13.7
Thailand	**SET**	1580.54	4.09	0.26	1406.18		1591.00	2.4

Source: SIX Financial Information;WSJ Market Data Group

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasurys on benchmark two-year and 10-year government bonds around the world. Data as of 12 p.m. ET

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points: Latest	Previous	Month Ago	Year ago	Yield: Previous	Month ago	Year ago
2.750	**Australia** 2	1.809	45.0	47.6	35.1	75.5	1.819	1.737	1.437
2.750	10	2.710	45.7	46.4	30.6	27.4	2.720	2.608	1.830
3.000	**Belgium** 2	-0.540	-189.9	-188.3	-185.5	-124.9	-0.540	-0.469	-0.566
0.800	10	0.771	-148.2	-149.2	-150.2	-134.2	0.763	0.800	0.213
0.000	**France** 2	-0.512	-187.1	-184.1	-174.9	-120.4	-0.498	-0.364	-0.521
1.000	10	0.747	-150.7	-151.2	-148.1	-135.3	0.744	0.821	0.202
0.000	**Germany** 2	-0.687	-204.6	-203.5	-197.9	-127.5	-0.692	-0.594	-0.593
0.500	10	0.488	-176.6	-176.5	-183.5	-158.8	0.490	0.467	-0.033
0.050	**Italy** 2	-0.035	-139.4	-137.6	-169.3	-75.0	-0.033	-0.307	-0.067
2.200	10	2.010	-24.4	-24.2	-14.7	-33.4	2.014	2.155	1.221
0.100	**Japan** 2	-0.116	-147.5	-145.7	-150.1	-85.5	-0.114	-0.116	-0.172
0.100	10	0.075	-217.9	-218.0	-221.4	-162.3	0.076	0.088	-0.068
4.000	**Netherlands** 2	-0.657	-201.6	-200.7	-195.4	-125.2	-0.664	-0.569	-0.569
0.750	10	0.600	-165.4	-165.3	-164.2	-148.6	0.603	0.660	0.069
4.750	**Portugal** 2	0.065	-129.4	-130.1	-130.4	-29.6	0.042	0.082	0.387
4.125	10	2.823	57.0	56.5	71.8	136.2	2.820	3.020	2.917
2.750	**Spain** 2	-0.358	-171.7	-170.1	-164.0	-85.2	-0.358	-0.255	-0.169
1.500	10	1.443	-81.0	-80.0	-77.0	-48.4	1.455	1.532	1.071
4.250	**Sweden** 2	-0.693	-205.2	-202.2	-200.3	-133.7	-0.679	-0.617	-0.655
1.000	10	0.679	-157.4	-154.2	-164.3	-143.0	0.713	0.659	0.125
1.750	**U.K.** 2	0.286	-107.3	-107.6	-101.4	-48.5	0.267	0.372	0.198
4.250	10	1.238	-101.5	-104.0	-104.3	-74.4	1.215	1.259	0.811
1.375	**U.S.** 2	1.359	...	...	...	...	1.343	1.386	0.683
2.375	10	2.254	...	...	...	...	2.255	2.302	1.555

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners

London close on Aug. 2

Country/currency	Wed in US$	Wed per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0570	17.5576	10.6
Brazil real	0.3206	3.1188	-4.2
Canada dollar	0.7968	1.2550	-6.6
Chile peso	0.001534	652.00	-2.7
Colombia peso	0.0003376	2962.32	-1.3
Ecuador US dollar-f	1	1	unch
Mexico peso-a	0.0561	17.8313	-14.0
Peru sol	0.3085	3.2418	-3.3
Uruguay peso-e	0.0353	28.320	-3.5
Venezuela bolivar	0.098742	10.13	1.3
Asia-Pacific			
Australia dollar	0.7980	1.2531	-9.7
China yuan	0.1488	6.7217	-3.2
Hong Kong dollar	0.1279	7.8173	0.8
India rupee	0.0157	63.6401	-6.4
Indonesia rupiah	0.0000751	13324	-1.5
Japan yen	0.009054	110.44	-5.6
Kazakhstan tenge	0.002971	336.59	0.9
Macau pataca	0.1241	8.0563	1.8
Malaysia ringgit-c	0.2333	4.2855	-4.5
New Zealand dollar	0.7443	1.3435	-7.0
Pakistan rupee	0.0095	105.400	1.0
Philippines peso	0.0199	50.290	1.4
Singapore dollar	0.7363	1.3582	-6.2
South Korea won	0.0008909	1122.49	-7.1
Sri Lanka rupee	0.0065134	153.53	3.4
Taiwan dollar	0.03307	30.237	-6.8
Thailand baht	0.03007	33.260	-7.1
Europe			
Bulgaria lev	0.6064	1.6490	-11.3
Croatia kuna	0.1603	6.240	-13.0
Euro zone euro	1.1868	0.8426	-11.4
Czech Rep. koruna-b	0.0455	22.000	-14.4
Denmark krone	0.1596	6.2676	-11.3
Hungary forint	0.003909	255.83	-13.1
Iceland krona	0.009600	104.17	-7.8
Norway krone	0.1271	7.8703	-9.0
Poland zloty	0.2788	3.5863	-14.3
Russia ruble-d	0.01651	60.570	-1.1
Sweden krona	0.1236	8.0926	-11.1
Switzerland franc	1.0324	0.9686	-4.9
Turkey lira	0.2834	3.5283	0.1
Ukraine hryvnia	0.0386	25.9290	-4.3
U.K. pound	1.3240	0.7553	-6.8
Middle East/Africa			
Bahrain dinar	2.6507	0.3773	0.02
Egypt pound-a	0.0560	17.8460	-1.6
Israel shekel	0.2795	3.5781	-7.0
Kuwait dinar	3.3149	0.3017	-1.3
Oman sul rial	2.5967	0.3851	0.04
Qatar rial	0.2758	3.626	-0.4
Saudi Arabia riyal	0.2666	3.7503	-0.01
South Africa rand	0.0757	13.2077	-3.5

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	85.81	-0.14	-0.16	-7.67

Sources: Tullett Prebon, WSJ Market Data Group

Commodities

Prices of futures contracts with the most open interest — 12 p.m. New York time

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. *Data as of 8/1/2017

Commodity	Exchange	Last price	One-Day Change Net	One-Day Change Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	380.00	3.50	0.93%	417.25	374.00
Soybeans (cents/bu.)	CBOT	977.50	5.75	0.59	1,047.00	907.00
Wheat (cents/bu.)	CBOT	461.25	unch.	unch.	574.50	430.75
Live cattle (cents/lb.)	CME	112.500	-0.375	-0.33%	122.850	99.125
Cocoa ($/ton)	ICE-US	2,055	32	1.58	2,281	1,767
Coffee (cents/lb.)	ICE-US	140.30	2.45	1.78	163.75	115.50
Sugar (cents/lb.)	ICE-US	14.89	0.01	0.07	20.50	12.74
Cotton (cents/lb.)	ICE-US	70.14	0.83	1.20	75.72	66.15
Robusta coffee ($/ton)	ICE-EU	2143.00	33.00	1.56	2,286.00	1,885.00
Copper ($/lb.)	COMEX	2.8855	0.0045	0.16	2.9055	2.4850
Gold ($/troy oz.)	COMEX	1277.20	-2.20	-0.17	1,307.00	1,160.80
Silver ($/troy oz.)	COMEX	16.715	-0.049	-0.29	18.780	14.340
Aluminum ($/mt)*	LME	1,910.00	-14.00	-0.73	1,972.00	1,688.50
Tin ($/mt)*	LME	20,480.00	-330.00	-1.59	21,225.00	18,760.00
Copper ($/mt)*	LME	6,336.00	-47.00	-0.74	6,400.00	5,491.00
Lead ($/mt)*	LME	2,325.00	-8.00	-0.34	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,780.00	-30.00	-1.07	2,958.50	2,450.50
Nickel ($/mt)*	LME	10,205.00	-75.00	-0.73	11,095.00	8,780.00
Rubber (Y.01/ton)	TCE	201.00	-3.90	-1.90	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2643.00	-11.00	-0.41	2705.00	2376.00
Crude oil ($/bbl.)	NYMEX	49.42	0.26	0.53	58.36	42.29
NY Harbor ULSD ($/gal.)	NYMEX	1.6505	0.0092	0.56	1.8065	1.3703
RBOB gasoline ($/gal.)	NYMEX	1.6504	-0.0109	-0.66	1.8366	1.3805
Natural gas ($/mmBtu)	NYMEX	2.823	0.004	0.14	3.5490	2.7850
Brent crude ($/bbl.)	ICE-EU	52.17	0.39	0.75	60.13	44.88
Gas oil ($/ton)	ICE-EU	489.25	7.50	1.56	532.25	405.50

Sources: SIX Financial Information; WSJ Market Data Group

Cross rates

London close on Aug 2

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.2531	1.6593	1.2938	0.0113	0.1603	1.4873	0.9987	...
Canada	1.2550	1.6613	1.2953	0.0114	0.1605	1.4892	...	1.0013
Euro	0.8426	1.1155	0.8699	0.0076	0.1078	...	0.6715	0.6725
Hong Kong	7.8173	10.3486	8.0708	0.0708	...	9.2765	6.2291	6.2382
Japan	110.4440	146.2100	114.0000	...	14.1280	131.0800	88.0100	88.1200
Switzerland	0.9686	1.2824	...	0.0088	0.1239	1.1496	0.7720	0.7728
U.K.	0.7553	...	0.7798	0.0068	0.0966	0.8965	0.6019	0.6028
U.S.	...	1.3240	1.0324	0.0091	0.1279	1.1868	0.7968	0.7980

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**1.23056%**	0.49690%
Three month	**1.31278**	0.77760
Six month	**1.45167**	1.14420
One year	**1.72567**	1.45460
Euro Libor		
One month	**-0.40000%**	-0.36857%
Three month	**-0.37729**	-0.31443
Six month	**-0.29900**	-0.19200
One year	**-0.18829**	-0.06429
Euribor		
One month	**-0.37300%**	-0.37100%
Three month	**-0.33100**	-0.29900
Six month	**-0.27300**	-0.18300
One year	**-0.15300**	-0.04700
Yen Libor		
One month	**-0.03443%**	-0.05343%
Three month	**-0.01707**	-0.01450
Six month	**0.00886**	0.01264
One year	**0.11143**	0.09671
	Offer	Bid
Eurodollars		
One month	**1.3300%**	1.2300%
Three month	**1.3900**	1.2900
Six month	**1.5000**	1.4000
One year	**1.8200**	1.7200
	Latest	52 wks ago
Prime rates		
U.S.	**4.25%**	3.50%
Canada	**2.95**	2.70
Japan	**1.475**	1.475
Hong Kong	**5.00**	5.00
Policy rates		
ECB	**0.00%**	0.00%
Britain	**0.25**	0.50
Switzerland	**0.50**	0.50
Australia	**1.50**	1.50
U.S. discount	**1.75**	1.00
Fed-funds target	**1.00-1.25**	0.25-0.50
Call money	**3.00**	2.25
Overnight repurchase rates		
U.S.	**1.06%**	0.54%
Euro zone	**n.a.**	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

Top Stock Listings

12 p.m. New York time

Asia Titans

Cur	Stock	Sym	Last	% Chg	YTD% Chg
HK$	AIAGroup	1299	61.60	-0.56	40.80
¥	AstellasPharma	4503	1404.50	-0.14	-13.49
AU$	AustNZBk	ANZ	29.64	-0.40	-2.56
AU$	BHP	BHP	25.75	-1.57	2.75
HK$	BankofChina	3988	3.95	0.77	14.83
HK$	CKHutchison	0001	107.50	3.07	22.30
HK$	CNOOC	0883	8.75	-0.23	-9.79
AU$	CSL	CSL	127.48	0.33	26.96
¥	Canon	7751	3883.00	0.86	17.85
¥	CentralJapanRwy	9022	18015	-0.25	-6.32
HK$	ChinaConstructnBk	0939	6.56	-0.15	9.88
HK$	ChinaLifeInsurance	2628	25.35	-1.17	25.50
HK$	ChinaMobile	0941	83.00	-0.54	0.97
HK$	ChinaPetro&Chem	0386	5.95	-0.67	8.18
AU$	CmwlthBkAust	CBA	84.23	-0.37	2.21
¥	EastJapanRailway	9020	10460	-0.05	3.56
¥	Fanuc	6954	22890	1.35	15.52
¥	Hitachi	6501	740.80	0.47	17.22
TW$	Hon Hai Precisn	2317	118.50	1.72	40.74
¥	HondaMotor	7267	3214.00	2.78	-5.89
KRW	HyundaiMtr	005380	147500	1.37	1.03
HK$	Ind&Comml	1398	5.55	0.18	19.35
¥	JapanTobacco	2914	3860.00	0.10	0.42
¥	KDDI	9433	2994.00	1.68	1.17
¥	Mitsubishi	8058	2459.00	0.82	-1.24
¥	MitsubishiElectric	6503	1754.00	2.07	7.64
¥	MitsubishiUFJFin	8306	716.80	0.20	-0.47
¥	Mitsui	8031	1630.00	0.06	1.43
¥	Mizuho Fin	8411	194.30	-0.51	-7.39
¥	NTTDoCoMo	9437	2599.00	-0.02	-2.40
AU$	NatAustBnk	NAB	29.85	-0.76	-2.67
¥	NipponTeleg	9432	5439.00	-0.69	10.73
¥	NissanMotor	7201	1093.50	-0.41	-6.98
¥	Panasonic	6752	1495.50	0.54	25.73
HK$	PingAnInsofChina	2318	59.50	-1.33	53.35
$	RelianceIndsGDR	RIGD	50.70	2.32	60.70
KRW	SamsungElectronics	005930	2450000	0.82	35.96
¥	Seven&I Hldgs	3382	4482.00	0.34	0.65
¥	SoftBankGroup	9984	8915.00	0.62	14.81
¥	Sony	6758	4417.00	-0.94	34.87
¥	Sumitomo Mitsui	8316	4309.00	0.37	-3.39
HK$	SunHngKaiPrp	0016	121.40	0.33	23.88
TW$	TaiwanSemiMfg	2330	216.00	1.89	19.01
¥	TakedaPharm	4502	5900.00	0.05	22.03
HK$	TencentHoldings	0700	312.60	-0.57	64.79
¥	TokioMarineHldg	8766	4725.00	-0.21	-1.48
¥	ToyotaMtr	7203	6300.00	...	-8.40
AU$	Wesfarmers	WES	40.48	-1.03	-3.94
AU$	WestpacBanking	WBC	31.76	-0.97	-2.58
AU$	Woolworths	WOW	26.95	-0.30	11.83

Stoxx 50

Cur	Stock	Sym	Last	% Chg	YTD% Chg
CHF	ABB	ABBN	22.80	0.44	6.15
€	ASMLHolding	ASML	127.05	-0.70	19.13
€	AXA	CS	25.30	0.72	5.48
€	AirLiquide	AI	103.70	-0.38	-1.85
€	Allianz	ALV	183.60	0.47	16.94
€	AB InBev	ABI	100.20	-0.89	-0.35
£	AstraZeneca	AZN	4500.00	0.22	1.41
€	BASF	BAS	80.71	-0.66	-8.61
€	BNP Paribas	BNP	66.56	-0.34	9.93
£	BT Group	BT.A	312.90	-0.98	-14.72
€	BancoBilVizAr	BBVA	7.75	-0.23	21.99
€	BancoSantander	SAN	5.71	-1.12	15.25
£	Barclays	BARC	207.70	0.53	-7.05
€	Bayer	BAYN	106.20	-1.21	7.13
£	BP	BP.	459.30	0.62	-9.87
£	BritishAmTob	BATS	4854.00	0.46	5.03
€	Daimler	DAI	59.80	-0.08	-15.44
€	DeutscheTelekom	DTE	15.54	-0.38	-4.06
£	Diageo	DGE	2435.50	-0.16	15.43
€	ENI	ENI	13.53	0.45	-12.54
£	GlaxoSmithKline	GSK	1517.00	0.03	-2.88
£	Glencore	GLEN	332.40	-1.19	19.85
£	HSBC Hldgs	HSBA	764.60	-0.03	16.40
€	INGGroep	INGA	15.70	-1.26	17.43
£	ImperialBrands	IMB	3205.00	0.06	-9.53
€	IntesaSanpaolo	ISP	2.90	-0.55	19.54
€	LVMHMoetHennessy	MC	215.05	-0.39	18.55
£	LloydsBankingGroup	LLOY	65.56	-0.02	4.88
€	LOreal	OR	174.95	-0.54	0.89
£	NationalGrid	NG.	945.90	0.18	-8.88
CHF	Nestle	NESN	82.25	0.67	12.59
CHF	Novartis	NOVN	82.75	0.42	11.67
DKK	NovoNordiskB	NOVO-B	265.90	-0.34	4.40
£	Prudential	PRU	1848.00	-0.62	13.55
£	ReckittBenckiser	RB.	7387.00	0.01	7.28
£	RioTinto	RIO	3403.00	-2.83	7.74
CHF	RocheHldgctf	ROG	246.50	0.65	5.98
£	RoyDtchShell A	RDSA	2158.50	1.12	-3.75
€	SAP	SAP	89.63	-1.01	8.24
€	Sanofi	SAN	80.02	0.41	4.06
€	SchneiderElectric	SU	67.39	0.72	1.94
€	Siemens	SIE	116.05	-0.34	-0.64
€	Telefonica	TEF	9.52	-1.43	7.96
€	Total	FP	43.64	0.45	-8.63
CHF	UBSGroup	UBSG	16.92	0.59	6.08
€	Unilever	UNA	49.17	-0.28	25.71
£	Unilever	ULVR	4303.50	-0.10	30.71
€	Vinci	DG	74.68	-1.02	15.43
£	VodafoneGroup	VOD	220.75	-0.41	10.46
CHF	ZurichInsurance	ZURN	298.70	1.32	6.53

DJIA

Cur	Stock	Sym	Last	% Chg	YTD% Chg
$	AmericanExpress	AXP	85.14	-0.11	14.94
$	Apple	AAPL	157.80	5.17	36.25
$	Boeing	BA	239.82	0.16	54.05
$	Caterpillar	CAT	112.76	-0.30	21.59
$	Chevron	CVX	110.53	-0.23	-6.09
$	CiscoSystems	CSCO	31.30	-1.09	3.59
$	Coca-Cola	KO	45.63	-0.14	10.07
$	Disney	DIS	108.59	-1.82	4.20
$	DuPont	DD	82.34	-0.39	12.18
$	ExxonMobil	XOM	80.47	0.37	-10.85
$	GeneralElec	GE	25.49	0.20	-19.34
$	GoldmanSachs	GS	227.00	...	-5.20
$	HomeDepot	HD	150.41	0.37	12.18
$	Intel	INTC	36.34	-0.03	0.19
$	IBM	IBM	144.72	-0.40	-12.81
$	JPMorganChase	JPM	92.97	-0.07	7.74
$	J&J	JNJ	131.93	-0.44	14.51
$	McDonalds	MCD	155.76	1.12	27.97
$	Merck	MRK	63.44	-0.75	7.77
$	Microsoft	MSFT	71.64	-1.30	15.29
$	Nike	NKE	59.66	-0.30	17.37
$	Pfizer	PFE	32.80	0.11	0.97
$	Procter&Gamble	PG	91.06	-0.04	8.30
$	3M	MMM	204.04	0.42	14.26
$	Travelers	TRV	129.59	0.29	5.86
$	UnitedTech	UTX	120.07	1.00	9.53
$	UnitedHealth	UNH	193.16	0.48	20.69
$	Visa	V	100.63	-0.24	28.98
$	Verizon	VZ	48.31	-1.19	-9.50
$	Wal-Mart	WMT	80.91	0.51	17.06

Asia Titans 50

Last: **166.76** ▲ 0.12, or 0.07% — YTD ▲ 18.3%

Stoxx 50

Last: **3088.93** ▼ 10.82, or 0.35% — YTD ▲ 2.6%

Dow Jones Industrial Average

P/E: 20

Last: **21993.90** ▲ 29.98, or 0.14% — YTD ▲ 11.3%

Note: Price-to-earnings ratios are for trailing 12 months
Sources: WSJ Market Data Group; Birinyi Associates

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MARKETS

Switzerland Faces $750 Billion Puzzle

By Brian Blackstone

Thanks to its efforts to weaken the franc, the Swiss central bank has amassed $750 billion in stocks, bonds and cash.

That has provoked a debate: What should the country do with all of that? And whose money is it, anyway?

For now, the Swiss National Bank holds on to it, and invests it around the world—but not in Switzerland. It held $2.7 billion in **Apple** Inc. stock, for instance, at the end of March. Some lawmakers and many economists think a sovereign-wealth fund created outside the SNB should invest a chunk at home.

The SNB's profit last year was 24.5 billion francs ($25.4 billion), or about $3,000 per Swiss resident.

Switzerland's central bank isn't the only one making profits. The Federal Reserve earned nearly $100 billion last year from its bond portfolio. Eurozone central banks also make profits. But these central banks pass a big chunk of them to their treasuries.

The SNB's current agreement with the government, which runs through 2020, allows for profit distribution of up to 2 billion francs a year. The SNB has put most of its profits into buffers to guard against large paper losses, which occurred two years ago when the franc soared.

Two dozen Swiss parliamentarians want the arrangement to change. In June, they backed legislation to use some reserves and their profits for a sovereign-wealth fund. Unlike the SNB, which invests the reserves only in non-Swiss assets, a fund could put the money to work inside Switzerland, boosting long-term growth, backers say. The SNB takes passive positions in foreign stocks to mirror broad indexes like the S&P 500.

"Part of the currency reserves, or at least revenues that they generate, should from now on be invested for the interests of the public and future generations including infrastructure investments or in industries with strategic importance," the bill states.

The bill's chances are slim for now: The SNB is skeptical, and Switzerland's executive branch also wants to keep the money in the central bank's hands. But the debate is likely to rage on, especially if the reserves generate bigger profits.

The SNB makes money because so many foreigners want the safety of Swiss assets and have poured cash into Switzerland. To keep the franc from rocketing up and damaging Swiss exporters, the central bank has been printing Swiss francs and selling them. The consequence: The central bank owns buckets of foreign assets, essentially for free.

The SNB declined to comment on the current bill but has objected to past ones. By having ready access to its reserves, the SNB could shrink its balance sheet if needed to tighten monetary policy. "Putting parts of these reserves into an SWF would restrict the SNB's ability to conduct monetary policy," an SNB spokeswoman said, referring to a potential sovereign-wealth fund.

What's more, selling Apple stock and converting the proceeds into Swiss francs to, say, build roads, would push the franc up—the opposite of what the SNB is trying to do.

The Swiss federal council, the country's executive branch, rejected a previous proposal in December saying the SNB was already managing its funds appropriately. It will give its view on the latest one in the fall.

Other countries have sovereign-wealth funds. Norway has one to manage its oil wealth. China and Singapore have them to manage foreign reserves. What sets Switzerland apart is that the franc isn't just a currency; it behaves like a commodity similar to oil or gold. Its strength, particularly in times of global uncertainty, has proven persistent thanks to Switzerland's ultrarich economy and low debt.

The franc is "a kind of virtual commodity resource" whose wealth "should be shared with all citizens and a [Swiss sovereign fund] offers a natural vehicle for this," ETH-Zurich professor Didier Sornette wrote in a 2015 paper supporting a wealth fund.

The SNB posted a first-half profit of 1.2 billion francs, a smaller-than-usual result as a stronger euro was offset by a weaker dollar. It also earns interest and dividends. The mother lode would come if the franc weakened more broadly and the SNB started selling its foreign stocks and bonds to prop the currency up, turning paper profits into real ones.

"They may generate 40-50 billion francs in profits [over three years], not just on the books but real profits" if the franc weakens further and the SNB can slowly unwind its balance sheet, said Daniel Kalt, chief economist for Switzerland at UBS.

The euro has strengthened 6.5% against the franc so far this year. The dollar has weakened 5.5% against the franc this year, though it rose slightly against it in July.

Mr. Kalt's idea is to take profits that may accumulate—which he says could be around 15 billion francs a year—as seed money for a fund.

One complication is that the SNB's assets, being foreign, fluctuate in value along with the franc. (The Fed holds dollar-denominated bonds, so its profit isn't affected by the dollar's value. The same holds for the eurozone.)

That worked in the Swiss's favor in July, when the euro's rise made the SNB's roughly 300 billion francs of euro assets worth many billions more on paper. But big and sudden payouts are hard to manage.

"If this huge currency trade leads to a windfall gain, we should avoid distributing this gain to politicians who would spend it on one generation," Mr. Kalt said.

Mountain of Money

The Swiss National Bank has accumulated a massive amount of foreign assets in a bid to weaken the franc, prompting calls for a sovereign-wealth fund.

Foreign-currency investments

... making the SNB's finances volatile and heavily dependent on the franc's exchange rate.

SNB's profit

Most of the SNB reserves are stocks and bonds in euros and dollars ...

Currency breakdown*

The SNB's investments are weighted toward low-yielding government bonds.

Asset breakdown

The Swiss central bank is a major shareholder of several U.S. companies.

Value of holdings in selected U.S. stocks, in billions of dollars†

*Through 2Q 2017 †Through 1Q 2017 1 Swiss franc = $1.04
Sources: Swiss National Bank (investment, currency breakdown, profit, asset breakdown); Securities and Exchange Commission (stocks)

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Rio Tinto Still Must Take Risks

For mining investors traumatized by years of overinvestment during the commodities boom, cash is king—and **Rio Tinto** suddenly has plenty of it.

The Anglo-Australian miner posted impressive first-half results Wednesday, with net profit nearly doubling from a year earlier to $3.3 billion. Rio also announced a record interim dividend and an expansion of its share-buyback program by $1 billion, for a total shareholder payout of $3 billion, or 75% of what it calls its underlying earnings.

Rio's strong performance is, of course, partly due to good luck. Prices of its key commodities—iron ore, copper and aluminum—were all up sharply in the first half of 2017 from a year ago, mostly due to recovering Chinese demand in the wake of that nation's massive 2016 economic stimulus.

But credit also needs to be given where it is due. It wasn't so long ago that **BHP**, Rio's Australian rival, was regarded as the boring but reliable cash machine, while Rio was entangled in risky—and ultimately costly—mistakes in Mozambique and Canada.

Now, the tables have turned: Rio is cutting debt rapidly and churning out cash from its core iron-ore business, while BHP's expansive oil and potash diversification strategy has come under fire from activist shareholder **Elliott Management** and others.

The danger for Rio now is complacency: Cyclically better growth in China likely still has a ways to run, but it won't last forever. And China's steel and aluminum capacity cuts, which are currently feeding the giddy sentiment in markets, won't be enough to solve the massive global gluts in both industries. They will just improve things at the margin. When China's real-estate market turns down again, as it inevitably will, a pure-play metals company like Rio may start to look less attractive.

One way to build up good karma for that future downturn is to keep pushing leverage lower, and Rio is doing a good job there, too: Its net debt fell by another $2 billion in the first half.

But Rio might also be wise to hold on to some of that hard-earned cash rather than forking it all out to shareholders, as happy as they may be. Miners, by the very nature of their business, always need to be on the lookout for new assets. The next year might turn up some good opportunities, particularly if higher U.S. rates start causing problems for indebted commodity-producing countries or competitors.

Boring and reliable is all well and good, but over the long run, sustaining high returns means taking risks too.

—Nathaniel Taplin

Blastoff

Price change from a year earlier, dollars a metric ton

Source: International Monetary Fund
THE WALL STREET JOURNAL.

AGENCE FRANCE-PRESSE/GETTY IMAGES

A Rio Tinto iron-ore mine in Australia

OVERHEARD

Second-quarter results from flooring company **Lumber Liquidators Holdings** sent short sellers to the woodshed.

The company reported sales of $263.5 million and adjusted earnings of 16 cents a share Tuesday. The analyst consensus was for $256.9 million in sales and an adjusted loss of 6 cents a share.

Those results would be good enough to push any stock higher, but Lumber Liquidators shares rose 36% Tuesday. High short interest added fuel to the rally because nearly one-quarter of available shares were sold short at last count, according to FactSet.

Such a bet had worked well in the past; shares are down 38% over the past three years. Yet the stock had soared by more than 50% so far this year, even before Tuesday's rally. Betting on retail stocks has become a dangerous game. Tuesday reminded investors that the danger cuts both ways.

Investors In Apple Can Breathe Easy

It is easy to forget that **Apple** Inc. makes things besides the iPhone. The company's fiscal third-quarter results Tuesday will be a salient—if short-lived—reminder of that.

The iPhone still accounts for the lion's share of Apple's revenue and earnings. But the June quarter saw an unexpected year-over-year jump of 15% in iPad unit sales. That is the best growth Apple's pioneering tablet has logged in more than four years. And the company didn't have to buy those sales with discounts: The average selling price for the iPad stayed largely flat with the previous quarter.

The iPad and stronger-than-expected services revenue helped Apple exceed Wall Street's estimates for the June quarter. That wasn't the only good news.

Apple projected revenue in the range of $49 billion to $52 billion for the September quarter. The midpoint of that range represents a sales gain of 11% from the June quarter—the strongest forecast for this period that Apple has made since it began launching its new iPhones in September five years ago. The forecast, in other words, suggests that at least some new iPhone models are coming in the September quarter and that Apple believes those models will sell.

That is good news for investors who have driven Apple's price up 30% this year—not including the 6% bump the stock got Tuesday after the report. A stronger iPad and services business helps smooth the iPhone cycle, but the company will remain dependent on the phone. Apple clearly expects its new phones to make the connection.

—Dan Gallagher

Airline Deal Making Won't Cure Europe's Profit Problem

Tantalizing hints of airline consolidation are emerging in Europe. Sadly, none look likely to transform the industry's profitability along U.S. lines.

Both **Air Berlin**, the second-largest German airline, and **Alitalia**, the Italian flag carrier, are looking for new partners. Their previous backer, the Gulf-based, state-sponsored carrier **Etihad**, has been forced by the prolonged oil slump to rethink its strategy.

Lufthansa is the obvious buyer for Air Berlin. The German flag carrier—the largest European airline by most measures—is flush with cash and confidence, having announced record first-half operating profits on Wednesday. It has a long record of jealously defending its home turf against low-cost leaders **Ryanair** and **easyJet.**

Management is careful not to express too much enthusiasm. "If the right conditions are there we'd be very interested in taking part of their business," Chief Financial Officer Ulrik Svensson told analysts Wednesday. He stressed three sticking points: Air Berlin has too much debt; its staffing costs are too high; and a full merger of Germany's top two airlines couldn't escape antitrust scrutiny.

Alitalia was declared bankrupt in May, when staff rejected a restructuring plan. State commissioners are now running an auction process, to which Ryanair and easyJet have both submitted nonbinding bids. The commissioners made clear in bidding guidelines published this week they don't want the company to be split up.

Another hint of M&A activity came last week in the form of a complex deal that deepened pre-existing links between four of the world's biggest airlines: Air France-KLM, Delta Air Lines, Virgin Atlantic and China Eastern Airlines. Delta and China Eastern are each buying a 10% stake in Air France, which is in turn buying a 31% stake in Virgin Atlantic from Richard Branson's Virgin Group. The shareholdings are designed to cement closer cooperation, particularly on trans-Atlantic routes, within the confines of U.S. and European rules banning foreign majority ownership of airlines.

All these moves should help trim the excessive supply growth that has long bedeviled European short-haul, and has lately crept into the trans-Atlantic market.

But investors can't expect the kind of consolidation that has pushed U.S. airline margins into double-digit territory—and improved their stock-market performance—over the past half decade. Competition between low-cost carriers and former state airlines in Europe is as fierce as ever, and won't be much reduced by current M&A hopes. European airlines will remain a turbulent place to invest.

—Stephen Wilmot

Europe Lags

Airline operating margins

Note: Figures for 2017 are forecasts.
Source: IATA
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