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What's News

Business & Finance

Immelt, GE's chairman, said he won't pursue the top job at Uber, a decision that follows weeks of discord over the future of the ride-hailing firm. **A1**

◆ **Amazon is facing** difficulties as it tries to compete in China, as rivals Alibaba and JD.com offer many of the same perks without requiring a membership. **B1**

◆ **Borrowers are getting** comfortable again with the idea of tapping their homes for cash due to a strong housing market. **B1**

◆ **Congressional Republicans** are trying to write new rules for taxing foreign profits of U.S. firms, and a group of large companies is warning against one option. **B1**

◆ **A VW engineer** was sentenced to 40 months imprisonment and will pay a \$200,000 fine for his part in the emissions scandal. **B3**

◆ **Google is issuing** refunds for ads that ran on websites with fake traffic, as the web giant develops a tool to give marketers more transparency. **B4**

◆ **Shares of energy companies** are on track for their biggest monthly decline since the end of 2015. **B8**

◆ **Demand for Nintendo's** videogame machine, the Switch, is outstripping supply in Japan and the U.S. **B4**

World-Wide

◆ **Tropical storm Harvey** flooded Houston, forcing authorities to rescue hundreds. Five deaths were reported, with one confirmed to be storm-related. **A1, B5**

◆ **Arpaio said** GOP lawmakers who criticized his pardon by Trump should rally behind a president he predicted would go down as among the "greatest" in history. **A1**

◆ **The U.K.'s Labour Party** is putting pressure on May to pursue a closer relationship with the EU than many supporters of her ruling party want. **A3**

◆ **Iraqi forces have driven** Islamic State from Tal Afar, clearing one of the group's remaining strongholds. **A3**

◆ **At the Fed's** annual retreat, central bankers focused on a possible leadership transition at the Fed next year and the risk of a U.S. government shutdown. **A2**

◆ **A Guatemalan** constitutional court temporarily barred the president from expelling a U.N.-backed anticorruption prosecutor. **A4**

◆ **The flight of** Thailand's deposed leader from the country freed the military junta from the risk that she could be seen as a martyr. **A4**

◆ **Brazilian factory** owners are moving operations to Paraguay, lured by cheaper electricity and labor rules that are less onerous. **A4**

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Falling In Love With Autumn

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A section of Interstate 610 in Houston, above. More than 150 roadways were flooded throughout the city on Sunday, with more rain expected this week.

Harvey Flooding Batters Houston

Tropical storm leaves thousands stranded; five die in 'historic' devastating rainfall

The storm repeatedly lashed the flood-prone city, spawning numerous tornadoes and pouring as much as 24 inches of rain in 24 hours onto areas that had already been soaked the previ-

By **Bradley Olson,**
Arian Campo-Flores
and **Miguel Bustillo**

ous day. However, Houston Mayor Sylvester Turner said Sunday that only one was confirmed so far as storm-related. He said a woman drove into high water in southwest Houston and drowned while trying

to escape.

Local officials said they have made between 1,500 and 2,000 rescues, most of which were from vehicles that got stranded after driving into floodwaters, with responders assisting on foot, in large vehicles, by boat and via helicopters in the air. By Sunday morning, officials warned that 911 services were at capacity and urged people to take whatever steps they could to find safety.

The U.S. Coast Guard said its Houston sector had received more than 300 requests

for urban search and rescue and was asking for additional HH-60 Jayhawk helicopters from New Orleans and Air National Guard support to assist its current five MH-65 Dolphin helicopters conducting rescues in the area.

"This is historic, devastating rainfall," said Jeff Lindner, a meteorologist for the Harris County Flood Control District who is working with emergency personnel. "There is water in homes that have never flooded before, and we've received reports of water going into the second

story of homes."

Mr. Turner, the mayor, defended the decision not to order a mandatory evacuation of the city, saying it would have been more dangerous for thousands of residents to try to travel through the heavy rains. Harvey was also pummeling San Antonio and Austin, the logical locations for fleeing Houstonians.

"You cannot put, in the city of Houston, 2.3 million people

Please see HARVEY page A7

◆ **Roughly 12% of U.S. fuel-making capacity is shut..... B5**

Immelt Won't Pursue CEO Position at Uber

By **GREG BENSINGER**
AND **THOMAS GRYTA**

General Electric Co. Chairman Jeff Immelt said he won't pursue the top job at Uber Technologies Inc., a decision that follows weeks of discord over the future of the ride-hailing firm.

"I have decided not to pursue a leadership position at Uber," said the former GE CEO in a post on Twitter Sunday. "I have immense respect for the company and founders."

Mr. Immelt, 61 years old, had been in San Francisco on Friday and Saturday meeting with Uber directors, people familiar with the matter said.

Mr. Immelt removed himself from consideration after observing disorder and divisions among different fac-

tions of Uber's board, according to a person familiar with the matter.

While he has been spending time with Uber director and former CEO Travis Kalanick, and was sympathetic to the co-founder, he found some board members weren't supportive, this person said.

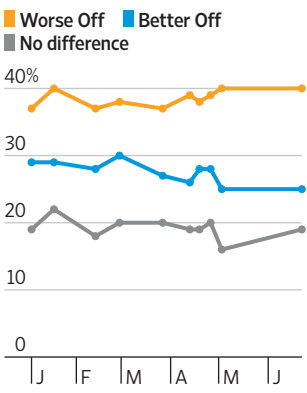
Other people close to the CEO search process said Mr. Immelt was given signals he didn't have enough votes to win the job, and saved face by publicly announcing his decision to withdraw. Mr. Immelt wasn't immediately available for comment. An Uber spokeswoman declined to comment.

Uber had pared its list of CEO candidates down to two, but has been grappling with the sudden reemergence of

Please see UBER page A2

Labour Sets Its Stance on Brexit

Public expectations of the impact of Brexit on economic growth



Source: YouGov online polls, most recent of 1,670 adults conducted June 21-22; margin of error: +/-3 pct. pts.

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Britain's opposition Labour Party is showing signs it is prepared to more directly challenge Prime Minister Theresa May. A3

GOP Urged to Back Trump Over Pardon

By **PETER NICHOLAS**
AND **SHANE HARRIS**

Former Arizona Sheriff Joseph Arpaio, granted a pardon by President Donald Trump last week after he was convicted of criminal contempt for defying a federal court order, said that Republican lawmakers who have criticized the move should rally behind a president he predicted would go down as among the "greatest" in history.

"They're trying to go after the president," Mr. Arpaio said in an interview Sunday. "He's a great guy and I'm with him and will always be with him. I'm sad what they're doing to him. It's sad."

Several prominent Republi-

can lawmakers have objected to the pardon, saying it short-circuited the legal system and undermined the rule of law. Among the critics of Mr. Trump's move were Arizona's two GOP senators, John McCain and Jeff Flake, and House Speaker Paul Ryan of Wisconsin.

Mr. Arpaio, an early supporter of Mr. Trump's presidential campaign, voiced disappointment in Mr. McCain's position. "It's probably payback time," he said, noting that he had campaigned for the senator's Republican opponents in both of Mr. McCain's presidential bids. As for Mr. Ryan, he said, "he ought to get on board and support our president."

Please see PARDON page A7

CORNERED IN RAQQA: THE LAST DAYS OF ISIS

Militants loosen enforcement of religious edicts and scrounge for cash

By **RAJA ABDULRAHIM**

RAQQA, Syria—Before launching the battle to capture Islamic State's de facto capital, the U.S.-led military coalition dropped leaflets calling on extremists to surrender. On the ground, militants were going door to door, demanding that residents pay their utility bills.

Islamic State, long bent on expanding its religious empire with shocking brutality in the form of public executions, crucifixions and whippings, is desperately focused on its own survival.

Raqqa has been a crucial part of the terror group's self-declared caliphate. Until a few months ago, public squares were lined with decomposing bodies of those who had run afoul of Islamic State's religious rules or bureaucracy.

Instead of ruthlessly enforcing no-smoking decrees and dress codes, though, militants now are doing whatever they can to hold on to areas still controlled by the

group—and revenue needed to help keep Islamic State afloat financially.

They are so preoccupied that some women in Raqqa dare to uncover their faces in public. A few men defiantly smoke in the streets and shave their beards, current and former residents say.

When the call to prayer sounds from mosques, some residents no longer bother to go. Islamic State used to force shops to close and people to pray.

Women accused of violating Islamic State's strict dress code were once whipped. In May, though, militants released two women unharmed after they were forced to buy new robes and all-covering face veils sold by Islamic State's religious police for 10,000 Syrian pounds each, or a total of about \$40, says Dalaal Muhammad, a sister and aunt of the women.

Ms. Muhammad, 37 years old, says her

Please see RAQQA page A6

◆ **Iraqi forces seize Tal Afar from Islamic State... A3**

Ask Not for Whom the Doorbell Tolls. They Won't Answer It.

* * *

Some young people are so used to texting that doorbells freak them out

By **CHRISTOPHER MIMS**

Chanan Walia, a sophomore at University of California, Berkeley, can't remember the last time he used a doorbell or even knocked on a door.

It's not as if they aren't there. At home, his father installed a fancy, Wi-Fi-connected doorbell. Mr. Walia, 19 years old and a computer science major, says he just isn't comfortable ringing them. He and his friends have become so accustomed to texting one another upon arrival, he says, that the sound of a doorbell feels like an unexpected jolt.

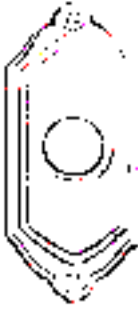
"Doorbells are just so sudden. It's terrify-

ing," says Tiffany Zhong, 20, the founder of Zebra Intelligence, which helps companies conduct custom research and gather insights on people born in the past two decades.

There's no published research about doorbell phobia, but it's a real thing. In a poll by a Twitter user earlier this month that got more 11,000 votes, 54% of respondents said "doorbells are scary weird." Some millennials and Gen Zers say they won't even consider answering a ring at the door until they've checked the security camera.

The doorbell freak-out reflects the ascen-

Please see BELL page A6



A doorbell

WORLD NEWS

Central Banks Can't Savor Their Success

Worry over issues in Washington draws focus from timing to withdraw stimulus

By KATE DAVIDSON
AND BEN LEUBSDORF

JACKSON HOLE, Wyo.—Central bankers have been looking forward for years to a moment when the world economy is growing steadily again, allowing them to unwind extraordinary monetary stimulus from global markets. They are now in such a moment, but at the Federal Reserve's annual retreat here over the weekend they found their attention turned to other challenges, including a possible leadership transition at the Fed next year and the risk of a government shutdown or debt-ceiling crisis in Washington next month. Congress returns to Washington in September with just a few short weeks in which to raise the federal borrowing limit and authorize new funding to keep the government operating beyond Oct. 1. Signs of angst over the debt limit are beginning to rise in financial markets amid worries lawmakers won't be able to close a deal on time. Treasury officials have urged Congress to raise the borrowing limit by Sept. 29. "What's being discussed regarding the shutdown and the debt ceiling, we have to monitor very carefully," Dallas Fed President Robert Kaplan said in an interview on the sidelines of the conference. Fed governor Jerome Powell warned in a television interview that failing to raise the debt ceiling would be a "major shock to the economy," while Treasury Secretary Steven Mnuchin told reporters at



From left, Bank of Japan Gov. Haruhiko Kuroda, Fed Chairwoman Janet Yellen and ECB President Mario Draghi in Wyoming on Friday.

a White House briefing Friday he was "100% confident" Congress would act in time. Fiscal brinkmanship comes as the Fed is preparing to take the next step in its gradual plan to withdraw monetary stimulus from the economy. It has raised short-term interest rates four times since December 2015. Next month it is expected to announce it will start shrinking its portfolio of mortgage and Treasury securities by allowing some to mature without reinvesting the proceeds into new bonds. "The base case for me is that we should begin the roll-down of the balance sheet very soon," Mr. Kaplan said.

"Obviously I'm monitoring closely, though, events in D.C., and I'm hopeful they won't have an effect on our efforts to begin that process. But we'll have to see." The Fed next meets Sept. 19-20. Fed Chairwoman Janet Yellen did nothing to dispel the market's expectation that the Fed will start shrinking the portfolio next month. Her remarks Friday focused instead on bank regulation in the post financial crisis era. President Donald Trump has vowed to roll back regulation across sectors, but Ms. Yellen defended the Fed's efforts since the crisis to toughen oversight of banks, which she said has bolstered lending and economic growth rather than hindered it.

Rather than focusing on near-term monetary policy issues, most of the conference dealt with long-term fiscal challenges, such as rising protectionism, growing inequality and the ability of fiscal policy makers to respond to the next recession—issues over which central bankers may have limited influence. On the sidelines of the meeting, participants buzzed about the potential for a leadership shake-up at the Fed next year, as Ms. Yellen closes in on the final months of her four-year term as the leader of the U.S. central bank.

Ms. Yellen is a top contender for another term as Fed chair, Mr. Trump has said. He has praised her stance on interest rates and said he liked her. But Ms. Yellen's remarks Friday highlighted a difference in world views on regulation, which could lead Mr. Trump in another direction. Mr. Trump has said his top economic adviser, National Economic Council Director Gary Cohn, along with "two or three" other candidates he declined to name, are also being considered, leaving markets and Fed watchers guessing about where policy might be headed beyond early next year. Analysts have theorized

about a handful of dark horse candidates who may be in the mix, several of whom attended this year's Jackson Hole gathering, including former Fed governor Kevin Warsh, Stanford economist John Taylor and Columbia Business School dean Glenn Hubbard, who was chairman of the Council of Economic Advisers under President George W. Bush. Among her peers, Ms. Yellen earned high marks for her steady approach and clear communication as the Fed unwinds its crisis-era stimulus program. "President Trump has to take his own decision, and that's his prerogative," Bank of Mexico Gov. Agustín Carstens said. "But I can speak for myself, and I can say that she has done an outstanding job." South African Reserve Bank Gov. Lesetja Kganyago said Saturday that, since the so-called taper tantrum of 2013 that roiled emerging markets, the Fed has done an excellent job of communicating its policy plans to the public and financial markets. Ms. Yellen took over the Fed in early 2014. "The Fed has actually communicated so well, so transparently, that it has actually made it easier for us when we have to make our own monetary policy decisions," Mr. Kganyago said. "We base our decisions on what we see the outlook for the U.S. economy is, and I think that the communication from the Fed has been so clear that if the markets decide not to believe what the Fed says, it is at their own peril." Fed policy decisions are felt far beyond U.S. borders, he said, and "the more you have certainty about what is impending in the U.S., the easier it is for all of us who have made decisions."

ECONOMIC CALENDAR

The week ahead will be a busy one for U.S. economic data, with readings on consumer confidence, gross domestic product and the **Federal Reserve's** preferred inflation gauge due before the August employment report caps off the week. Elsewhere, Canada will release GDP data, while Japan issues household spending information. **TUESDAY:** The Conference Board releases its index on **consumer confidence** for August. This measure rose sharply in July, as Americans expressed increased faith in both the current and future state of the economy. Economists surveyed by The Wall Street Journal expect the index rose to 120.3 in August, from 121.1 the previous month. Japan releases **household spending** data for July. In June, household spending rose for the first time in 16 months, gaining 2.3% from a year earlier. **WEDNESDAY:** The **U.S. Commerce Department** releases a second estimate on second-quarter **gross domestic product**, after initially reporting a 2.6% annual growth rate in the

April-to-June period. Since the original release, reports on key ingredients in gross domestic product have signaled positive growth. July retail sales indicated strength in consumer spending, while figures in the July durable-goods report pointed toward momentum in business investment. Economists surveyed by The Wall Street Journal forecast a revised second-quarter reading of a 2.9% seasonally adjusted annual growth rate. **THURSDAY:** The U.S. Commerce Department releases the July personal-income report, which will offer insight on the state of consumer spending and inflation. Consumer spending showed only modest growth in June. Inflation, meanwhile, proved weak. Overall prices rose 1.4% from a year earlier, down from 1.5% annual growth in May, according to the **price index for personal-consumption expenditures**—the Fed's preferred inflation measure. Economists surveyed by The Wall Street Journal forecast **personal income** in July grew 0.3%, while

consumer spending is expected to have increased 0.4%. Second-quarter **GDP** is due from Canada, where first-quarter GDP grew 3.7% annualized, tops among Group of Seven developed economies. The Bank of Canada forecast a 3% expansion for the second quarter. **FRIDAY:** In recent months, U.S. job growth has remained robust, while the unemployment rate has hovered near a 16-year low. Economists are forecasting that the Labor Department's August **jobs report** will show the economy added 175,000 jobs in August, while the unemployment rate remained steady at 4.3%. The Institute for Supply Management releases its manufacturing report for August. The manufacturing sector has proven resilient this year, thanks in part to a weakening dollar. U.S. factory activity expanded for the 11th consecutive month in July, ISM reported. Economists surveyed by The Wall Street Journal expect the **ISM manufacturing index** was 56.1 in August, down slightly from 56.3 in July.

UBER

Continued from Page One
Hewlett Packard Enterprise Co. CEO Meg Whitman as a possible contender, according to people familiar with the matter, despite her public denials of interest in the job. Uber's board was expected to vote Sunday for its preferred candidate, though an announcement could be delayed by contract talks, people familiar with the matter said. Mr. Kalanick resigned in June under pressure from investors, including venture-capital firm Benchmark, which dispatched two partners to a hotel in Chicago where the CEO was staying to hand him a letter signed by several shareholders asking him to step down. The new CEO will inherit a company still grappling with the fallout from a monthslong probe into its workplace culture, after allegations of male chauvinism and a lawsuit from Alphabet Inc. over allegedly stolen trade secrets. It has to fill a variety of jobs including chiefs of finance, marketing, operations and a new independent chairman. Uber needs a new leader quickly to oversee the 15,000-employee company and a committee of 16 executives steering the ship. The CEO search was thrown into disarray earlier this month when Benchmark sued Mr. Kalanick, claiming he knew about misbehavior at the company when he persuaded the venture-capital firm and other shareholders to add three board seats under his control. Mr. Kalanick and Matt Cohler, a partner at Benchmark, are both on the board and five-member CEO search committee. Mr. Kalanick has said the lawsuit was without merit. The lawsuit, and competing claims and accusations among Uber's biggest shareholders, has only served as a distraction as the board aimed to complete the CEO search by early September. Uber had reached the home stretch of the CEO selection process when candidates give a presentation to board members laying out their vision for the company and their plan, the people said. Benchmark has been negotiating for months a potential deal with tech investor **SoftBank Group Corp.** to sell part of its stake at a discount to Uber's last valuation, accord-



GE's Jeff Immelt is no longer a contender for the CEO job at Uber.

ing to people familiar with the matter. And SoftBank may make a direct investment of at least \$1 billion into Uber, which the board broadly supports, according to the people. Uber's board has been riven by factions. Some were upset that Ms. Whitman dropped out of the running in July and have been pushing for her return, while others believed Mr. Immelt represented the best option. One person familiar with the process said the third candidate—a male chief executive whose name couldn't immediately be learned—was less well known and didn't bring to Uber the long leadership history of Mr. Immelt, who led GE for 16 years. Ms. Whitman was previously CEO of eBay Inc. and ran for governor of California in 2010, demonstrating fundraising prowess and familiarity with the political process. She denied she would be the next CEO in tweets and then in an interview last week with The Wall Street Journal. Despite her denials, Ms. Whitman spoke with some directors Saturday about the CEO role, according to people familiar with the matter. Benchmark has denied reintroducing Ms. Whitman for consideration or pushing her candidacy. An HPE spokesman said he had no immediate comment.

Ms. Whitman couldn't immediately be reached for comment. The next Uber CEO is potentially in line to profit tremendously from an initial public offering. It isn't clear when Uber, valued last year by investors at around \$68 billion, may file for an IPO but it will have to shore up finances. In this year's first half, Uber lost \$1.4 billion, though it saw gross bookings—rides, food and freight deliveries—rise 17% to \$8.7 billion in the second quarter from the first quarter, the company said. The company in July combined its unprofitable Russian operations with Yandex.Taxi, a unit of Yandex NV and the more popular ride-hailing firm there. And it is winding down its unprofitable U.S. subprime auto-leasing business. —Rachael King contributed to this article.

Philippine Teen's Burial Becomes Anti-Duterte Protest



A Filipino teenager at the center of the latest outcry against the president's bloody crackdown against illegal drugs was buried, with mourners turning his funeral into a protest against thousands of drug killings. Hundreds of mourners and left-wing activists on Saturday carried placards that read "Stop

killing the poor" and "Justice for Kian" during a miles-long funeral march before Kian Loyd Delos Santos was interred in the Manila metropolis. (Mourners, above.) The 17-year-old, who wanted to become a police officer, was one of more than 80 drug and crime suspects killed in purported gunbattles with police

over three days this month in the bloodiest few days of President Rodrigo Duterte's antidrug campaign. The killings sparked alarm and official investigations. At a funeral Mass, Roman Catholic Bishop Pablo David urged authorities to "stop the killings and start the healing." —Associated Press

CORRECTIONS & AMPLIFICATIONS

The Ferrari 812 Superfast has a 65-degree V12 engine. The Rumble Seat column on Aug. 19 about the car incorrectly said it has a 60-degree V12 engine.

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

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WORLD NEWS

U.K. Labour Stiffens Position on Brexit

Opposition urges prolonging Europe ties that government would rather cut short

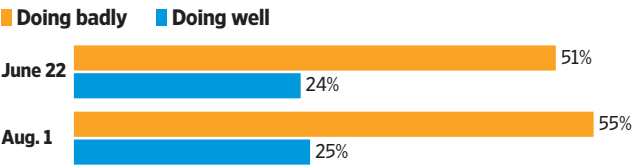
By JENNY GROSS

LONDON—Britain’s opposition Labour Party is coming off the fence over Brexit, putting pressure on Prime Minister Theresa May to pursue a closer relationship with the bloc than many supporters of her ruling party want.

Emboldened by the surprise results of a June election that delivered a rebuke to Mrs. May, Labour is showing signs it is prepared to more directly challenge her, taking a stronger stand on several pivotal issues. The party on Sunday said it would support Britain’s continued membership in the EU’s single market and customs union during a transition

Brexit Bargaining

Public opinion of Britain’s negotiating skills on the U.K.’s EU exit



YouGov online polls of 1,670 adults conducted June 21-22 and 1,665 adults conducted July 31-Aug. 1; margins of error: +/-3 pct. pts.

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period out of the bloc, and possibly permanently, marking a clear divide from the Conservatives’ stance.

The government can usually rely on its own members of Parliament to toe the party line. But after Mrs. May’s party lost its majority she has less room if a handful of pro-EU Conservatives choose to team up with Labour lawmakers.

Labour has been in a difficult situation because its sup-

porters are divided, with many traditional working-class voters in the heartland backing Brexit and cosmopolitan city dwellers and trade unions hoping to retain strong ties with Europe. More than a third of Labour Party supporters voted for Brexit, according to an estimate by pollster YouGov PLC, even though the party supported staying in the EU.

Labour leader Jeremy Corbyn—who expressed only

tepid opposition to Brexit before last year’s referendum—has been largely quiet in recent weeks. But other top party figures are speaking out postelection, sending significant signals.

Mrs. May’s government wants Britain to leave the tariff-free single market and customs union to take control over immigration, including during a planned “interim” period meant to enable an orderly transition to a new economic relationship. Brexit Secretary David Davis will meet with the EU’s chief negotiator Michel Barnier on Monday and will call on both sides to use “imagination” as they hash out solutions to difficult issues like how Brexit will affect the Irish border.

Mr. Corbyn last month took a similar line to the Conservatives on Brexit, saying Labour wanted the U.K. to leave the single market. But senior

party figures, including its No. 2 and its point man on Brexit, in recent weeks shifted that stance, keeping open the possibility of staying during the transition. On Sunday, the party went further.

“No mixed messages,” Labour’s Brexit spokesman wrote in an article in the Observer newspaper. “Labour would seek a transitional deal that maintains the same basic terms that we currently enjoy with the EU.”

Labour has also demanded Mrs. May allow the European Court of Justice to continue to have a role in disputes between the U.K. and the bloc, which businesses say will ease trade barriers. The party’s platform issued ahead of the election didn’t mention the court, which has been a central concern of Mrs. May.

The party has called on Mrs. May to retain membership in a handful of EU agen-

cies that regulate or coordinate policing, medicine and nuclear energy. Brexit secretary Keir Starmer has increasingly spoken out, saying last month he would work with lawmakers across the political spectrum to pressure Mrs. May to stick to the EU treaty that governs nuclear energy.

A U.K. government spokesman declined to comment on Labour’s stance. A spokesman for the Conservatives said Labour’s plan is “a weak attempt to kick the can down the road.”

Mr. Corbyn and his No. 2 John McDonnell, both far-left politicians, have long expressed skepticism about the EU, which they see as bolstering capitalism. But Mr. Corbyn has come under pressure from trade unions and Labour lawmakers—the majority of whom want close ties to the bloc—to further strengthen the party’s tone.

Iraqi Forces Seize Islamic State Stronghold of Tal Afar

ERBIL, Iraq—Iraqi forces have driven Islamic State from the town of Tal Afar, the Iraqi military said Sunday, clearing one of the extremist group’s few remaining strongholds in the country.

By Ali A. Nabhan in Erbil, Iraq and Maria Abi-Habib in Beirut

Operations continued against the militants in a handful of surrounding villages, a military statement said.

Army officials said Saturday night they were nearly in full control of Tal Afar’s historic center, moving toward the northern neighborhoods still held by Islamic State.

The surprisingly swift conclusion on Sunday came just one week into the battle for Tal Afar, which once served as

a way station between the group’s de facto capitals Mosul in Iraq and Raqqa in Syria.

As U.S.-backed Iraqi forces penetrated Tal Afar, it became clear Islamic State fighters either had abandoned the city ahead of the battle to seek refuge elsewhere, or had laid down their weapons to blend in with the local population, according to Iraqi military officials. While the militants fought back, their challenge was weaker than expected, the officials said.

“It looks like Iraq isn’t [any longer] a priority [for Islamic State],” said Rasha al-Aqeedi, a researcher at Al Mesbar Studies and Research Center, a Dubai think tank focused on Islamic movements. “They’re losing and have lost their veteran networks. The fighters probably won’t stay in Iraq to defend their remaining net-

works, they’re not strong enough to fight for. They’ll opt to stay underground instead.”

Despite being uprooted from most of the territory it controlled over the past two years, Islamic State has been able to rely on a mix of operatives and supporters with no connection to the group to carry out attacks.

One of the last large, strategic Iraqi towns under Islamic State control is Hawijah, in the oil-rich province of Kirkuk. It is likely to be the next offensive for the Iraqi military and the U.S.-led coalition that is providing support, according to Iraqi military statements.

The group’s remaining resources in Iraq are concentrated heavily along the border with Syria.

Military spokesman Brig. Gen. Yahya Rasool credited the experience of the battle-hard-



AHMAD AL-RUBAYE/AGENCE FRANCE-PRESSE/GETTY IMAGES

Pro-government Iraqi Shiite militiamen advance in Tal Afar.

ened Iraqi military in retaking Mosul—a nine-month operation that ended in July—for the victory in Tal Afar. The strategy of surrounding and cutting off Tal Afar for nearly a year also contributed to the

swift victory by severing Islamic State supply routes while U.S.-led coalition airstrikes helped destroy important targets, he added.

Some 200,000 people were living in Tal Afar as of June

2014.

In Lebanon meanwhile, a separate battle against the extremist group, also launched a week ago, was coming to a surprisingly quick conclusion as well, marking the likely end of the terror network’s hold in that country.

The army, which is fighting to expel Islamic State from its foothold there, on Sunday announced a cease-fire with the extremist group.

The military is using the cease-fire to negotiate an end to its fight against Islamic State by expelling the remaining militants to the eastern Syrian province of Deir Ez-zour.

Their removal was expected to come in exchange for the retrieval of the bodies of eight Lebanese soldiers kidnapped and killed by the extremists in 2014.

WORLD WATCH



A Rohingya boy from Myanmar jumps over the border fence to enter Bangladesh at Cox’s Bazar.

MYANMAR

Accusations Traded Over Ethnic Clashes

The government and advocates for the country’s Muslim Rohingya ethnic minority accused each other of killing civilians, burning down buildings and planting land mines, as clashes that began last week when insurgents launched attacks against police posts continued.

An announcement posted online by the office of the country’s leader, State Counselor Aung San Suu Kyi, said the death toll from the violence that started Thursday night had reached 96, mostly alleged Rohingya attackers but also 12 security personnel.

The announcement was the first by the government to list civilians among the dead—six people identified as Hindu said to have been killed by the insurgents.

Myanmar is overwhelmingly Buddhist, but about 1 million Muslim Rohingya live in the northern part of Rakhine, the western state where the violence is taking place.

Advocates for the Rohingya suggest many more civilians have died in army attacks on villages, but they haven’t given a total. They also say the attacks have caused villagers to flee to the mountains for shelter or to try to cross the border into Bangladesh. —Associated Press

NORTH KOREA

Pyongyang Fires More Missiles

North Korea fired three short-range ballistic missiles off its east coast early Saturday, as U.S. and South Korean forces were conducting joint exercises on the peninsula and just days after Secretary of State Rex Tillerson had praised Pyongyang for exercising restraint.

The latest North Korean provocation comes as a rebuke to policy makers in Seoul and Washington, who have been making diplomatic overtures to dissuade Pyongyang from its quest for advancing nuclear-weapon and missile technology.

The missiles were launched from a site near the city of Wonsan, on the east coast, traveling to the northeast, according to U.S. Pacific Command, which tracked the launches.

Pacific Command spokesman Cmdr. Dave Benham said the first and third missiles traveled 155 miles to the northeast. His comments retracted an initial assessment that those two missiles had failed in flight.

—Kwanwoo Jun

AFGHANISTAN

ISIS Attacks Mosque; At Least 20 Killed

Suspected Islamic State fighters attacked a Shiite Muslim

mosque in Kabul, triggering an hourslong gunbattle with government security forces that left at least 20 people dead and 40 wounded.

This attack came a day after the top U.S. commander in Afghanistan, Gen. John Nicholson, said Islamic State was being crushed in its eastern Afghan stronghold in Nangarhar province.

Friday’s violence erupted when three gunmen opened fire on two police officers guarding the mosque, in northern Kabul, and fought their way inside, Interior Ministry spokesman Najib Danish said.

—Ehsanullah Amiri

TENNIS

Andy Murray Drops Out of U.S. Open

The U.S. Open lost another star on Saturday, when Andy Murray said his hip wasn’t well enough to compete.

Murray, the 30-year-old second seed, won the U.S. Open in 2012 and excels on hard courts. But this season has been a trying one for him in terms of injuries.

Murray said he had hoped that his time off this summer—he hadn’t played since Wimbledon—would be enough rest, but he said the pain hadn’t subsided.

His withdrawal forced the Open to adjust the men’s draw. —Tom Perrotta



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WORLD NEWS

Guatemala in Crisis Over U.N. Graft Probe

By DUDLEY ALTHAUS

MEXICO CITY—Guatemala’s political crisis sharpened on Sunday when a constitutional court temporarily barred President Jimmy Morales from expelling a United Nations-backed anticorruption prosecutor probing allegations of illegal financing in the president’s 2015 election campaign.

Several cabinet members resigned to protest the president’s expulsion order, and hundreds of protesters in Guatemala City gathered outside the presidential palace and the foreign ministry as Mr. Morales held an emergency meeting with remaining members of his government.

Earlier in the day, Mr. Morales said he was acting “in the interests of the Guatemalan people, the rule of law and institutionalality” by ordering Ivan Velásquez, the Colombian prosecutor who heads the U.N.’s anticorruption agency in Guatemala, to leave the country and declaring him “persona non grata.”

The expulsion order came two days after Guatemala’s attorney general and Mr. Velásquez asked the Supreme Court to remove the president’s immunity from prosecution for alleged electoral crimes.



Demonstrators protesting against President Jimmy Morales in central Guatemala City on Saturday.

Mr. Morales, a popular television comedian who had never held public office before winning the presidency, has denied any wrongdoing.

U.N. Secretary General

António Guterres was shocked by the expulsion order, a spokesman said, reiterating Mr. Guterres’s support for Mr. Velásquez’s work.

Formed a decade ago by an agreement between the U.N., Guatemalan officials and donor governments including the U.S., Mr. Velásquez’s agency—

the International Commission Against Impunity in Guatemala, or Cicig—is tasked with helping local prosecutors take on the country’s endemic corruption and organized crime networks, which critics describe as a parallel government in the country of 15 million.

A respected Colombian

prosecutor, Mr. Velásquez was appointed to his post four years ago., and his mandate runs to September 2019.

The attempt to expel Mr. Velásquez, who has received strong support from across Guatemalan society and from the U.S. and other foreign governments, has sharpened the crisis over the corruption probe, analysts say.

Besides Sunday’s court injunction against his expulsion order, Mr. Morales has also faced stiff resistance from within his own government, according to local media reports.

The president on Sunday said he had fired Foreign Minister Juan Carlos Morales, who isn’t related to him, and the deputy prime minister, after they refused to implement the order, according to local media reports. The ministers couldn’t immediately be reached for comment.

“[Morales] has completely isolated himself,” Eric Olson, a Central America expert at the Woodrow Wilson Center in Washington, said of the Guatemalan president. “The international community is com-

pletely united and it looks like they are going to take a very hard line on this.”

Mr. Velásquez and Attorney General Thelma Aldana announced Friday that investigators have identified at least \$825,000 in anonymous contributions to the president’s election campaign that went unreported to regulators.

If the high court approves their request, Mr. Morales’s immunity could then be revoked by a two-thirds vote in Congress. That would expose him to possible criminal prosecution. Mr. Morales’s own political party, the National Convergence Front, holds just 11 of 158 seats in the congress.

But Mr. Velásquez and Ms. Aldana last week also accused the legislature’s two largest parties of campaign irregularities, perhaps prompting them to strengthen their support of the president, analysts say.

The gathering crisis echoes a similar scandal two years ago that led to the resignation of then-President Otto Pérez Molina, his vice president and other officials. Mr. Velásquez at that time was investigating a customs-fraud ring.

Thai Ex-Leader’s Flight Eases Risk for Military

By JAMES HOOKWAY

BANGKOK—Thailand’s military junta might have got the result it wanted when former leader Yingluck Shinawatra fled the country before a court could hand down a verdict in her negligence trial last week.

Her flight freed the generals from the risk that she

could be viewed as a martyr if she were convicted and jailed for allegedly mismanaging a botched multibillion-dollar rice subsidy. Ms. Yingluck, 50 years old and the mother of a young son, was facing up to 10 years in prison for a crime she says she didn’t commit. Thousands of supporters, many of whom benefited from the subsidy before her government was ousted in 2014, converged on Bangkok to hear the verdict last Friday, matched by as many if not more police.

While the prospect of mass disturbances appears to have been averted, many people here say the political forces Ms. Yingluck and her older brother Thaksin Shinawatra unleashed with their policies favoring the poor will continue to pose a threat to Thailand’s militarist old guard. And the turmoil that has hamstrung what was once one of Asia’s fastest-growing economies will likely continue.

“The Shinawatras left a crucial imprint upon Thailand of waking up the political aspirations of Thailand’s rural majority with the implementation of welfare policies. Rural voters are not likely to forget this,” said Paul Chambers, an expert on the country’s politics and lecturer at Naresuan University.

The government didn’t respond to requests for comment. People familiar with the military’s thinking said the junta had grown wary of mass pro-



Yingluck Shinawatra

tests erupting if Ms. Yingluck were jailed. They feared a repeat of the rioting in Bangkok after a 2006 coup ousted Mr. Thaksin, who fled the country to evade a corruption conviction.

One person close to the situation said the junta aimed to gradually increase the pressure on Ms. Yingluck until she fled. It isn’t yet clear where Ms. Yingluck has gone. Her brother Mr. Thaksin spends much of his time in Dubai. Ms. Yingluck couldn’t be reached for comment.

Another person close to the Shinawatra camp suggested that Ms. Yingluck’s decision to leave was left to almost the last minute after it became clear there was a very real risk of her being jailed. Previously she had said in interviews that she intended to pursue the case to the end. “It’s better for all sides if she just disappeared,” this person said. “The sight of her going to prison could set the country on fire.”

In the short term, the country’s junta will gain from Ms. Yingluck’s exit from the political stage, Mr. Chambers said. Prime Minister Prayuth Chan-ocha, the former army chief who ousted Ms. Yingluck’s government three years ago, is already making the most of

the situation, suggesting that her decision to skip the verdict revealed everything there was to know about the case. “If she’s not guilty she should stay and fight,” Gen. Prayuth said.

The Shinawatras’ political machine isn’t finished. The family has dominated politics since the turn of the century after tailoring economic policies to appeal to the poorer segments of Thai society who had largely been ignored. A onetime telecommunications billionaire, Mr. Thaksin introduced cheap credit and health-care programs to help boost living standards and remains the only Thai premier to have been re-elected.

After he fled the country following the 2006 coup, Ms. Yingluck was elected in a landslide and quickly put in place a rice subsidy that involved paying farmers up to double the market price for their crops.

The program was wildly popular among farmers. It helped the economy, too, for a time. Around 40% of Thailand’s workforce depends on agriculture and Ms. Yingluck repeatedly defended the policy in court as a way of redistributing wealth for the benefit of all Thais. Her government intended to pay for the program by withholding its new stocks of rice from the global market, steering prices higher.

Instead, India entered the market after a long absence and Vietnam expanded production. Thailand fell from its position as the top rice exporter, and the government was left with vast stockpiles it had to sell at loss. Officials estimate the program cost Thailand at least \$15 billion, and the army and its allies in Bangkok’s royalist establishment used the shortfall as an argument for removing Ms. Yingluck as a political force.

In October, the junta ordered Ms. Yingluck to pay nearly \$1 billion in civil damages.

Businesses Flee Brazil Rules for Paraguay

By JEFFREY T. LEWIS

CIUDAD del ESTE, Paraguay—This remote South American country, long known for contraband traffickers and a 35-year dictatorship, is now becoming something else: a manufacturing hub.

Paraguay has attracted scores of foreign factories since 2013, as predominantly Brazilian companies respond to new incentives by flocking to this gritty border city to make everything from toys to motor scooters for export.

Koumei SA, a family-run Brazilian light-fixtures company, is typical. Its owners moved the plant and about 150 jobs here last year, saying they were fed up with Brazil’s high taxes and complicated labor rules. “It’s just easier here,” said Seiji Abe, who directs the company with his father.

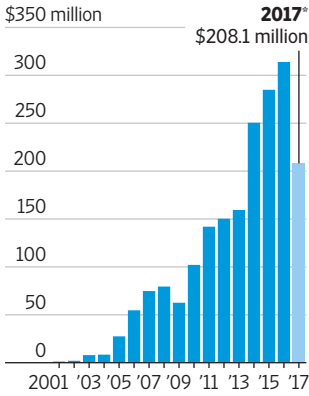
The shift from Brazil comes as Latin America’s biggest country is trying to stabilize an economy that has contracted 7.2% in the past three years. A series of corruption scandals has also roiled the political class, leaving Brazilian President Michel Temer in a tenuous position as he tries to revamp the economy.

Brazil ranked 123rd out of 190 in the World Bank’s 2017 survey on ease of doing business, right behind Uganda and Egypt. Companies there say they are bedeviled by rules that smother entrepreneurial impetus. They point to labor regulations that make hiring and firing difficult, high energy bills, a legal system that encourages employee lawsuits and taxes of up to 35% on imported goods.

“The regulations are absurd,” said João Carlos Komuchena, owner of Kompar SA,

On the March

Exports by foreign companies operating under Paraguay’s maquila program have soared since President Horacio Cartes came to power in 2013 and added new incentives.



*Through the end of June.

Source: Paraguay Ministry of Industry and Trade

THE WALL STREET JOURNAL.

a company that makes small plastic bottles used for packing soy sauce and other products that moved to Paraguay from Brazil last year. “We need to wake up in Brazil; there is a lot of prejudice against business.”

Enter Paraguay. The poor, landlocked country, ruled until 1989 by dictator Alfredo Stroessner, was long known for corruption, violent crime and drugs, tobacco and armaments smuggling, as well as its commodity agricultural exports. Paraguay began trying to attract manufacturers in 2000 with a series of incentives. President Horacio Cartes has hawked enthusiastically since he took office in 2013.

Paraguay’s sales pitch to manufacturers: cheap electricity, less onerous labor rules, zero import taxes and only a 1% levy on the value of finished exported products. So far, 115 factories have opened up in Paraguay under the so-called maquila program, 89 of them since 2013, with an additional 20 preparing to start operations, the government says.

“Paraguay is the least developed country in Mercosur, we need to industrialize if we want to catch up,” said Industry Min-

ister Gustavo Leite, speaking of the trade group in South America of which Paraguay is a member. “Our obsession is jobs.”

To be sure, Brazil, with thousands of factories and 65 times the economic power of tiny Paraguay, still dwarfs its neighbor. But for a small country of nearly seven million people the shift is significant, not least for the 13,000 people employed directly by the factories.

The Paraguayan cities profiting most from the influx of foreign manufacturers are Ciudad del Este and nearby Hernandarias—scrappy border outposts on the mighty Paraná River long known for their bustling contraband trade. Now, factories hum at industrial parks and trucks haul finished components along clogged highways into Brazil and elsewhere abroad.

Brazil’s government acknowledges the flow of manufacturing investment into Paraguay and agrees that it is a result of the red tape, bureaucracy and taxes that Mr. Temer’s administration is trying to overhaul.

Finance Minister Henrique Meirelles said the administration wants to change bankruptcy law, simplify the tax system and reduce the cost of credit. But the unpopular government doesn’t have broad backing for its efforts and has put in place only 12 of 213 proposed business reforms since taking office last year, Mr. Temer’s office said.

Those companies that have moved to Paraguay aren’t looking back.

Hipasa SA, which used to make diapers in Brazil’s south, said it left because bigger competitors were beating them on price. It now has a plant near the Paraguayan capital of Asunción, where it produces more cheaply than in Brazil and makes a bigger profit, said the company’s president, Marcos Gomes.

“There’s a series of costs that we can eliminate, we’re much leaner here,” Mr. Gomes said. “Now we can compete with the big guys.”

A Lesson in Boxing: Aging Veteran Defeats Novice

Mixed martial arts champion McGregor held up well early on, but succumbed to undefeated Mayweather late in the bout

By JIM CHAIRUSMI

LAS VEGAS—The boxing match between Floyd Mayweather Jr. and Conor McGregor wasn’t supposed to be a fair fight.

But for the first half of Saturday’s bout, Mayweather appeared every bit like a 40-year-old who hadn’t been in the ring in two years, while the 29-year-old McGregor, a boxing novice, looked like a fighter who actually belonged in the same ring as the undefeated Mayweather.

But as the fight wore on, Mayweather began to find his range and finally wore McGregor down, stunning him with a barrage of blows in the 10th round, before referee Robert Byrd stopped the bout with 1:55 remaining in the round.

“I thought it was a bit of an early stoppage. I was just a little fatigued,” McGregor said after.

Before the fight began, Byrd warned both fighters: “This will be a clean, professionally fought bout under boxing rules.”

At the opening bell, McGregor charged at Mayweather and took command, as Mayweather looked content to feel his opponent out. Midway through the first round, McGregor briefly taunted Mayweather by putting both hands behind his back.

In the first five rounds of the bout, McGregor held a 51-40 edge in punches landed, according to CompuBox.

In the sixth round, Mayweather stepped up his effort and seized control. In rounds six through 10, May-



Conor McGregor, left, was an easy target for Floyd Mayweather Jr.

weather outlanded McGregor 130 to 60.

“Our game plan was to take our time, go to him, let him shoot his shots early and then take him out down

the stretch. We know in MMA he fights for 25 minutes. After 25 minutes, he started to slow down. I guaranteed to everybody that this wouldn’t go the dis-

tance,” Mayweather said.

At the time of the technical knockout, Mayweather was ahead on all three judges’ scorecards: 89-81, 89-82, 87-83.

Entering Saturday, Mayweather had won 49 consecutive bouts since turning pro in 1996. McGregor, the reigning Ultimate Fighting Championship lightweight champion, had never boxed in a sanctioned bout.

Of course, if the rules were reversed and mixed martial arts allowed, McGregor would have had a significant advantage. But he got the biggest payday of his career for his crossover effort and didn’t embarrass himself in the ring.

UFC President Dana White said he was proud of McGregor, but was looking

forward to his star fighter returning to the octagon. “This is not what he does. He’s a mixed martial artist,” White said. “This was a fight where he could only use his hands.”

The start of the main event, with a crowd of 14,623 at T-Mobile Arena, was delayed due to reports of scattered outages from cable and satellite providers.

Mayweather’s win improves his record to 50-0 and he eclipses the mark set by Rocky Marciano for most boxing wins without a defeat in the modern boxing era.

“I have to give it to him, that’s what 50 pro fights will do for you,” McGregor said.

In the ring after the bout, Mayweather said he was hanging up the gloves.

“This was my last fight,” he said. “For sure.”



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IN DEPTH

RAQQA

Continued from Page One
sister had to beg a family member to borrow the \$40 from friends.

“They didn’t even have enough to buy bread,” she said at a camp for displaced Syrians, wearing sandals held by twine. “They just wanted to get the money quickly because we were running out of time” to flee Raqqa.

An estimated 25,000 civilians remain trapped in Raqqa under Islamic State control, according to the United Nations, and more than 230,000 people have fled Raqqa and its suburbs since early April. On Thursday, the U.N. called for a pause in the assault so civilians can escape.

Fighters for the U.S.-backed Syrian Democratic Forces, leading the assault to oust Islamic State from Raqqa, say on some days they have helped dozens of civilians reach safety. Other days, no one makes it out. Militants execute smugglers helping civilians flee and those accused of collaborating with the coalition.

The Pentagon has estimated there are fewer than 2,500 Islamic State militants left in the city, down from 4,500.

Militants spent months girding for the long-anticipated assault before it began in June. They dug extensive tunnels beneath streets and homes, set up snipers’ nests and planted improvised explosive devices everywhere to stop people from fleeing.

Human shields

“They wanted us as human shields,” says Obaida Matraan, 33 years old, a taxi driver who escaped with his family one night just before the battle began. They carried a piece of white fabric to wave as they approached the SDF.

Before the escape, he saw on public display the bodies of executed men with signs that said “smuggler” as “a warning to others,” he recalls.

In early 2014, Raqqa was the first city in Syria or Iraq to fall under Islamic State’s complete control. The group has lost about 60% of the territory it held in January 2015, including its former Iraqi stronghold of Mosul, according to analysts at IHS Markit Ltd.’s Conflict Monitor.

Even as the self-declared caliphate crumbles, Islamic State has continued to claim responsibility for deadly terror attacks around the world, including in Spain this month, in a bid to project power.

The SDF has encircled Raqqa and says it has seized more than half the area of the city. But militants are capable of striking behind the coalition’s front lines and are scrambling to hoard the little food and water left in areas they control. Much of Raqqa remains a battlefield.

The ground advance by the SDF has been aided by coalition airstrikes. At least 465 civilians have likely been killed in those airstrikes, independent monitoring group Airwars reported. The U.S.-led coalition said it investigates civilian casualties. Monthly reports released by the coalition show far lower estimates of civilian casualties.

Syrian activist groups estimate that at least dozens more civilians were killed during the past week. Civilians in Raqqa say the airstrikes seem indiscriminate and kill more civilians than militants, who hide out in tunnels.



Abdullah, 12 years old, above, is treated for wounds suffered when a mine exploded during his family’s escape from Raqqa. The smuggler helping the family stepped on a mine and was ‘ripped to shreds,’ the boy said. Below, a hole smashed by Islamic State militants to help them move undetected between houses in the city.

At the height of Islamic State’s control, life in Raqqa and elsewhere in the group’s territory was dictated by so many laws on everyday life that residents struggled to keep track of them.

Banned items ranged from men’s skinny jeans (too Western and provocative) to canned mushrooms (made with preservatives) to bologna (because the group said it contained pork).

Enforcement slackened as the Syrian Democratic Forces advanced toward Raqqa through the Syrian countryside and eventually surrounded the city, according to residents who fled recently.

Checkpoints thinned out as Islamic State leaders and many militant fighters abandoned the city and headed to the eastern province of Deir Ez-zour, residents said. The group still holds much territory in the oil-rich region and is expected to make its last stand there.

People who have left Raqqa say militants suddenly seemed to care much more about money than morals. Islamic State’s revenue—from oil production and smuggling, taxation and confiscation, and kidnapping ransoms—is down 80% in the past two years, IHS Conflict Monitor estimates.

Islamic State fighters suddenly seemed to care more about money than morals.

For months, Islamic State ordered businesses and residents to use only the caliphate’s own currency of gold and silver coins, current and former residents said. The move forced people to trade in their U.S. dollars and Syrian pounds to Islamic State, which wanted those currencies as its territory shrinks.

Mr. Matraan, the taxi driver, says Islamic State made him pay \$30 for water, electricity and a landline telephone bill weeks before his family fled. “They would go to people’s



homes and demand payment,” said Mr. Matraan, who wore a San Jose Sharks cap under the searing sun at a camp for displaced Syrians in Ain Issa, a city north of Raqqa. “In the end, their main concern was money.”

Abdulmajeed Omar, 27, says militants began fining those caught violating Islamic State’s smoking ban, rather than jailing or whipping them. Being caught with a pack of cigarettes brought a \$25 fine. The fine for a carton of cigarettes was \$150.

“They didn’t bother with poor people,” says Mr. Omar, who fled Raqqa before the battle and returned with the Kurdish YPG militia to fight Islamic State.

Before Ms. Muhammad fled the city, militants spent a month digging a tunnel underneath her home in the eastern neighborhood of al-Mashlab, she said. Like many of her neighbors, Ms. Muhammad was afraid to ask them what they were doing.

Inside one house in al-Mashlab, which has since been captured by SDF forces, a tunnel opening cut through the living-room floor. The fighters filled the hole with broken furniture because they weren’t sure where the tunnel led.

“We are suffering from snip-

ers and tunnels,” said Dirghash, a Kurdish YPG commander on the city’s eastern front line who wouldn’t give his last name. “The tunnels are all in civilian homes, and we suddenly find [Islamic State militants] popping up behind us.”

On the western side of Raqqa, a warning painted in silver on the metal shutters of a motorcycle shop simply read: “There are mines.”

New graffiti

In captured neighborhoods, the walls already are covered with new graffiti by the YPG, the Syrian Kurdish militia that is the dominant group in the SDF. Every conquering force that has swept through Raqqa since the Syrian conflict began more than six years ago has left its mark with cans of paint.

A hot breeze ruffled bed sheets hanging from doorways. The sheets were in keeping with Islamic State’s decree to provide an extra barrier to prevent outsiders from seeing women inside their homes.

Outnumbered and outgunned, militants have turned their brutality on to civilians in Raqqa trying at last to escape from Islamic State.

Earlier this month, a 12-year-old boy named Abdullah

said his family had tried twice to flee but was caught.

The first time, a Chechen fighter for Islamic State said he would arrest them unless they returned home. The second time, they were told: “If you try to leave again, we’ll slaughter all of you.”

Abdullah said the death threat came from a Chinese militant. His younger brother, Abdulrahman, interrupted: “He was a Pakistani.”

The two boys debated the various ethnicities of Islamic State fighters who had helped turn their hometown into a rubble-strewn battleground, its streets lined with charred vehicles and pancaked roofs.

Militants blocked the family from drinking out of a neighborhood well, claiming they hadn’t paid their water bill.

When the front lines approached the family home in the Old City, Abdullah and eight relatives made another harrowing escape attempt. They spent a hungry, thirsty night dodging militants while coalition warplanes and mortar shells struck. By morning, they spotted a checkpoint for U.S.-backed forces.

As they neared safety, the smuggler helping the family flee stepped on a mine and was “ripped to shreds,” re-

called Abdullah.

He didn’t know how many of his siblings were still alive. His wounded father was stuck near the front lines because an Islamic State sniper prevented SDF fighters from pulling him to safety.

When Abdullah arrived in the back of a pickup truck at a villa in al-Mashlab now used as an SDF-run field hospital, his shoes and shirt were gone. He clutched a handful of chocolate bars. He had lost the backpack that he said saved his life by shielding him from shrapnel in the explosion.

Abdullah’s right eye was bruised and swollen shut, gauze wrapped around his head, and his injured leg was propped up near a full ashtray on a sticky coffee table in the hospital’s lobby. Dried blood caked the two brothers’ faces.

Later, a nurse brought them chunks of bologna. It was the first time they had eaten bologna in years.

‘Will it burn?’

As he narrated the escape, Abdullah’s mature, emotionless demeanor broke only when a medic was about to clean his wounds, causing the boy to wince and cower in anticipation of the pain.

“Will it burn?” he asked. Inside a room with a handwritten sign that said “Ambulance,” Abdullah’s mother laid on a stretcher on the floor, yelling deliriously. On a sheet of cardboard nearby was her 1-year-old son, Abdulmumin, who wore only a diaper and a new cast on his arm.

“Ayah, Ayah,” the mother called out to her daughter, who held her hand. The mother asked about the fate of another son: “Where’s Alawi?”

“Alawi is alive,” Ayah said to her mother.

“Swear it,” the mother demanded.

“I swear by God,” said Ayah, but she didn’t actually know. She gripped her mother’s hand tighter and lowered her head. Tears streamed down her face.

“Did we make it?” the mother asked.

“Yes,” Ayah assured. “We made it.”

BELL

Continued from Page One
dance of mediated communication, which means people interacting through technological devices rather than directly. It’s not so much about screen time versus face time as it is a merger of the two.

Smartphones provide extra information thought by users to be vital to day-to-day interactions. Without smartphones to help, encounters can feel fraught.

“Typically, doorbells are for outsiders,” says Ms. Zhong, whose LinkedIn profile describes her as a “teen whisperer.” “A text signifies it’s a friend.”

An entire smartphone-wielding generation has begun communicating primarily via mobile device, even when other means are available.

According to Pew Research Center, 92% of Americans between the ages of 18 and 29 own a smartphone, the highest percentage of any age group. Just 42% of Americans who are at least 65 own a smartphone.

Many of the latest apps and services are tethered to mediated communication, from hailing a ride through Uber Technologies Inc. to ordering food on GrubHub Inc. to swiping left or right on Match Group Inc.’s Tinder. There are companies where the desk phone is optional but Slack Technologies Inc.’s Slack chat app isn’t.

People in general are making fewer phone calls to one another, but the trend is moving especially quickly in customer service. The number of customer-service calls declined 17% from 2015 to this year at 1,351 businesses in 80 countries surveyed by consulting firm Digital Data.

Those calls are being supplanted by chat, bots and self-service options. Phone calls with actual humans are now just 54% of all customer-service interactions with businesses, says Digital Data.

The communication shift has affected the company that rings more doorbells than any other in the U.S.: United Parcel Service Inc. UPS still trains its drivers to ring any doorbell available when making deliveries, but drivers don’t wait for a live human unless a signature is required.

UPS also offers customers the ability to receive an email or text when a package is on its way. Customers can even track the location of the delivery truck. UPS says it built the technology because customers demanded it.

Since it launched its online service in 2009, GrubHub has given customers the option to specify that delivery persons

text instead of ringing the doorbell, says a GrubHub spokeswoman.

Some young people say they shun the doorbell simply because they see no need for it. “It’s like antiquated, knocking on doors is so far back

Like checkout lines and bank tellers, doorbells must change with the times.

that it predates any experience people my age have ever had,” says Drake Rehfeld, a junior at the University of Southern California.

The doorbell isn’t about to disappear. The National Association of Home Builders says there is no sign that new houses are being built without

doorbells, and they often are required by local building codes.

Like supermarket checkout lines and bank tellers, though, doorbells are being forced to change with the technologically disruptive times.

“When we call a car [using Uber], we watch it come to us,” says James Siminoff, founder and chief executive of Ring, which makes a Wi-Fi-connected doorbell with an embedded camera.

He says Ring is primarily about giving people a way to have two-way communication with someone at their front door without ever actually having to make eye contact with the person.

Jean Twenge, a psychology professor at San Diego State University, says such innovations could further the decline in face-to-face interaction by teenagers and young adults.

“Electronic communication

supplies some feelings of connection, but studies find it doesn’t equal face-to-face interaction for emotional closeness or mental health,” says Ms. Twenge, whose book “iGen” is about how smartphones may contribute to an epidemic of anxiety and unhappiness in young people.

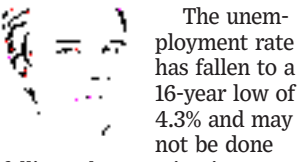
Mr. Walia, the UC Berkeley sophomore, says he and his friends also don’t ring doorbells because they’d rather not run into each other’s parents. Other young people say the doorbell is a loser when it comes to efficiency. Why not just text to say you’re about to get to the door?

“You carry your phone with you everywhere,” says Adriane Kaylor, a freelance writer who lives in a New York City suburb. “It’s basically the teddy bear for adults. I personally sleep with my phone under my pillow. It just makes sense to get the most out of it.”

U.S. NEWS

THE OUTLOOK | By David Harrison

Jobless Rate's Decline Hints at Broader Shift



The unemployment rate has fallen to a 16-year low of 4.3% and may not be done falling. The question is whether that is good news because it means the economy is still operating below capacity and has plenty of room to run, or bad news because it means the economy is close to overheating and heading for trouble.

A study by the **Federal Reserve** Bank of San Francisco finds that over the past century, the jobless rate's "natural" level—meaning the level that signals an evenly balanced economic expansion—has fluctuated in a relatively narrow band between 4.5% and 5.5%. If it goes much above that range it means recession, and much below it could signal inflation or other economic excesses building. It's now been below that level for four straight months, without obvious evidence of overheating.

Structural changes in the economy could alter this theoretical natural rate, meaning the jobless rate might have room to go lower without throwing the economy off bal-

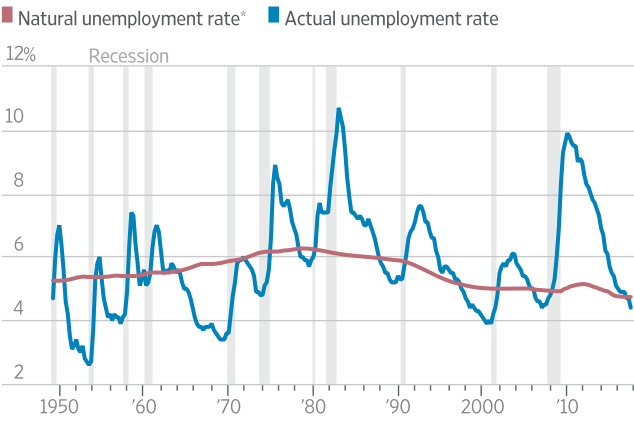
ance. One reason is the aging workforce. Jobless rates tend to be lower for older workers, who are better trained than younger workers and tend to be more settled in their jobs. With a large portion of the workforce in older age groups, it might be the case that the economy can handle a lower jobless rate.

In 2015, economists at the Chicago Fed estimated that the aging workforce could have pushed the natural rate considerably below both Fed officials' estimates and those calculated by the Congressional Budget Office. One of their estimates predicted the natural rate could fall to as low as 4.1% by the fourth quarter of 2017, below where the actual rate stands now.

Other factors could be at play. Globalization might help drive unemployment down at home without affecting broader inflation trends. U.S. workers now compete with workers from around the world. An abundance of low-wage workers in China and other developing economies could hold down wages and prices in the U.S. in ways that didn't happen a decade or two ago. Likewise,

How Low Can Unemployment Go?

When the jobless rate falls below the natural rate of unemployment, it can be a sign of an imminent recession.



* Natural rate based on Congressional Budget Office estimates of jobless rate which won't lead to inflation rise.
Sources: CBO (natural rate); Labor Department (unemployment rate)

THE WALL STREET JOURNAL.

technology could be reshaping the interplay of unemployment and inflation: Amazon.com Inc., the internet retailing giant, plans price cuts at Whole Foods Markets Inc., which it recently purchased. "Digital technology was finding its way on the factory work floor and offices in a big, big way in a very positive, broad fashion," Charles Evans, president of the Federal Re-

serve Bank of Chicago, said in an interview. "It makes you wonder if competition is beginning to take place along lines that haven't been contemplated. Competition in many forms would adjust price margins."

This is a hot topic at the Federal Reserve because inflation isn't behaving the way officials expect it to behave with such a low jobless rate. In the

past 12 months, the jobless rate has dropped from 4.9% to 4.3%. That decline suggests inflation should be picking up. Instead, a measure of underlying inflation—the personal consumption expenditure price index excluding food and energy—has dropped over that period from 1.7% to 1.5%.

When the jobless rate is higher than the natural rate, Fed officials tend to keep borrowing costs low to drive down unemployment. But when the jobless rate drops below the natural rate, it might signal inflation—and officials push up interest rates. The current low rate underpins the Fed's plan to keep raising rates. But the fact that inflation is so low is making some officials wonder if they can afford to let the jobless rate continue to drop and slow the pace of rate increases. The Fed has raised interest rates four times since 2015 and penciled in another rate increase this year and three more next year.

Robert Kaplan, president of the Federal Reserve Bank of Dallas, said the natural rate is probably lower than it has historically been and the wage and price pressures typically associated with low unem-

ployment are muted due to technological change and globalization. He sees the jobless rate continuing to fall.

"We're living an experiment now [where] the unemployment rate is falling and it's fallen below the point that people where would have predicted an inflation pickup," said Laurence Ball, a Johns Hopkins University economist.

In Mr. Ball's view, the natural unemployment rate and the actual unemployment rate feed on each other so that a lower unemployment rate pushes down the natural rate, which in turn pushes down further on the unemployment rate. "It could be that unemployment drops down to 3-something [percent] and stays there and inflation stays low," he said.

That might be the case, but history offers some warnings. The jobless rate bottomed out at 3.8% in April 2000. It spent nine months at 3.4% in 1968 and 1969. But in both cases, recessions weren't far behind, one driven by a technology bubble in the 1990s and rising inflation in the 1970s.

—Ben Leubsdorf contributed to this article.

Civil War Museums Widen Scope

By CAMERON MCWHIRTER

ATLANTA—When the Confederate Museum opened in Richmond, Va., in 1896, it was chartered to honor those who fought for the rebel cause and spent more than a century building a vast collection of historical artifacts from the secessionist movement.

Four years ago, the museum dropped the Confederacy from its name, and became simply the American Civil War Museum.

Its leaders say the decision—as part of a merger with a smaller museum—was vital to its future. The change also punctuated its evolution from solely presenting Confederate-themed exhibits to exhibiting a broader look at the four-year conflict that caused the deaths of at least 620,000 soldiers fighting on both sides.

"History museums need to view history with a high level of subjectivity and dispassion," said S. Waite Rawls III, president of the American Civil War Museum Foundation. "It was increasingly difficult to do that because people assumed we would simply take the Confederate side. Its very name was in the way."

The name change was costly. After the merger and adopting its new moniker, donor numbers dropped 40%. Mr. Rawls said the museum now relies on larger donations from fewer benefactors for its \$3.6 million operating budget.

In the aftermath of the violence in Charlottesville, the rapid removal of memorials to the Confederacy has renewed objections from those who want public memorials to the



Robert E. Lee's field coat at what is now the American Civil War Museum's facility in Appomattox, Va.

"Lost Cause" to remain. They argue history is being rewritten, but academics and curators say how the past is remembered constantly evolves.

The Sons of Confederate Veterans, the leading heritage group for descendants of those who fought for the South, has a different view. The group is so frustrated by what it sees as a dwindling of institutions presenting Confederate views on the war that it is spending at least \$4.5 million to build a private National Confederate Museum in Tennessee, said Executive Director Mike Landree.

"There are very few Civil War museums that take the Confederate side," Mr. Landree said. "The majority of them walk on eggshells."

The best known battlefield from the war, Gettysburg in Pennsylvania, is standing firm

on keeping the more than 1,325 monuments, markers, and plaques it has that commemorate those who fought and died—whether Union or Confederate.

The National Park Service, which manages the site, said it is "committed to safeguarding these unique and site-specific memorials in perpetuity, while simultaneously interpreting holistically and objectively the actions, motivations, and causes of the soldiers and states they commemorate."

In the 1950s and 1960s—before, during and after the Civil War's centennial, and as the nation struggled to end segregation—rebel museums and attractions had a heyday, and using the term Confederate and displaying the battle flag was often part of a sales pitch.

Public interest has shifted

from a focus on battles and generals, to an interest in slavery and the role it played in starting the conflict, say experts like Christy Coleman, the American Civil War Museum's chief executive. That has forced change at historic sites that focused more on military aspects of the Confederacy, giving less attention to slavery.

The former Confederate Naval Museum in Columbus, Ga., changed its name in 2001 to the National Civil War Naval Museum because it realized it had to expand its scope, said Executive Director Holly Wait. The museum, which used to focus on Confederate warships, has added replicas of federal ships and other exhibits, she said.

"You just can't talk about one side; that just don't make sense," she said.

PARDON

Continued from Page One

If lawmakers are upset about the pardon, Mr. Arpaio said, they should hold hearings into his legal case and look into the "bias" that he said he was shown.

Mr. Arpaio, a longtime sheriff in Maricopa County, Ariz., was convicted last month for disobeying a 2011 federal court order to halt immigration raids. He was to be sentenced in October and faced up to six months in jail.

He said that he had not requested a pardon but had told the White House he would accept one if it were offered. He said he wasn't looking for a job in the Trump administration but wouldn't turn it down if the president were to call.

"It's tough to turn down a president of the United States when they need you," he said. "I may not turn down this president because I'd probably do anything for him."

A senior White House official on Sunday defended Mr. Trump's decision. Tom Bossert, whose portfolio includes border security, said that previous presidents had also issued "controversial" pardons, and that Mr. Trump weighed Mr. Arpaio's long record of public service in making his decision.

"I think it's pretty straightforward what the president did," Mr. Bossert said on ABC News "This Week." Mr. Bossert is the most senior administration official yet to comment on the pardon.

Through a spokesman, Mr. Ryan said Saturday he "does not agree with the decision."

"Law-enforcement officials have a special responsibility to

respect the rights of everyone in the United States. We should not allow anyone to believe that responsibility is diminished by this pardon," said Mr. Ryan's spokesman, Doug Andres.

Mr. McCain, an Arizona Republican, said the president "undermines his claim for the respect of rule of law as Mr. Arpaio has shown no remorse for his actions."

The state's junior senator, Mr. Flake, whom Mr. Trump has publicly attacked as weak on border security, said in a Twitter message that he would have "preferred that the president honor the judicial process and let it take its course."

Mr. Bossert rebuffed those critics. "I certainly don't think it's fair to characterize [Mr. Trump] as not caring about the rule of law," he said.

"I think that there's a clemency argument that can be made for the long history of service both in the United States military and in law enforcement," Mr. Bossert said. He didn't say whether he personally supported the president's decision.

Mr. Arpaio became one of the most celebrated figures among immigration hard-liners for his tough and unapologetic treatment of inmates in his state. Some were held outdoors during sweltering conditions. Others were forced to wear pink underwear or were subjected to other treatment that critics said was humiliating.

But it was Mr. Arpaio's use of racial-profiling tactics that landed him in a federal court. U.S. District Judge Susan Bolton ruled last month that he had "willfully violated" a 2011 court order that barred his deputies from stopping and detaining Latinos without reasonable suspicion that they had committed a crime.

HARVEY

Continued from Page One

on the road," said Mr. Turner, a Democrat. "You give an order to evacuate, you are creating a nightmare."

Mr. Turner said the city was opening libraries, community centers and other locations as "lily pads" to provide safe harbor from the waters in neighborhoods, and opening the George R. Brown Convention Center in the city's downtown as a large shelter.

"This is a storm that is testing the city of Houston," he said. "If we remain calm and everybody does his or her part, we will get through this with minimum loss of life."

Harris County Judge Ed Emmett, the area's top emergency official, asked citizens with boats to help rescue people who are trapped by rising water in their neighborhoods.

President Donald Trump said Sunday that Washington is making an "all-out effort" to address the disaster caused by

Harvey and praised government agencies for coordinating to bring a speedy response.

"Wow — Now experts are calling #Harvey a once in 500 year flood! We have an all-out effort going, and going well!" Mr. Trump wrote in a tweet. "Great coordination between agencies at all levels of government," he said in another.

Forecasters said Sunday that the storm might drop even more rain than initially expected over Texas. The National Oceanic and Atmospheric Administration's Weather Prediction Center is now projecting that some areas could see up to 50 inches of rain, up from an earlier estimate of up to 40 inches. It forecast that areas that have already seen 20 to 25 inches of rain could receive an additional 15 to 25 inches as the storm continues to move through Texas this week.

That means that parts of Houston, which has averaged 47 inches in annual rainfall according to the National Weather Service, could see similar amounts in a span of



A search-and-rescue team member examines a destroyed apartment complex in Rockport, Texas.

just a few days.

More than 150 roadways were flooded throughout Houston on Sunday. William P. Hobby Airport, the city's second largest, said it was canceling all flights.

Some residents expressed a sense of helplessness as they

watched waters rising around them. In the sixth Ward neighborhood, Chris Lum was scouting higher ground to move his car, worried that rapidly approaching floodwaters could damage it or flood his house. "I wasn't worried" initially, he said, but after

watching water coming up the street, "I am now."

The mass flooding was reminiscent of tropical storm Allison, a 2001 storm that hung over Houston and dropped as much as 40 inches of rain in areas, killing more than 20 people in the region, destroy-

ing over 2,700 homes and causing billions of dollars in damage.

It was the latest blow dealt by Harvey, which hit the Texas coast as a Category 4 hurricane near Corpus Christi on Friday, killing at least one person in the coastal town of Rockport before losing power and becoming a tropical storm on Saturday.

The impending danger from continued rainfall will be made worse by several factors that have contributed to major flooding events in recent years in the city. While excessive rainfall has been a primary trigger, some of the challenge is of the man-made variety.

The city has experienced massive growth—adding an average of more than 30,000 people a year since 2010—which has brought about a building boom. That boom has covered previous flood-absorbing land with concrete for apartment buildings and other developments.

—Dan Frosch, Erin Ailworth, Christopher M. Matthews and Russell Gold contributed to this article.

LIFE & ARTS



KAGAN MCLEOD

BY CLARE ANSBERRY

THERE ARE TWO TYPES of people in this country, and their differences have nothing to do with politics.

“There are those who love fall and those who hate it,” says Harvard psychiatrist John Sharp, who wrote “The Emotional Calendar,” which explores how we feel about the seasons and why.

Fall marks the end of the relaxed summer, which some people mourn, and the return to routine and order, which others relish. Kim Petrolo doesn’t like fall because it means shorter days. “I enjoy coming home from work while it is still light and having time to take a leisurely walk with the dogs, or at least not feel like I need to eat dinner and go straight to bed in preparation for the next day,” says Ms. Petrolo, of Pittsburgh.

A street away, Laura McGaha, who grew up in Texas and worked summers for her father’s home-building business, can’t wait for fall: “I hate the summer months, because in Texas the low was 85 degrees at 5 a.m. and [I] longingly wait for the first day of fall.”

Even those who live near the season-less equator or where temperatures are more constant have layers of memories and traditions associated with different times of the year that influence their emotions. In the Jewish faith, whether you live in Arizona or upper Minnesota, fall marks Rosh Hashana, the new year and a time of reflection and fresh starts. Personal experience, too, affects how we feel. If someone close died in the fall, the season

may always carry some sadness.

The most common fall memory is going back to school, a pattern for years of our early lives. “I think it makes a lot of people feel industrious and energized about possibilities. Things become more linear, and some people find that really works for them,” Dr. Sharp says. “Others don’t.” Thirty years after graduating, some adults still get a bad feeling in the pit in their stomach because it reminds them of leaving for college or struggling to get good grades.

When September approaches, Lana Shami, also from Pittsburgh, feels uneasy. “It used to be because it meant another dreadful, challenging school year and the end of carefree summers,” she says. She’s been out of school for years, and her own children are eager to return to classes. But the vexing feeling remains. Now she dreads the back-to-school preparation, mothers’ PTA-related responsibilities and regimented schedules.

Dr. Sharp likes fall, something

he traces to being one of those eager and prepared children who sharpened all their pencils before school started. He finds himself getting anxious when summer drags on too long.

“I have the opportunity to be more indulgent” during autumn months, chef Joshua McFadden says of his ingredients.

A few years ago, a cousin visited him at a Nantucket summer cottage the last week of August. She was ready to barbecue and eat ice cream and he was over that. “I was so ready for the fall that I was a little bit of a grump,” Dr. Sharp says. He recognized his grouchiness and realized he should enjoy his remaining vacation rather than worry about tasks ahead.

Managing emotions when seasons change is a lesson he offers his patients. One, a retired professor, loved teaching and felt lost when fall approached. To fill the void, the professor scheduled fall trips and language classes. “There is usually some accommodation you can make,” he says. If you don’t like fall because your loved one spends every Sunday watching football, treat yourself to something you like. Hit the bike trail. Go shopping.

Joshua McFadden, an executive chef and restaurateur in Portland, Ore., recently completed his first cookbook, “Six Seasons: A New Way With Vegetables.” His aim was to encourage people to eat what is in season and avoid buying things like tomatoes in the winter.

Fall is bittersweet, he writes, with leaves and temperatures dropping and plants shriveling. But it’s also much more relaxing after the chaos of summer, when new vegetables peak every few weeks. To that end, his cookbook

allots summer three seasons—early, mid and late.

In the fall, “I have the opportunity to be more indulgent,” he says. He is now thinking about what he will do with the coming bounty—Brussels sprouts, mushrooms, chard. Good summer tomatoes need little preparation. Beets need to be roasted and artichokes braised. “It’s labor-intensive, but in a really fun way,” he says.

For some, fall boils down to “almost winter.” Alice Barrett, a poet who taught English as a second language, lives in western Massachusetts, where “it’s stunningly beautiful” when the leaves change, she says. But after a few weeks, the pretty leaves fall, and it’s a slow descent to dark and dreary winter. “I don’t ski. I don’t skate. I stay in the house,” Ms. Barrett says. She has written many poems, but devoted only one to the seasons. It’s called “I Hate Autumn,” which describes why. “Hard earth, rotten crab apples, smacked pumpkins. Cold floor in the morning.”

Children can be slightly more ambivalent about the season, balancing the pluses of getting back together with classmates and trick or treating with the minuses of school demands.

“Overall, I fall somewhere between love and hate,” says Dom Deniziuk, who is entering fifth grade in a Pittsburgh suburb. He doesn’t like September.

“The first month back to school is really the worst one,” he says. New teachers, homework and the strict bedtime. “It just dawned on me that I will have to start going to bed at 9:30 again.” But the rest of fall is good, because it means playing soccer.

PLAYLIST: MARGARET BYRNE

REIGN OF THE ‘AFRICAN QUEEN’

Margaret Byrne, 37, is a documentary filmmaker whose latest film, “Raising Bertie,” follows the lives of three young African-American men in rural North Carolina. It will air on PBS’s “POV” program on Monday. She spoke with Marc Myers.



In April 2005, I was living in New York and producing videos for Mary J. Blige when a producer friend asked if I wanted to go to Nigeria. MTV Africa had just launched, and there was an opportunity to produce a live-music series. While there, I met 2face Idibia, whose hit song “AFRICAN QUEEN” would change my life.

Traveling to Africa at age 24 was scary and thrilling. I was curious about the country and the culture. For the first few weeks in Nigeria, I filmed artists for the series.

When the MTV project ended in May, 2face’s manager hired me to document the singer’s upcoming tour. At the time, 2face was one of Africa’s most popular artists.

The first time I heard “African Queen” I was in Abuja, Nigeria’s capital. 2face was performing at a concert, and I was filming him along with local cameramen. The song didn’t

strike me at first, but I was fascinated by how powerful it was for the women in the audience. They clearly loved him.

While in Nigeria, I began dating 2face’s tour manager. We grew close and began a relationship. He used to sing “African Queen” to me.

The ballad has a reggae/hip-hop feel and opens with notes played on an electric guitar. Then 2face sings, “Yeah, you are my African queen, ooh, Lord / Just like the sun lights up the Earth, it lights up my life.”

He sings romantically about the woman he loves: “I know you are brighter than the moon / Brighter than the star, I love you just the way you are.”

At the end of the year, when 2face’s tour ended, I realized I was pregnant. I returned home and applied for a fiancé visa for 2face’s manager. He came to New York, we married, and I had my daughter, but we divorced four years later.

I still speak to 2face and to my ex-husband, who lives in the States. I don’t listen much to “African Queen” now. It’s too painful. It reminds me of being in love and then being heartbroken.



2Face Idibia and fans at the 2010 MTV Africa Music Awards in Lagos, Nigeria.

PUS UTOMI EKPE/AP/GETTY IMAGES

LIFE & ARTS

MUSIC

Gregg Allman’s Stubborn Farewell

The legendary rocker worked to finish his last album until just before he died earlier this year

BY ALAN PAUL

GREGG ALLMAN had been working on “My Only True Friend” with guitarist Scott Sharrard for a few months when they met for a songwriting session in Mr. Allman’s New York hotel room in March 2014. The Allman Brothers Band was in the midst of its final year of performances, after which Mr. Allman would dedicate himself to performances with his solo band, for which Mr. Sharrard was the musical director.

As they settled down with acoustic guitars, Mr. Allman dropped some heavy news: He had terminal liver cancer. Though he wished to keep the news secret, it seemed to shift his songwriting ideas.

“He scratched out a line of the song and added a new one: ‘I hope you’re haunted by the music of my soul when I’m gone,’” Mr. Sharrard recalls.

With the new lyric, “My Only True Friend” transformed from a classic road song to an aching farewell to his fans. It is now the lead single and emotional centerpiece of “Southern Blood,” the final solo album by Mr. Allman, who died on May 27 at age 69. The album is set for release Sept. 8.

“As soon as I heard ‘My Only True Friend,’ I thought the song was a shockingly honest confessional, that he was laying himself out and standing naked,” producer Don Was says. “He was telling you the key to his life, because he wanted to tie up the loose ends for the people who had stuck with him for decades and also for himself. He was making sense of the totality of his life.”

“Gregg was fully realized when he was on stage playing for his fans. What you saw on stage was the real guy, and all the troubles he encountered had to do with not knowing what to do with himself the rest of the time,” Mr. Was says.

“Southern Blood” was recorded with Mr. Allman’s touring band at Fame Studios in Muscle Shoals,



Gregg Allman, seen here performing in 2014, pushed hard to complete his album ‘Southern Blood.’

Ala. The band played live with Gregg Allman singing along, and most of the performances on the album were captured in the first or second takes.

A noted perfectionist, Mr. Allman planned to do vocal overdubs, to add his voice to two more completed musical tracks and to finish some tunes he was working on with Mr. Sharrard and keyboardist Peter Levin. Mr. Sharrard says there were also plans to write with Bonnie Raitt, Jason Isbell and others.

All of this was rendered impossible by Mr. Allman’s health struggles, so aside from “My Only True Friend” and one other Allman/Sharrard song, “Southern Blood” leans heavily on covers. Most of the material has an autumnal feel and underlying theme of mortality, notably Bob Dylan’s “Going, Going, Gone” and the Grateful Dead’s “Black

Muddy River.” The album closes with a duet with Mr. Allman’s old friend Jackson Browne on Mr. Browne’s elegiac “Song for Adam.”

“The sessions were powerful because we all knew what he was singing about and why we were there,” Mr. Was says. The producer, who has worked with the Rolling Stones, Van Morrison, Ms. Raitt and many others, grew emotional discussing the monumental task of helping Mr. Allman achieve his dying vision.

“Even in such a heavy atmosphere, we had a lot of fun, and the mood was effusive because we knew we were getting it,” Mr. Was says. “Gregg was digging in deep and he was oozing heart and soul, even in spots where he might not have had the lung power that he once had. He wanted to do vocal overdubs, but honestly if he had

been able to, maybe we would have cleansed away some of the soul.”

By the time of the recording sessions, in March 2016, Mr. Allman had already outlived his diagnosis by several years. In 2012, two years after undergoing a liver transplant, he learned that he had a recurrence of liver cancer and was given 12 to 18 months to live, according to manager Michael Lehman.

“The doctors said the cancer could not be cured, but treatment could extend his life. But radiation treatment would have risked damaging his vocal cords and he refused, because he wanted to play music as long as he could,” says Mr. Lehman. “He wanted to enjoy his life and to perform until he simply could not.”

Mr. Allman played his final show in Atlanta on Oct. 29, 2016.

As he rested and eventually received hospice care in his Georgia home, Mr. Was worked to finish the album, adding minimal overdubs. Until the end, Mr. Allman discussed his illness with just a handful of people. Chank Middleton, a friend of almost 50 years who was a near constant companion and was with him in his final weeks, says that Mr. Allman remained upbeat until almost the very end.

“I knew for a few years and it was hard for me to accept, but he was the one with strong words,” Mr. Middleton says. “I never saw him stand up to anything or anyone as he stood up to death. He did not like confrontation, but he faced death like a strong soldier. He looked it in the eyes and said, ‘Death, I’m not scared of you and I’m not ready for you.’”



EXHIBITION REVIEW

A CEREBRAL ART FORM THAT WENT DELIGHTFULLY ASTRAY

BY LEE LAWRENCE

Cleveland

FOR SOME 200 YEARS, Korean kings broadcast their heavenly mandate by sitting before a painted screen showing five mountains flanked by a red sun and a white moon. But King Jeongjo, who reigned from 1776 to 1800, invoked another source of authority: books. Besides amassing a large library and publishing over 4,000 books, he commissioned screens depicting bookcases brimming with tomes. Rising behind the throne, they reinforced his belief that people should read Confucian and other classics; avoid romance novels, Catholic writings, and other corrupting texts flowing in from China; and eschew using “Chinese objects to show off their highbrow culture.”

None of Jeongjo’s screens survive, but they spurred a vibrant genre that evolved in ways he would never have condoned. “Chaekgeori: Pleasure of Possessions in Korean Painted Screens,” at the Cleveland Museum of Art, illustrates styles artists developed as their patronage expanded from court officials to rich merchants in the 19th and early 20th centuries. Multi-paneled screens range from trompe l’oeil paintings of filled bookcases to idiosyncratic still-life compositions that defy the laws of physics and optics.



A six-panel Chaekgeori from the late 1800s, above, and an eight-panel Chaekgeori from the late 1800s, top

They all share the same subject: Chaekgeori, or “books and things.” The former are shown lying flat, enclosed in box-like covers and often stacked, with perhaps one volume askew or open. Although the books in Jeongjo’s screens reportedly bore titles, these do not. People would have nevertheless recognized the large-format books with abstract patterns as Korean and the smaller ones enveloped in brocade as Chinese. They would also know that most of the “things” were from China: the bronzes and incense burners, calligraphy brushes and ink stones, ceramic bowls and vases, lacquer boxes and carved jade seals, paintings rolled up and partially unfurled.

The CMA is the show’s last venue—it had been at the Charles B.

Wang Center of Stony Brook University in New York and the Spencer Museum of Art at the University of Kansas. It was co-curated by scholars in all three institutions, and only the catalog has the full complement of works. Still, the nine large screens and two paintings in Cleveland’s iteration convey the galvanizing variety of a quirky off-shoot whose origins owe much to China.

Every year, some 200 to 300 Korean officials and technocrats (painters among them) accompanied court envoys to Beijing’s Forbidden City, where they saw “cabinets of many treasures,” including Western innovations such as the reading glasses we see in a number of screens. They also marveled at European perspective and trompe l’oeil techniques in paintings by Je-

suit missionaries. What Koreans saw in China didn’t stay in China. Back home, artists got busy.

Since people would have viewed screens while sitting on cushions or low platforms, it behooves you to crouch. Look straight on, and you might spy a painting, a frog, or slippers tucked beneath low tables. Glance up at a bookshelf painting, and you see the underside of upper shelves. You also get a better feel for the painting’s overall impact. Screens served as portable décor to imbue a space with mood or message. Some act as symbolic portraits—in one, a woman’s perfume and cosmetic containers jostle with glasses, ink brushes, books and other signs of erudition—while others set a celebratory tone with bright colors, flashy patterns, and

symbols of good fortune. More appealing even than their meaning is their inventiveness. In one style, books and precious items float against a plain background, filling the air around us like thoughts. In the “stacked” or “table” style, artists created still lifes, sometimes reversing the principles of linear perspective so that books appear to be zooming toward us. And in the “bookcase” style, some artists signed their work while preserving the fiction. As two pieces in the show illustrate, they depicted a stone or jade seal, turned on its side, revealing the painter’s moniker carved on its base. Even today, some artists harken back to the chaekgeori—witless the books without titles and the collectibles in Kyoungtack Hong’s “Library 3” (1995-2001) and “Library—Mt. Everest” (2014). Had King Jeongjo known how far from his ideals the genre would stray, he might never have required that top-tier court painters excel in this art form (a practice that lasted until 1879). And Korea’s elite and wealthy might never have commissioned such works.

Chaekgeori: Pleasure of Possessions in Korean Painted Screens
The Cleveland Museum of Art, through Nov. 5

Ms. Lawrence writes about Asian and Islamic art for the Journal.

OPINION

REVIEW & OUTLOOK

The End of the Chaebol Era

Friday’s conviction of the head of Samsung marks a turning point in South Korea’s political economy. A court sentenced Lee Jae-yong, grandson of the company’s founder, to five years in prison for paying \$7.9 million in bribes to an associate of former President Park Geun-hye. The Park government allowed a merger that facilitated Lee family control over Samsung, an example of what the court called “corrupt ties” between businesses and politicians.

Korea’s conglomerates are forced to change, as a Samsung verdict shows.

The *chaebols*, as the conglomerates are known, drove South Korea’s postwar development, but they are also notorious for abusing power. That is starting to change as voters insist that their leaders enforce the laws equally and investors demand that companies pass along higher returns to shareholders.

President Moon Jae-in, elected in May after Ms. Park’s impeachment, has pledged not to pardon Mr. Lee and other chaebol leaders. He has also appointed Kim Sang-jo, a former economics professor and shareholder-rights activist, as head of the Korea Fair Trade Commission.

The new President is decidedly left-wing, and Mr. Kim is known as “the chaebol sniper.” But so far at least their program of chaebol reform is measured. As Mr. Kim said when he took office, “I will pursue chaebol reforms through a positive campaign where companies voluntarily create exemplary cases.”

This reflects that the chaebols still have plenty of defenders in the National Assembly. President Moon’s Democratic Party controls 40% of the legislature, far short of the three-fifths needed to pass contentious legislation. So the President must use regulatory powers, buttressed by the public’s demand for reform. South Korea’s laws provide the leverage to

stop chaebol abuses, but the problem has been lax enforcement.

The founding families own a small percentage of the overall equity of their groups and typically exercise control through a web of cross-shareholdings. Inheritance taxes further dilute family holdings, so the chaebols have relied on regulatory forbearance to reconstitute their hold on key subsidiaries after a generational transition.

In Samsung’s case, the notorious 2015 merger between its construction arm and a holding company Cheil Industries cost minority shareholders an estimated \$7 billion. That deal would have failed without the support of the government-controlled National Pension Service, which holds \$430 billion in assets. The former head of the pension service and a senior executive were convicted in June for abuse of power.

Samsung has since begun to clean up its corporate governance, canceling “treasury shares” held in reserve to defeat shareholder initiatives. Investors have bid up Samsung shares and those of other chaebols taking similar measures. The “Korea discount,” the low share prices of Korean companies relative to international peers, is shrinking.

The chaebols will continue to exist in some form and even thrive, as Samsung Electronics showed by reporting record quarterly profits last month. And they will try to slow the pace of change. Samsung is resisting a holding-company structure demanded by investors such as American hedge fund Elliott Associates.

But the fact that the leader of South Korea’s most valuable business group is now in prison shows that the tide has turned. Political and economic pressure is bringing the era of chaebol impunity to a close.

America’s Botched Bottle Ban

Vacationers can now buy bottled water in America’s national parks, after the Trump Administration this month ended an Obama-era policy that sought to reduce plastic waste. Environmentalists responded with predictable outrage, but reversing the ban is healthier and greener.

Bottled water has increasingly dominated the nonalcoholic-beverage market, surpassing soda this year. In this trend the Obama Administration saw a teachable moment. In a 2011 memo on sustainability, the U.S. National Park Service claimed that by reducing or prohibiting water sales and increasing its offerings of reusable bottles, it could “introduce visitors to green products and the concept of environmentally responsible purchasing, and give them the opportunity to take that environmental ethic home and apply it in their daily lives.”

More than 20 sites, including the Grand Canyon and Zion National Park, banned bottled water sales, and the Park Service spent millions

on water fountains and filling stations.

But consumers have a way of thwarting paternalistic plans, and the Park Service failed to apply similar restrictions on soda or sports drinks. When the University of Vermont banned bottled water in 2013, researchers found that bottled beverage consumption didn’t decrease—and students quenched their thirst with sugary beverages instead of water. Carbonated beverages exert more pressure than water, requiring heavier bottles that use more plastic.

Researchers at the University of Washington’s Seattle campus also assessed a potential water-bottle ban, building on findings from the Oregon Department of Environmental Quality, as well as the Environmental Protection Agency’s social cost of carbon. They concluded that “although it is widely believed that these bans are important for environmental reasons,” any benefits were minuscule.

The teachable moment turns out to be a lesson in the law of unintended consequences.

Trump Divorces the Republican Congress

A biographer says Donald Trump once told him that he informed second wife Marla Maples he was seeking a divorce by leaking it to the New York Post. President Trump now seems to be using Twitter to tell Republicans in Congress that he’s divorcing them, or at least seeking a trial separation, and for its own self-preservation the GOP Congress is going to have to find different living arrangements.

Mr. Trump has made common cause with the Congressional GOP in his first seven months on a few issues that have been his rare legislative successes—Neil Gorsuch to the Supreme Court and deregulation. But the lesson he seems to have taken from the Senate health-care failure is that he should distance himself from Republicans on Capitol Hill. No matter that he never gave a speech selling reform and even said amid the Senate debate that the House bill was “mean.” Thanks, mate.

Bashing Republicans won’t help him pass his fall agenda, but Mr. Trump may think he needs to protect himself politically by making Congress his foil. This would explain Mr. Trump’s recent gibes at Majority Leader Mitch McConnell for the Senate’s health-care failure. On Thursday he broadened the indictment to include blaming Mr. McConnell and House Speaker Paul Ryan, in advance, for trouble raising the federal debt ceiling when Congress returns in September.

“I requested that Mitch M & Paul R tie the Debt Ceiling legislation into the popular V.A. Bill (which just passed) for easy approval,” he tweeted. “They didn’t do it so now we have a big deal with Dems holding them up (as usual) on Debt Ceiling approval. Could have been so easy—now a mess!”

This followed his Tuesday night threat to shut down the government if he doesn’t get money to build his border wall with Mexico. It’s impossible to predict what the President will say or do, but the safe bet is to expect more taunts and blame-shifting.

All of which means that Republicans in Congress need to think of themselves as governing with an independent President—if they don’t already. This doesn’t mean joining Democrats as “the Resistance.” But it does mean acting on their own to fulfill their legislative promises with or without the support of Mr. Trump. If the President goes his own way, at least Republicans can point to votes for legislation that they put on his desk.

The party needs to think of Trump as a political independent.

Start with the GOP’s main priorities after Labor Day, which include lifting the debt ceiling, funding the government and passing a budget outline that sets the stage for tax reform. Congress needs to move on all of them no matter what Mr. Trump tweets from the sidelines.

On the debt ceiling, the smart political play is to pass an increase with GOP votes and move on. Some conservatives want to tie policy reforms to the increase, but Democrats know Republicans will get the blame if there’s a default on U.S. debt. GOP voters won’t care about the debt limit in 2018 if Republicans have enough other policy victories.

On funding the government, Republicans in Congress will get no benefit from a shutdown fight over building a border wall. Two-thirds of the country doesn’t support an expensive and largely symbolic wall, and even most Republicans who do won’t like a shutdown to pass it. The GOP should pass a budget that has as many of its priorities as possible, and more money for border enforcement ought to satisfy the immigration restrictionists. The physical wall is Mr. Trump’s personal preoccupation. He can veto a bill without it, but then he’d be responsible for the shutdown.

On tax reform, the White House and Congress are still working together because Mr. Trump is leaving the details to economic adviser Gary Cohn and Treasury Secretary Steve Mnuchin. Mr. Trump could muck it up at any moment with a call for higher income-tax rates, but Congress will have to ignore it. Mr. Trump will have little choice other than to sign whatever Congress sends him if he wants the political victory, and he needs a win as much as Congress does.

Republicans also can’t count on Mr. Trump to provide them any political air cover for tax reform. Taxes were supposed to be the GOP theme during the August recess, but none of the speeches or TV appearances are breaking through because the President can’t give up the spotlight, even if he is hurting himself. The business community and Republicans in Congress will have to sell reform.

Legislative success—especially on tax reform—is the best way Republicans can protect themselves from any Trump undertow in 2018. They need a record to change the campaign subject from whatever the President is tweeting a year from now when he might be contemplating a political affair with Nancy Pelosi.

The Approaching Global Car Wreck



BUSINESS WORLD
By Holman W. Jenkins, Jr.

German Chancellor Angela Merkel was tactfully on vacation but came back earlier this month to add her voice to the latest “dieselgate” scandal involving her country’s car makers. The industry threw away “incredible public trust,” she declared at a rally kicking off her re-election campaign, and the job falls exclusively on auto makers to “win it back.”

Thus did Ms. Merkel create the required cosmetic distance between herself and an industry whose problems are entirely manufactured by politicians.

The German magazine Der Spiegel has spent much of the summer condemning Audi, BMW, Mercedes, Porsche and VW. First it accused them of running an illegal cartel because they cooperated in meeting certain technical obligations related to Europe’s mandated insistence on diesel vehicles. The magazine then accused them of besmirching the reputation of “Made in Germany” in the eyes of the world.

Never mind that such besmirching is hardly obvious from record global sales lately of BMW and Mercedes cars. Also missing from the magazine’s 9,000-word diatribe is a recognition that Germany’s dieselgate and associated scandals arise entirely from European politicians’ politically correct pursuit of meaningless reductions in CO₂.

Switching to diesel from gasoline, the monumental regulatory effort launched by the European Union in the late 1990s, ended up delivering only thimbles-full of avoided greenhouse pollution compared to competing gasoline engines. But it also made the air in European cities significantly less breathable thanks to diesel particulates and nitrogen oxides.

Yet there has been no inclination to question the cost-benefit basis of the anti-carbon crusade. Instead, Europe is doubling down by forcing car makers to build electric cars, while Der Spiegel is trying to shift the blame for the diesel experiment’s failure to alleged anticompetitive actions by German car makers.

In meetings that began decades earlier under the auspices of a national auto trade group, car makers agreed on the need to avoid using up excessive space for large AdBlue tanks (a fluid to mitigate diesel emissions) to save room for occupants and golf bags—i.e., to make sure their cars remained salable.

They also agreed on the need to avoid annoying owners by requiring frequent

AdBlue fill-ups—so their cars would remain salable.

We’re told this was tantamount to a group decision to cheat on emissions controls. Except it wasn’t. BMW, for one, developed a secondary means to clean its exhaust in addition to AdBlue. It was expensive but it worked.

In fact, German car companies compete fiercely with each other on price, features, performance and marketing jazz. They also compete with Acura, Cadillac, Infiniti, Jaguar, Lexus, etc. These other companies were free to crowd out passengers and luggage to make room for AdBlue if that’s what customers wanted. (They didn’t.)

Dieselgate isn’t the fruit of a cartel but of politicians ignoring cost and benefit.

What the scandal really teaches is the remarkable political paradox of today’s global car industry. It delivers complex products that meet the high standards of consumers, yet it bears a burden of political meddling that should make its competitive existence impossible.

Once politicians and regulators decided to make diesel the star of their fake climate show, they turned to providing loopholes to ensure their cars remained marketable. VW’s behavior was egregious, programming its engine software to draw on the AdBlue tank only when its car was on a test-bed. Except it has now become clear that other car makers engaged in similar cheating, including some that couldn’t be part of any German cartel because they weren’t German.

All this so Europe’s politicians could pretend to be doing something about global warming.

Don’t be surprised when this scandal is swept imperceptibly toward the memory hole once Ms. Merkel has been safely returned to office, as every poll suggest she will. Why? Because, from Berlin to Beijing to Sacramento, Calif., governments are already engaged in a new and even more implausible magic act: How to preserve their car industries and jobs while simultaneously mandating that car makers produce electric vehicles that can only be sold to the public at a steep loss in a world where oil is \$50 a barrel and gasoline engines continue to make impressive efficiency gains.

A car wreck is coming that will make dieselgate look like a fender bender.

J.P. Morgan’s Hate List



POTOMAC WATCH
By Kimberley A. Strassel

Corporate America will do almost anything to stay on the safe side of public opinion—at least as it’s defined by the media. CEOs will apologize, grovel, resign, settle. They will even legitimize and fund an outfit that exists to smear conservatives.

The press is still obsessing over President Trump’s incompetent handling of the violence in Charlottesville, Va., and that has suited some profiteers just fine. The notorious Southern Poverty Law Center is quietly cashing in on the tragedy, raking in millions on its spun-up reputation as a group that “fights hate.” Apple is giving \$1 million to SPLC and matching employee donations. J.P. Morgan Chase is pitching in \$500,000, specifically to further the SPLC’s “work in tracking, exposing and fighting hate groups and other extremist organizations,” in the words of Peter Scher, the bank’s head of corporate responsibility.

What Mr. Scher is referring to is the SPLC’s “Hate Map,” its online list of 917 American “hate groups.” The SPLC alone decides who goes on the list, but its criteria are purposely vague and it comes down to this: If the SPLC doesn’t agree with your views, it tags you as a hater.

By funding this list, Apple and J.P. Morgan are saying they support labeling Christian organizations that oppose gay marriage as “hate groups.” That may come as a sour revelation to any bank customers who have donated to the Family Research Council (a mainstream Christian outfit on the SPLC’s list) or whose rights are protected by the Alliance Defending Freedom (which litigates for religious freedom and is also on the list).

Similarly put out may be iPhone owners who support the antiterror policies espoused by Frank Gaffney’s Washington think tank, the Center for Security Policy (on the SPLC’s list). Or any who back the proposals of the Center for Immigration Studies (ditto).

These corporations are presumably in favor of the SPLC’s practice of calling its political opponents “extremists,” which paints targets on their backs. The group’s “Field Guide to Anti-Muslim Extremists” lists Mr. Gaffney (who worked for the Reagan administration); Maajid Nawaz (a British activist whose crimes include tweeting a cartoon of Jesus and Muhammad); and Ayaan Hirsi Ali (a Somali refugee who speaks out against Islamic extremism).

The SPLC has tarred the social scientist Charles Murray as a “white nationalist.” Mr. Murray has been physically assaulted on campus as a result. He happens to be married to an Asian woman and has Asian daughters, so the slur is ludicrous. But what’s a little smearing and career destruction if J.P. Morgan Chase gets some good headlines?

It isn’t only the lists. An honest outfit tracking violent groups would keep to straightforward descriptions and facts. Instead, the SPLC’s descriptions of people are brutally partisan, full of half-truths and vitriol designed to inspire fury.

We’ve seen what this can do in Europe, with the murder of Theo Van Gogh, the controversial filmmaker, by a Dutch-Moroccan Islamic fanatic. Ms. Hirsi Ali, who had worked with Van Gogh, still travels with security—and J.P. Morgan thinks it appropriate to further target her. In 2012 a gay-marriage supporter named Floyd Corkins smashed into the Family Research Council’s headquarters and shot a security guard, saying he was inspired by the SPLC’s “hate group” designation.

Had the companies done a bit of homework, they’d have discovered the SPLC isn’t even considered a sound charity. Karl Zinsmeister excoriated the outfit in a recent article for Philanthropy Roundtable: “Its two largest expenses are propaganda operations: creating its annual list of ‘haters’ and ‘extremists,’ and running a big effort that pushes ‘tolerance education’ through more than 400,000 public-school teachers. And the single biggest effort undertaken by the SPLC? Fundraising. On the organization’s 2015 IRS 990 form it declared \$10 million of direct fundraising expenses, far more than it has ever spent on legal services.”

Apple didn’t return a call to its media center. J.P. Morgan Chase, in an emailed statement, said only that it has a “long history of supporting a range of organizations that are committed to addressing inequality.”

The corporate donations are nonetheless appalling, as they legitimize a group that already exercises inappropriate influence. The SPLC’s list is cited regularly by the media and congressional Democrats, ignorant or uncaring of its falsehoods.

Comparing pro bono lawyers at the Alliance Defending Freedom to hoodwearing KKK members only make the Klan seem more innocuous. Blackballing mainstream groups only silences the moderate voices the country needs to fight hate and bigotry. Corporations have a role to play in calming today’s divisions. This is the opposite.

OPINION

The Distance Between Two Tragedies

By **Bernard-Henri Lévy**

Two cars used as rams. One, in Charlottesville, Va., was driven by a neo-Nazi into a crowd of anti-racist counterprotesters. The other, driven by a Moroccan-born radical Islamist, careened blindly around Barcelona, killing 15 and injuring 126. Excluding the similar modus operandi and the fresh proof that all forms of fascism eventually resemble one another, the two events differ in nearly every respect.

Response to the neo-Nazis in Charlottesville was swift and clear. Not so for the horror in Barcelona.

In Charlottesville, there weren't two "sides," as Donald Trump claimed, but rather two opposing camps, two visions of society and the world. In Barcelona, by contrast, there was but one camp, that of nihilism and indiscriminate death: the whole world, every political leaning, every nationality, every religion (including Islam) jumbled together on the sidewalks of a city hated because it was

full of people strolling in blissful innocence, enjoying the pleasure of each other's company. The ringleaders of Charlottesville are well known from television and social media: David Duke, Richard Spencer, "Baked Alaska" and the others who fomented the crowd. The perpetrators of the slaughter in Barcelona were masked—faceless and nameless—up until the moment of action, and the instant renown it brought. It was nigh impossible to foresee; and, as for those who gave the orders, they are hunkered down between Iraq and Syria in what remains of the Islamic State, ready, when the time is right, to move their portable headquarters to more congenial climes. They will remain invisible and elusive for some time. Responses to the Charlottesville tragedy are imaginable. We know, for example, that laws prohibiting the public expression of opinions that are in themselves offenses—even though the American Constitution makes such prohibitions legally impossible for now—would help mitigate this threat. In the case of Barcelona, one faces the dizzying unknown. Except for tears and grief, no solutions are in sight to deal with the stealthy, sprawling army for which a driver's license is a license to kill, and which decides at random where and when to strike—any city, provided it has



At a market in Barcelona, two days after a radical Islamist killed 15.

open spaces with pedestrians and a whiff of life's sweetness. The Charlottesville mob convened to defend a statue honoring Robert E. Lee, who fought to preserve slavery. The members of that mob are nostalgic for a past that refuses to pass away, despite clearly being obsolete. The reappearance of what had been repressed, the re-emergence of the racists from the sewers into which 50 years of struggle for civil rights had swept them, imparts nothing new about their squalid ideology. The Islamic extremists of Barcelona, by contrast, are the byproducts of a more recently formed and ex-

panding nebula, the course of which no one can predict or fix. In just two decades we have had thousands of deaths world-wide—and a black book that, from Pakistan to the Philippines, from the African deserts to European suburbs and great American cities, shows no sign of closing. The Charlottesville attack was clearly and unequivocally condemned around the world. In the U.S., the resurgence of Nazism behind the attack collided with a democracy that mounted a fierce resistance to the proponents of white supremacy. After the horror of Barcelona, on the other hand, reactions in Europe

and the world were far too vague, confused and sometimes even obscene. Are we dealing with fascism, commentators asked, or something other than fascism? Is this Islam or not Islam? Did the killers of 7-year-old Julian Cadman have a difficult childhood? Did they come from underprivileged backgrounds? Is this a psychiatric matter? Was it not our Islamophobia that ultimately radicalized the killers? The idea that the cowls of the Ku Klux Klan, its torches and lynchings, continue to tempt a nonnegligible and possibly growing fringe in the U.S. is no doubt fearsome. Unprecedented, too, is the stupefaction engendered by an American president refusing to name the crime and the criminals, thereby fraying still further the foundational compact of contemporary America. Especially as the darkness of the time plays with our perception, we must beware of false symmetries. Humanity has a duty to confront with equal determination both heads of the beast. But the fact remains—in the U.S. as in Europe, it is necrophiliac Islamo-fascism, as shown in Barcelona, that holds life, death and the future in its clutches.

Mr. Lévy is a writer and documentary filmmaker. His most recent book is "The Genius of Judaism." Translated from French by Steven B. Kennedy.

Three Lessons for Negotiating With North Korea

By **Alan Liotta**

When determining how to deal with North Korea, policy makers often debate the best method for predicting how the country's leaders will act. But Americans who really want to understand North Koreans instead should study how the U.S. has conditioned North Korea to behave. From 1996 to 2005, as the senior Defense Department negotiator, I made six trips to North Korea. We conducted numerous rounds of official talks to allow the first U.S. military teams into North Korea to recover service personnel missing since the cessation of hostilities in 1953. Those negotiations repeatedly stalled until we changed how the North Koreans approached the talks. We learned three critical lessons, all of which are relevant in this current state of uncertainty. • *The North Korean leadership rarely empowers negotiators to make a decision.* Everything must be

referred to their superiors, and ultimately to the "Supreme Leader." I had an off-chance meeting with the head of a leading nongovernment organization in Pyongyang at the height of the North Korean food crisis in 1998. He told me that North Korea could easily learn to feed itself, but the problem is there is only one person who can tell the farmers what to plant, when to plant it and where to grow it—and he isn't a farmer. Normal work flow doesn't progress through the North Korean bureaucracy. To get an issue to the top leadership, it had to be a crisis. Harsh language, dangerous threats and even attempts at intimidation—privately in our talks and publicly through their media—were merely ways for North Koreans to inflate the importance of the issue. The trouble was that previous U.S. negotiators often feared responding with similarly strong language. Americans repeatedly sought compromise through reason, which

only encouraged continued North Korean threats, intimidation and harsh language. • *Walking away from the table can provide a tactical advantage.* The most important objective of previous negotiations simply was to keep the talks going. As a result, North Korean negotiators were conditioned to threaten and stall. They knew no matter how uncooperative they appeared, U.S. officials wouldn't walk away. We were trapped by our own negotiating strategy. During our first round of talks in Hawaii in 1996, when my team exposed a split in the North Korean team's unity that caused them to lie

to us, we decided not to continue the talks. Against the objections of other U.S. officials who had negotiated in the past, we walked away. Our parting words: "When you have your act together, and are ready to negotiate in good faith, give us a call. Until then, we have nothing to talk about." We sent them home stunned. Six months later they asked to reopen the talks. As a result, we successfully sent our first recovery teams into North Korea and began retrieving the remains of missing U.S. service personnel. More than 200 sets of remains eventually were brought home to be identified and reunited with their families. • *The U.S. should share its bottom line immediately—and never waver from that line.* We knew that previous U.S. negotiators regularly compromised and adjusted their bottom line, often to keep talks going. Our negotiating teams used a different tactic. As our North Korean counterparts would poke, prod and offer options to go below the line, and

threaten to end the talks if we refused, we held firm. They soon realized that our position wouldn't change. If they could agree to it, then the talks could end successfully. If they couldn't meet it, they learned quickly we would get up and walk away. In almost every case, they eventually called us back to the table to meet our terms. Although many are quick to criticize President Trump's strong words to the North Korean leadership, it bears remembering that often the only words they hear are the strong ones. Using such language to define your endgame, and then steadfastly adhering to your bottom line, is a different negotiating style than they are used to. But as the personnel-recovery talks repeatedly showed, you can teach the North Koreans to moderate their behavior, to talk productively and ultimately to meet you on your terms.

Mr. Liotta was deputy director of the Defense Prisoner of War/Missing Personnel Office, 1995-2004.

Cutting Young Girls Isn't Religious Freedom

By **Kristina Arriaga**

Earlier this year, a 7-year-old girl from Minnesota entered an examination room at a clinic just outside of Detroit. Thinking this was a regular visit, she allowed the doctor to remove her pants and underwear and place her on the examination table. Suddenly, while two women in the clinic held her hands, the physician spread her legs and cut her clitoris. Two months later she told investigators the pain ran down to her ankles and she could barely walk. In April Jumana Nagarwala, who allegedly performed the procedure, was charged with conspiracy to commit female genital mutilation. Fakhruddin Attar, the owner of the since-closed clinic, was also charged. Investigators suspect Ms. Nagarwala may be involved in 100 other cases, and the trial starts in October. This marks the first time a female genital mutilation case is going to federal court. The lawyers for the Michigan physician will argue the girl "underwent a benign religious procedure." This is a dangerous hypocrisy with far-reaching consequences. Female genital mutilation has been illegal in the U.S. since 1996. Yet a 2012 study in the journal Public Health Reports estimates that more than 500,000 girls in the U.S. have

undergone the procedure or are at risk. These girls live all over the country, with larger concentrations in California, Minnesota and New York. Most go through this process in secret, and only 25 states have laws that criminalize the procedure. In Maine, the American Civil Liberties Union has opposed a bill to do so on the ground that "the risk of mutilation isn't worth expanding Maine's criminal code." Female genital mutilation, most often performed on girls under 13, has serious medical and psychological repercussions. The cutting ranges from a clitoridectomy, partial to total removal of the clitoris, to infibulation, removal of all the external genitalia. The latter is so severe that "healing" often involves binding the girl from ankle to waist until the scar tissue closes. This kind of cutting leaves an opening the width of a pencil for urination, menstruation, sex and childbirth. In 2015 a United Nations official estimated that 20% of parents take their daughters to physicians but the rest use improvised sharp objects. This spring, an Ethiopian man in Georgia was deported for performing female genital mutilation with a pair of scissors on his 2-year-old daughter. Parents fearing prosecution sometimes take their girls out of the country for "vacation cutting."

A report from Unicef suggests at least 200 million girls and women alive today, in 30 countries, have undergone some form of genital mutilation. (The U.S. Commission on International Religious Freedom, of which I am vice chairwoman, doesn't take an official position on female genital mutilation.) Whether this practice is religious or cultural is debatable. In the Michigan case, the victims belong to an Indian Shiite Muslim sect called the Dawoodi Bohra, whose members refer to the clitoris as a sinful lump of flesh. The cutting, *khatna*, is considered a religious observance to prevent girls from becoming promiscuous. Yet female genital mutilation pre-dates Christianity and Islam. No religious text requires it. Many imams have issued fatwas against the practice and Christian leaders like Pope Francis have denounced it. The physician's lawyers announced they will craft a religious-freedom defense. And they may be astute

enough to get away with it. The all-star team includes constitutional law scholar and O.J. Simpson lawyer Alan Dershowitz, along with Mayer Morganroth, who represented assisted-suicide champion Jack Kevorkian for more than 15 years. They are funded by an international Muslim organization called Dawat-e-Hadiyah. The lawyers must know they are entering dangerous territory, at least in terms of public relations. After coming under criticism for defending female genital mutilation, Mr. Dershowitz suggested during a June interview that pricking the girls' clitoris would be a better way to fulfill a

"religious legal obligation." This is absurd. There is no such obligation. The physician's lawyers have not only put these girls at even greater risk, they have tainted the religious freedom of all Americans with their specious arguments. Religious freedom is a bedrock right that ensures all can live according to their convictions. It also allows for the existence of charities providing Americans with an equivalent of \$1.2 trillion annually in food, shelter, medical care and more. It isn't a tool to protect harmful practices like female genital mutilation. These girls are among the most vulnerable in society. For their sake, Americans must raise their voices against this detestable practice. Doing what is right may also yield an important social good: the restoration of religious freedom to its proper place in American culture and jurisprudence. *Ms. Arriaga is a contributor at the Pepperdine School of Public Policy.*

Is 'Food Waste' Really Such a Waste?

By **Marc F. Bellemare**

When it comes to food, many people think "waste not, want not" is an effective public policy. "Up to one third of all food is spoiled or squandered before it is consumed," the United Nations Food and Agriculture Organization says. "It is an excess in an age where almost a billion people go hungry." Two years ago, the U.S. Agriculture Department announced the "first-ever national food waste reduction goal, calling for a 50-percent reduction by 2030." But is food waste that big of a deal? Start with the basic meaning of the term. The U.N. definition covers any "discarding or alternative (non-food) use of food that is safe and nutritious for human consumption along the entire food supply chain." Under that expansive meaning, giving your dog table scraps or putting them in your garden as fertilizer counts as "wasting" food, even though you're putting it to productive use. How much does this overstate true waste? In a recent article for the American Journal of Agricultural Economics, my colleagues and I suggest a

new definition, one that simply covers food that has no productive use—in other words, it ends up in a landfill. We then show how widely cited official figures for food waste are both inconsistent with one another and may be significantly overstated. Moreover, the optimal amount of food waste is not zero. Even the most efficient supply chain isn't frictionless. If you are like me, your purchases of fresh fruits and vegetables more often than not reflect how you'd like to eat rather than how you actually eat. When you go out for dinner, you might end up not liking your meal, or you might order too much and not bring the leftovers home. Some of these issues may be solvable in theory, but the closer we get to zero waste, the more expensive trying to eliminate waste altogether would become. This is especially important to understand given that "saving" edible food from going to waste isn't the same thing as sending it to feed the hungry. Popular discussions often seem to implicitly assume that wasted food could be somehow reallocated to feed the poor at little to no cost. But if

lower levels of food waste have any positive effect on food security, it's far from obvious. The U.N. says that the 5.9 billion people who live in developing countries and the 1.2 billion in industrialized ones waste roughly the same amount of food—about 715 million tons a year. As food becomes an increasingly small fraction of a household's budget, wasting food becomes cheaper relative to other expenditures. The reason all this matters is—if you'll allow me to wax economist again—resources are scarce and trade-offs exist. If governments spend money campaigning against food waste, that's less funding for other programs. President Trump's recent budget, for instance, proposed cutting the USDA's discretionary spending by 21%. So if we truly care about feeding the poor, is fighting waste the best use of the government's next dollar, or would that money be better spent on food stamps and school lunches? *Mr. Bellemare is a professor at the University of Minnesota, where he directs the Center for International Food and Agricultural Policy.*

LIFE & ARTS



WHAT'S YOUR WORKOUT? | By Jen Murphy

Table Tennis for One

A winemaker calls the sport central to his fitness routine for its help with agility and core strength

BOB BLUE'S table tennis opponent never gets offended by his trash talking. That's one of the many up-sides of playing against a robot.

Mr. Blue, 61, grew up in a family of table tennis fanatics and played avidly with friends through high school. It wasn't until 2007, when his wife died, that he thought to dust off his paddle again. "I turned to exercise as a way of coping," he says.

As the founding winemaker of Bonterra Organic Vineyards in Ukiah, Calif., Mr. Blue oversees all aspects of the winemaking process, from harvest to bottling. Long, unpredictable hours, particularly dur-

ing harvest season, made it nearly impossible to find a table tennis partner. "Hitting balls off the wall isn't very satisfying," he says. He nearly gave up on the game, turning to swimming and spinning for fitness. In 2014 he saw an online video of a table tennis-playing robot called the Newgy Robo-Pong.

"As soon as it went on sale, I bought one," he says. The device is a robotic cousin of a baseball-pitching machine, with controls for ball speed, placement and frequency. A net captures the returns from its human partner and recycles balls for continuous play that simulates a high-intensity rally. "It

doesn't replicate the spin of playing another person, but without an evenly-matched opponent, the robot is the next best thing," Mr. Blue says. "Plus, I don't have to chase balls all over the yard."

Mr. Blue says he was shocked to discover how much his reflexes had eroded since his teenage years. "As I get older, it's important to train my fast-twitch muscles," he says. He credits the game not only with improving his hand-eye coordination, agility and attention. He even says it helps keep his core engaged while moving back and forth behind the table. Unlike swimming or spinning, activities where the mind can

wander, he says table tennis forces him to stay focused. He has also learned to play ambidextrously. He occasionally takes on his children, ages 29 and 26, when they come home to visit, and recently signed up for an upcoming local tournament.

The Workout

Mr. Blue moved his table tennis setup to the winery so he can pop in for games throughout the work-day. He usually faces his robot three times a week for 30 minutes a session. The workout consists of random drills of 100 balls at varying speeds and intervals, alternat-

Bob Blue stands with his robotic table tennis partner in Ukiah, Calif.

ing backhand and forehand with both his left and right hands. He'll also simulate games. (As to the question of whether to call his favorite sport table tennis or ping pong, he says, "As a kid it was the game ping pong, but today I view it more as a sport and use the term table tennis.")

Mr. Blue also takes a 50-minute spin class at 5:45 a.m. two to three times a week at the Redwood Health Club of Ukiah. "I feel like the speed work helps reverse the clock a bit," he says. "And spinning takes me to an intensity I normally wouldn't get to on my own."

Three to four nights a week he returns to the club after work, around 9 p.m., to swim. He spends 10 to 15 minutes in the hot tub to warm up and then performs calisthenics in the pool to loosen his hips and lower back. He does 15 minutes of freestyle swimming, starting with a gentle pace, then increasing the intensity for eight minutes and ending with sprints of 25 yards, with a break of 15 breaths between sets, for about five minutes.

"It's a relaxing way to end the day," he says.

Three to four times a week he walks the vineyards for lunch, between 30 and 50 minutes.

The Diet

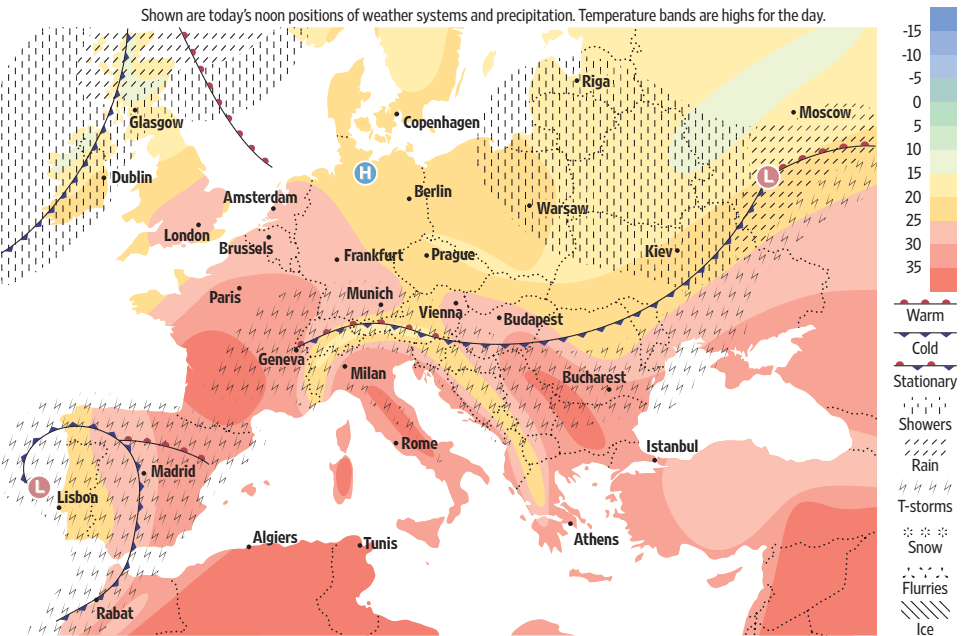
Mr. Blue has a soft-boiled egg for breakfast and takes an apple or orange for lunch. Sometimes he'll grab tacos from a nearby truck. He keeps carbs out of the house. "Too much temptation," he says. Mr. Blue enjoys cooking from scratch. "The creativity of cooking is like blending wine," he says.

He always has one glass of white wine and one glass of red wine with dinner.

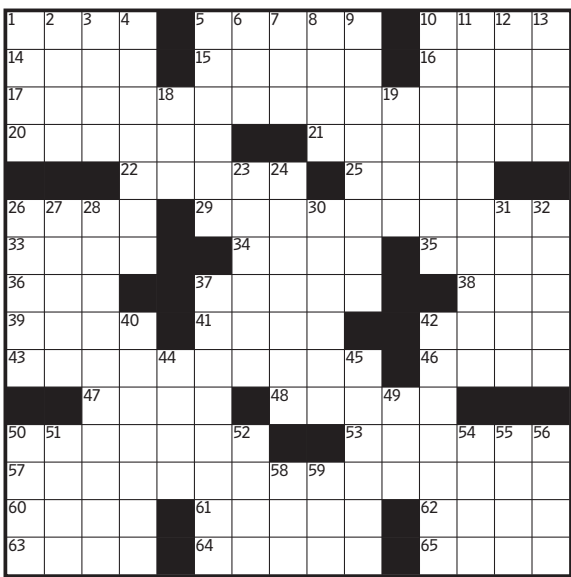
The Gear & Cost

Mr. Blue purchased his Newgy Robo-Pong 2050 digital table tennis robot on sale for \$550. It retails for \$950. His Cornilleau 300S Crossover table cost \$1,200. He bought his BaBo Ball Boy Tube, which picks up ping-pong balls, on Amazon for \$24 and he buys sets of 12 Newgy Robo-Balls on Amazon for \$65 a set. He has four Donic Persson Powerplay paddles, which cost \$43 each.

Weather



The WSJ Daily Crossword | Edited by Mike Shenk



CONTAIN YOURSELF! | By Celia Smith

Across	26 Ointment additive	47 City of Oklahoma
1 Plays with the band	29 Contentious issue	48 Biscuits topping in Southern diners
5 Removes rinds	33 Hawk or dove	50 Long, for short
10 Endure	34 Crime syndicate boss	53 Practical, as a plan
14 Country on the Arabian Peninsula	35 Hammer target	57 Really funny time
15 Former Detroit Piston Thomas	36 Eggs in a fertility clinic	60 Fencer's weapon
16 "It's ____!" ("My treat!")	37 Harley rider	61 Cheering loudly
17 Memorable prop in "Forrest Gump"	38 Genetic material	62 Grandson of Adam and Eve
20 Downhill course	39 Vietnam's Ho Chi ____ City	63 Ready for driving, as a golf ball
21 Some sweatshirts	41 Getting ____ years	64 Calls for
22 Stumbles	42 Highly developed, as eyesight	65 City near Lake Tahoe
25 Course final, for one	43 1998 Stephen King book	Down
	46 Helper: Abbr.	1 Applicants' goals
		2 In a frenzy

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

3 Long skirt	28 Grove growth
4 Reacted derisively	30 First game in a series
5 Take-out meal?	31 Sites for gold diggers
6 Baseball bat wood	32 Incline
7 Carnival city	37 "Blowin' in the Wind" songwriter
8 Apiece	40 Paid respect to
9 Have as a goal	42 User of a double-bladed paddle
10 Puts aboard, as cargo	44 Hunky-dory
11 Prevailing westerly winds of middle latitudes	45 Doesn't wolf down, perhaps
12 Captain Hook's helper	49 Diesel in the movies
13 Trueheart who married Dick Tracy	50 Help in mischief
18 Koala's coat	51 Back of the neck
19 MGM co-founder Marcus	52 Additional amount
23 "Serpico" star	54 Nota ____
24 Following a twisty path	55 Third-largest city in France
26 Mushroom cloud maker	56 "Happy Motoring!" gas brand
27 Wife of Augustus	58 Opponent
	59 Magazine with a fold-in

Previous Puzzle's Solution

VISIT	SWASH	TRIP
WORM	ERIK	OHNO
BIARE	DIDIN	BYTE
UPAND	ATEM	MAMEI
GOD	OTT	BAGELS
PIIONEER	ONO	
PEAKS	NOBLE	PCS
ARTS	TUBED	NEHI
MAE	BITPOD	SONIC
STAKES	TEACHIN	
WADUP	MIKEBOSSY	
AKIN	COMIX	RUHR
MEEK	INANE	ALOE
PITUS	GONGS	LAPS

The contest answer is AGENT. Five words that can follow "double" to make familiar phrases appear in the grid crossing themselves: DATE, BAG, BED, CHIN and TAKE. The crossing letters spell the contest answer.

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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Monday, August 28, 2017 | B1

Euro vs. Dollar 1.1883 ▲ 0.70% **FTSE 100** 7401.46 ▼ 0.08% **Gold** 1292.50 ▲ 0.46% **WTI crude** 47.87 ▲ 0.93% **German Bund** yield 0.379% **10-Year Treasury** yield 2.169%

Amazon Battles Snags in China

In launching its Prime membership program in China last fall, **Amazon.com** Inc. was betting that the lure of hard-to-find Western goods and

By Liza Lin in Shanghai and Laura Stevens in San Francisco

free international deliveries would be enough to get traction in the world's largest e-commerce market.

That hasn't happened, according to retail analysts, underscoring the difficulties faced by U.S. technology companies as they try to compete in a country with high hurdles for outsiders and increasingly sophisticated competitors.

Companies including **Facebook** Inc. and **Alphabet** Inc.'s **Google** have struggled with

stringent government controls and censorship, while **Apple** Inc. has seen its iPhone market share decline as Chinese smartphone makers offer less-expensive, high-performing smartphones.

"Over time, companies from **Apple** to **Microsoft** are seeing Chinese rivals move up the value chain and narrow the gap between them and their products," said Mark Natkin, managing director of Mar-bridge Consulting in Beijing.

Retail analysts say it is largely Chinese competition, and not the ground rules of doing business, that has challenged Amazon's efforts here. Membership programs aren't popular in China, and consultants say Amazon's app for mobile phones—the shopping cart of choice in China—lags



Amazon's largely bare mobile platform can be a turnoff in China.

behind its competitors in ease of use and appeal.

What's more, the company's main pitch to Chinese consumers—authentic Western goods shipped free from abroad—is

being weakened as Chinese rivals strengthen their offerings and dangle discounts.

Chinese competitors **Alibaba Group Holding Ltd.** and **JD.com** Inc. have invested

heavily to improve their selection of products and spent liberally on promotions and discounts through sale campaigns this year, said Jason Yu, China general manager at Kantar Worldpanel, a consumer-research firm.

In its most recent analysis in June, Kantar estimated that Amazon had a 1% share of China's fast-moving consumable goods, such as diapers and food, unchanged from a year earlier.

Free delivery, even internationally, isn't much of a selling point in China either, because overseas shipping costs are free or generally low. An 800-gram can of Aptamil infant formula, for instance, is free to ship from Germany to Shanghai on both Alibaba's *Please see AMAZON page B4*

Firms Try To Shape Debate On Taxes

By RICHARD RUBIN

WASHINGTON—Congressional Republicans are trying to write new rules for taxing foreign profits of U.S. corporations, and a group of large, influential companies is warning against one prominent option.

Under current law, companies owe the full 35% corporate-tax rate on their worldwide earnings and have to pay it on any profits they bring back to the U.S. That system encourages companies to book profits overseas and leave them there. The issue is often a flashpoint in debates over changing the tax code.

Republicans want to lower the corporate-tax rate and let companies bring future global profits home without paying U.S. taxes on top of foreign taxes. They are searching for a way to do that without giving companies an incentive to move more operations and

Republicans want to exempt foreign profit from U.S. taxes to a large extent.

profits to countries with far lower taxes.

One alternative Republicans are considering is a minimum tax on those profits. But such a tax would have "unintended and adverse consequences," the business group, which includes companies such as Eli Lilly & Co., United Technologies Corp. and United Parcel Service Inc., told top lawmakers this month in a previously undisclosed policy paper.

The comments by the Alliance for Competitive Taxation are an early sign of the competing pressures lawmakers will face as they seek to overhaul the U.S. tax code.

As part of that overhaul, Republicans want to exempt foreign corporate income from U.S. taxes to a large extent. Other countries, including the U.K., have shifted to similar systems in recent years and Republicans want to follow that trend. The 35% rate would come down and the minimum rate would be set below the new U.S. corporate tax rate. Republicans may also be considering other rules beyond a minimum tax, and they haven't made any final decisions.

A minimum tax would act as a "safety net" against companies trying to pay little or no tax on some foreign income, said Ed Kleinbard, a tax law professor at the **University of Southern California**. "The United States does not encourage competitiveness when it simply subsidizes international tax avoidance," he said.

But the alliance argues that a minimum tax would focus too much on U.S.-based com- *Please see TAXES page B2*

U.S. Nuclear Missile Overhaul Ramps Up

Boeing, Northrop teams are chosen to vie for Pentagon's latest contracts

By DOUG CAMERON

The Pentagon is pitting two American contractors against each other as it looks to replace the nation's land-based intercontinental ballistic missiles.

But with Russia and China modernizing their nuclear forces and North Korea becoming a potential nuclear threat, some defense experts say a better plan would be to make **Boeing Co.**, **Northrop Grumman Corp.** and others work together to confront mounting challenges.

This past week, the Pentagon picked teams led by Boeing and Northrop to vie for the latest piece of its overhaul of the county's nuclear force, with almost \$700 million in contracts for design work to develop replacements for aging Minuteman 3 missiles deployed in silos across the Great Plains.

Lockheed Martin Corp. was eliminated from the contest for the Ground-Based Strategic Deterrent program, which is expected to eventually cost \$85 billion. Lockheed could lodge a protest, as it did unsuccessfully after Northrop bested its joint bid with Boeing to build a new long-range bomber in 2015, though it declined to comment ahead of a debrief from Air Force officials.

The Pentagon is due to decide in 2020 which team will build the intercontinental ballistic missiles and new communications infrastructure, as well as refresh the silos.

Richard Safran, an analyst at **Buckingham Research Group**, said the project could still draw Lockheed and other defense firms, including General Dynamics Corp. and Orbital ATK Inc., into the project under Boeing or Northrop leadership. **Aerofjet Rocketdyne** Inc. last week said it would provide the rocket mo-



An unarmed Minuteman 3 intercontinental ballistic missile during an operational test in May. The U.S. is modernizing its nuclear force.

tors for the Northrop offering.

Boeing is expected to disclose its partners at a military trade show next month, according to people familiar with its plans. The company said in a statement last Monday that it would draw on the best of Boeing to deliver the "capability, flexibility and affordability the mission requires," with work focused at three of its plants in Alabama, Utah and Ohio.

Northrop Grumman said in a statement last Monday that it looks forward "to the opportunity to provide the nation with a modern strategic deterrent system that is secure, resilient and affordable."

Maj. Gen. Roger Burg, who retired from the Air Force in 2010 after a career that included heading the ICBM units, said pooling the work of

multiple companies under one joint effort is desirable, as many of the experts who built the original system in the 1970s have retired.

"We probably have just enough capability to have one really good team," said Gen. Burg, who advised two of the teams in the ICBM contest.

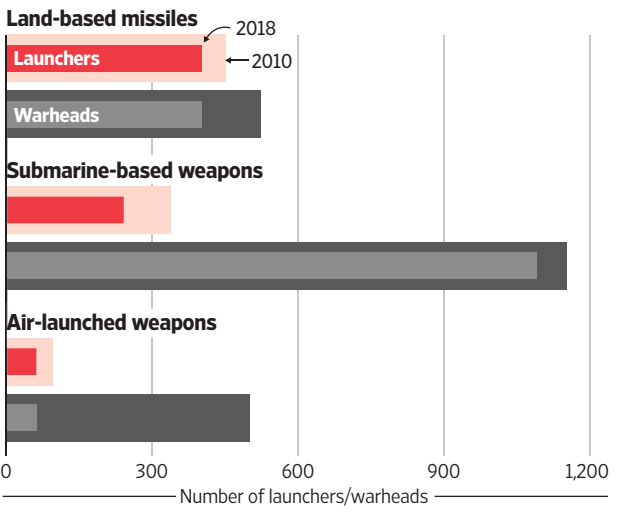
After years of delays caused by budget cuts, the Pentagon is pressing ahead with a simultaneous refresh of all three legs of the so-called nuclear triad defense system: land-based missiles, bomber-launched missiles and those on a fleet of submarines.

The Pentagon plans by 2020 to select one contractor to build 600 missiles, with 400 of those to be deployed on alert and the balance held for testing.

Please see MISSILE page B2

Back in the Silo

The U.S. stockpile of nuclear warheads continues to shrink with successive arms reduction treaties.



Homes Are Cash Cows Again

By CHRISTINA REXRODE

Rising home prices are getting borrowers comfortable again with the idea of tapping their homes for cash.

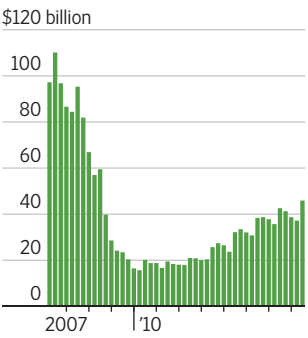
Home-equity lines of credit and cash-out mortgage refinances, two products that let consumers spend the windfall of homeownership, are back in vogue with consumers. That reflects growing confidence and is a potential benefit to the U.S. economy as homeowners have more money to spend.

"If customers feel like their home values are stable or increasing, and if they feel like their job prospects are good—that they will have the ability to pay back a loan they take—then they will start to take out

more home-equity lines," said Mike Kinane, head of U.S. consumer-lending products at **TD**

Coming Home Again

Home-equity line of credit originations, quarterly



Bank. "That is what we are starting to see."

Home-equity line originations rose 8% to nearly \$46 billion in the second quarter, their highest level since 2008, according to credit-reporting firm Equifax. Borrowing via cash-out mortgage refinances hit \$15 billion, up 6% from a year earlier, according to Freddie Mac.

The engine driving demand: rising home prices. The median sale price of an existing home hit \$263,800 in June, the highest on record, up 40% from \$187,900 at the start of 2014, according to the National Association of Realtors.

Banks insist the increased borrowing doesn't herald a return to housing-bubble days *Please see HOMES page B2*

HEARD ON THE STREET | By Spencer Jakab

It's the Coin of the Realm, but Which?



for carrying on an undertaking of great advantage, but nobody to know what it is," it seems we still haven't learned our lesson.

That was a description of a British share offering that rode the tails of the South Sea Co., a large financial bubble. The argument is open as to whether bitcoin and the many initial coin offerings profiting from its success are a similar phenomenon, but there are hints that history at least rhymes, even if it isn't re-

peating itself.

On Friday, financial journalists received emails about Exio Coin, which, according to the news release, is the "world's first cryptocurrency to be officially endorsed by a sovereign nation."

That sounds sort of appealing for potential cryptocurrency investors hesitant to dip their toes in, put off by the Wild West nature of the booming asset class.

But which nation? A representative contacted by email demurred, explaining that the promoters "are under an obligation not to disclose the identity of our sovereign endorser until the successful conclusion of the ICO." The representa-

tive did reveal that it was one of the richest countries on a per capita basis. Could it be tiny, secretive Liechtenstein or another European microstate such as Andorra, Monaco or San Marino? Some might find those democracies reassuring as stewards of their digital wealth. Petro-monarchies Brunei or Qatar might be a different story.

And what if one widens the definition of a state? The likes of the Cayman Islands, New Caledonia, the Faeroe Islands or Macau all come into the picture.

Speculators who don't think initial coin offerings are risky enough can now play geographical roulette.

BUSINESS NEWS

Campbell Soup Tries to Heat Up

By AUSTEN HUFFORD

Campbell Soup Co. is striving to remain a pantry mainstay even as what, where and how consumers eat undergoes a transformation.

The company, known for its eponymous canned soups, is also facing investor pressure to reverse a yearslong revenue decline and lift its share price, which has fallen 15% this year.

CORPORATE FOCUS

When Campbell reports its fourth-quarter results Thursday, investors and analysts will be looking to see if the company can end 10 straight quarters of declining revenue.

Analysts polled by Thomson Reuters are expecting a modest 0.1% revenue increase from the prior year's quarter. Campbell and other packaged-food companies are facing difficulties in attracting consumers who increasingly want foods they see as healthier, more natural and more environmentally sustainable.

At an investor day last month, Chief Executive Denise Morrison laid out the company's ultimate goal: to become the leading health and well-being food company.



BRENDAN MCDELMID/REUTERS

The company is looking to end 10 straight quarters of declining revenue and lift its share price.

"In this environment, companies and brands must differentiate themselves or risk extinction," Ms. Morrison said.

Campbell and its peers are also slogging through a changing food-retail environment, with the rise of meal-kit companies such as **Blue Apron Holdings** Inc., the growth of deep-discount chains in the U.S. and the food-selling ambitions of **Amazon.com** Inc. as it completes a takeover of Whole

Foods Market Inc.

Amazon is set to begin slashing prices on groceries at Whole Foods this week, raising concerns that a price-war could affect Campbell.

One question in the short term, said RBC Capital Markets analyst David Palmer, is that if Amazon is willing to make less money as it cuts prices, will retailers then "ask food companies to share in those price investments?"

"There is certainly an argument that major food companies are going to be channel-agnostic or even supportive of the rising role of e-commerce," Mr. Palmer said.

Campbell executives have said they intend to use acquisitions and investments in new products to help lift the company's fortunes.

In July the company said it would buy organic-soup maker Pacific Foods for \$700 million,

as part of its natural-food push. It has also invested in food-related startups such as Habit, which is developing an at-home testing kit designed to make personalized diet recommendations.

Still, there have been some missteps. A 2012 move to buy juices, baby-carrots and salad-dressings maker Bolthouse Farms Inc. for \$1.55 billion has been somewhat marred by execution issues, including a recall of some of its drinks.

Campbell has also drawn attention for its actions outside of the supermarket. The company said last month it would leave the Grocery Manufacturers Association amid a disagreement with the trade group. Campbell supports alerting customers when food products contain genetically modified organisms on packages, which the trade group has lobbied against.

Ms. Morrison also left a manufacturing-advisory council to the Trump administration earlier this month, before it disbanded hours later. In a written statement, she said Mr. Trump should have been unambiguous in calling out white-supremacist groups for racism and violence in Charlottesville, Va.

Engineer Sentenced In VW Fraud Case

By ADRIENNE ROBERTS AND MIKE SPECTOR

A **Volkswagen** AG engineer was sentenced to 40 months imprisonment and will pay a \$200,000 fine for his part in the German auto giant's emissions scandal, after cooperating with U.S. prosecutors in their criminal investigation of the yearslong conspiracy to defraud government officials and customers.

James Liang, 63 years old, received the sentence from U.S. District Judge Sean Cox on Friday during a hearing in a Detroit federal court. Mr. Liang in September pleaded guilty to one count of conspiring to defraud the U.S., commit wire fraud and violate the Clean Air Act for his role in helping Volkswagen evade emissions requirements with diesel-powered vehicles.

Mr. Liang, a German national, has agreed to be removed from the U.S. following his prison term, according to prosecutors.

He moved to and settled in the U.S. with his family in 2008 to help Volkswagen launch diesel-powered vehicles and handled certification, testing and warranty issues, prosecutors said.

Mr. Liang is one of eight individuals charged in a U.S. Justice Department probe of Volkswagen's nearly decadelong conspiracy to rig nearly 600,000 diesel-engine vehicles with illegal software that allowed them to cheat on government emissions tests while polluting far beyond legal limits on the road.

Volkswagen, which has acknowledged the software is on about 11 million vehicles globally, earlier this year pleaded guilty to criminal charges in the U.S. stemming from the deception and agreed to pay billions of dollars in penalties.

BUSINESS WATCH

DUKE

Company Pulls Plug On Nuclear Plant

Duke Energy Corp. said Friday that it was abandoning plans to develop a nuclear power plant in South Carolina, in the latest blow to the U.S. nuclear industry.

The company had planned to build two reactors designed by **Westinghouse Electric** Co. The March bankruptcy of Westinghouse, a unit of **Toshiba** Corp., led Duke to reconsider moving ahead. Construction on the William States Lee III Nuclear Generating Station hadn't begun yet.

Duke said it plans to file a petition with the North Carolina Utilities Commission to abandon the project. It was to be located near Gaffney, S.C., and provide power for customers in both North Carolina and South Carolina.

Duke said it had spent \$542 million on the project to date, mostly on securing a license from the federal government, engineering and site acquisition.

The decision to pull the plug was driven in part by large cost overruns to build other Westinghouse AP1000 nuclear reactors. Last month, **Scana** Corp. decided to abandon work on a half-built AP1000 as costs swelled from

\$14 billion to a projected \$25.7 billion. Southern Co. is struggling with rising costs at a half-built nuclear power plant in Georgia.

Duke said its decision was partly driven by the cost increases and time delays at the Scana project. It will maintain the South Carolina site and take "minimal steps" needed to keep the federal license.

—Russell Gold

GAWKER

Blogger Pursues Claim Against Firm

Charles C. Johnson is pursuing a defamation claim against

Gawker Media LLC in bankruptcy for posting articles he claims challenge his credibility as a journalist and contain unsubstantiated gossip intended to malign him.

Mr. Johnson and his news site, GotNews.com, are seeking as much as \$1.5 million over articles published in December 2014 that criticized his reporting and included rumors about his personal life. Last week, U.S. Bankruptcy Judge Stuart Bernstein in New York rejected Mr. Johnson's bid to seek redress against Gawker Media in district court and said the dispute will be heard in bankruptcy court.

Lawyers representing Gawker Media in bankruptcy have defended the articles by arguing the posts express the authors' opinions of Mr. Johnson's work based on "the objective untruth of at least some of Johnson's so-called journalism."

Mr. Johnson and GotNews had sued Gawker Media and two writers in California alleging defamation before the media company filed for chapter 11 protection in June 2016. A lawyer for Mr. Johnson said the lawsuit should move forward outside of the chapter 11 case because their articles allegedly caused him "personal injury."

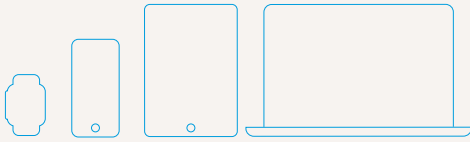
—Jonathan Randles



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Nintendo Faces Shortages

Nintendo Co.'s latest videogame machine, the Nintendo Switch, is winning fans for both its lineup of popular games and its flexibility—it works as both a living-room console and a hand-held device.

By Takashi Mochizuki
in Tokyo and
Sarah E. Needleman
in New York

But the real challenge for gamers has been actually getting their hands on it. Production isn't keeping up with demand in Japan, resulting in blockbuster queues and lotteries there. Over weekends in July and early August, tens of thousands of fans lined up at stores for a one-in-10 chance to buy the \$300 console at events that have become a form of entertainment.

In the U.S. too, scarcity has only made the Switch more sought after. Some fans have spent months trying to find a Switch, and sellers on Amazon.com are getting \$380 or more for a unit. Wal-Mart Stores Inc., Target Corp. and GameStop Corp. said they have struggled to meet demand both in stores and online.

"We continue to see strong demand for the Switch and sell out our inventory in a matter of days of it being available in our stores and our websites," Tony Bartel, GameStop chief operating officer, said in a quarterly earnings call Thursday. "We believe that this will continue through the holiday."

Supply in Europe seems somewhat better, with electronics retailers' websites in France, Germany and Italy showing the console is available. In June, though, British videogame retailer Game Digital PLC issued a profit warning partly blaming lower-than-expected Switch supplies to the U.K.

Nintendo's official target is



Production of Nintendo's new videogame machine, the Switch, isn't keeping up with demand.

to ship 10 million Switch units in its current fiscal year ending in March 2018. People involved in the supply chain say they have been told to prepare for 18 million units. One executive in the supply chain said his company was ready to pick up the pace of production if asked.

"We're doing everything we can to make sure everyone who wants to buy a Nintendo Switch system can do so," Nintendo said in a statement. "We will ramp up production for the holiday period, which has been factored into our forecast."

One delicate balance for Nintendo: The more it tries to boost output quickly, the more it has to bow to the terms of parts makers, some of whom are also busy with orders for Apple Inc.'s next iPhone.

Nintendo's stock price is up more than 50% since the Switch went on sale March 3, giving the company a market capitalization of more than \$45 billion. The scarcity of the

Switch—whether by design or not—adds to the hype.

Aki Natsume, a 26-year-old singer, was one of more than 2,000 people a few weeks ago standing in line at the large Bic Camera store in Tokyo's Akihabara district for a chance to buy the Switch. She was there with a friend to make a video for YouTube about the hunt; she said her friend's YouTube channel has done well with clips of people trying to buy the machine.

Ms. Natsume got lucky—her number was one of 200 selected in the lottery. She bought a Switch, even though she said she wasn't particularly passionate about it. She already owns a rival console from Sony Corp. "I'm busy with playing a PlayStation 4 game."

Earlier this month in Japan, electronics retailer Yamada Denki Co. apologized after acknowledging that a few of its salespeople were making what it called inappropriate demands on would-be Switch

buyers: The customers were told that to get a Switch they had to buy a wireless router at the same time. The retailer said it has halted the practice.

Japan is Nintendo's second-largest market by revenue, accounting for 26% of sales. Nintendo sold more than 294,000 Switch units there in July, up from 129,971 in June, according to videogame publication Famitsu.

In Nintendo's Americas market, its largest, accounting for 43% of revenue, the company sold approximately 220,000 Switch consoles in July, up from about 215,000 in June, according to NPD Group.

People familiar with the supply chain say Nintendo is making progress working through shortages of key components, such as flash-memory chips and batteries. And it has overcome many of the challenges in assembling the machine's detachable, wireless controllers, which pack sensors and other delicate components into a small space.

Google Pays Up For Fake Traffic

By LARA O'REILLY

Google is issuing refunds for ads that ran on websites with fake traffic, people familiar with the situation said, as the web giant develops a tool to give marketers more transparency about the ads they buy through its platform.

In the past few weeks, the Alphabet Inc. unit has informed hundreds of marketers and ad-agency partners about the issue with invalid traffic, known in the industry as "ad fraud." The ads were bought using the company's DoubleClick Bid Manager over the course of a few months this year, primarily in the second quarter.

Google's refunds amount to only a fraction of the cost of the ads served to invalid traffic, which has left some advertising executives unsatisfied, the people familiar with the situation said. Google has offered to reimburse its "platform fee," which ad buyers said typically ranges from about 7% to 10% of their total purchase.

The company says this is appropriate because it doesn't control the rest of the money spent. Typically, advertisers use DoubleClick Bid Manager to target audiences across vast numbers of websites in seconds by connecting to dozens of online ad exchanges, marketplaces that connect buyers and publishers through real-time auctions.

The ad spending flows through to the exchanges. The problems arise when ads run on publisher sites with fraudulent traffic, including those where clicks are generated by software programs known as "bots" instead of humans. This is an issue of growing concern to marketers. It is difficult to recoup the money paid to those sites when the issue is discovered too late.

Advertisers often receive small credits from Google and their other ad-tech vendors when they detect discrepancies, but in this case, for some buyers, the instance of fraud discovered was larger than usual.

It is the latest evidence of how the complexity of the digital advertising ecosystem—an industry where marketers and ad sellers are separated by layers of middlemen and automation—can cause tensions between Madison Avenue and big players like Google.

Just a few months ago, some marketers suspended their campaigns from Google's YouTube after revelations their ads appeared next to hateful or otherwise unsavory videos. YouTube has taken steps to assuage marketers' concerns, and many brands

The ads were bought using DoubleClick Bid Manager over a few months this year.

have now returned to the platform. Ad agencies, too, have battled with Google to let them access more of its extensive data to help them improve how ads are targeted and measure whether they are effective.

Scott Spencer, director of product management for Google, acknowledged that refunds have been paid, but he declined to provide a dollar figure for the amount being returned. Some ad buyers said the refund amounts range from "less money than you would spend on a sandwich" to hundreds of thousands of dollars.

—Alexandra Bruell
contributed to this article

Heir's Prison Sentence Leaves Void at Samsung

By TIMOTHY W. MARTIN
AND EUN-YOUNG JEONG

SEOUL—Samsung, one of the world's biggest business empires, faces a deepening leadership crisis after its heir and de facto head Lee Jae-yong was found guilty of bribing South Korea's former president and sentenced to five years in prison.

While less than the 12 years sought by prosecutors, the jail term for the 49-year-old grandson of Samsung's founder, and the vice chairman of Samsung Electronics Co., risks holding back a conglomerate that relies heavily on its top leadership for direction.

Samsung Electronics is still deliberating who, if anyone, will take Mr. Lee's place, according to people familiar with the matter. As recently as last week, the full board of Samsung Electronics hadn't been briefed on scenarios in which Mr. Lee would remain behind bars for an extended amount of time, according to a person familiar with the board's thinking.

Since Mr. Lee's February detainment, Samsung hasn't pursued a major deal, according to people familiar with the company's thinking. That followed a string of acquisitions in 2016

that included the \$8 billion purchase of auto-parts maker Harman International Industries Inc.

The Lee family has shaped the company's vision and made major strategic decisions, such as moves into chips and phones that initially were loss-making but later helped drive record profits. The conglomerate spans smartphones, theme parks and biopharmaceuticals and accounts for nearly one-third of South Korea's stock-market value. Samsung contains dozens of affiliates that have their own CEOs and management teams. Samsung Electronics, the world's largest smartphone maker, generates much of its profits. Mr. Lee focuses almost entirely on that business, he has said, but he also serves as the unifying figure—and ultimate decision maker—for the disparate enterprise.

His time away threatens to temporarily halt Samsung's efforts to modernize its hierarchical, secretive culture and pursue acquisitions, which Mr. Lee has made priorities. China is pumping billions of dollars into semiconductors, a threat to the South Korean company's current cash cow, while Samsung is also seen as being a step behind its Silicon Valley peers on soft-

ware development.

Mr. Lee, the only son of Samsung Chairman Lee Kun-hee, doesn't have an obvious successor within the family. He has two sisters who work for Samsung affiliates, but neither has much experience with smartphones or electronics.

If upheld, the verdict signals further progress in South Korea's efforts to depart from the traditionally close and symbiotic relationship between the government and large family-run conglomerates known as chaebols.

Before a packed courtroom in Seoul on Friday, Mr. Lee was found guilty of bribery, embezzlement, hiding assets abroad, concealing criminal profits, and perjury.

Samsung previously acknowledged it had agreed to pay about \$38 million to various entities, which Samsung said it didn't know at the time were linked to a close friend of the former president. The company previously denied the payments were in return for political favors including government backing of a merger.

Of the promised funds Samsung paid, the judge ruled \$7.9 million constituted bribery.

Under South Korean law, Mr. Lee would have to serve one-



Samsung's Lee Jae-yong on Friday following his verdict.

third of his sentence before he could win parole. Just after Friday's ruling, Mr. Lee's lawyer said outside the courtroom that he would appeal the ruling "immediately." Unless the appeals court changes the sentence, Mr. Lee's release could fall around autumn 2018 if his parole is granted.

Separately on Friday, the court convicted four other Sam-

sung executives involved in the same case, with two receiving four-year sentences and two receiving suspended sentences. They faced similar charges as Mr. Lee, except for perjury; all had denied wrongdoing.

Samsung Electronics shares fell 1% on Friday, as investors had largely factored in an extended absence. Despite last year's Galaxy Note 7 recall and

Mr. Lee's corruption trial, Samsung has delivered its biggest-ever quarterly profits and shares are near record highs.

"It's rare to see the absence of a conglomerate head impact business performance," said Ryu Young-jae, head of Sustinvest Inc., a proxy advisory firm based in Seoul. "In most cases, business remains the same or improves."

During the four-month trial, Mr. Lee testified that about 95% of his role was dedicated to Samsung Electronics. Other lieutenants said during the trial that they handled conglomerate-wide matters—including organizational restructuring and most interactions with the South Korean government.

Few major moves advanced without Mr. Lee's signoff and the Samsung heir's personal relationships with Silicon Valley leaders are critical given that the South Korean firm both competes with, and supplies electronics components to, their biggest rivals, according to people who know him.

Mr. Lee and Samsung now must grapple with whether a family-driven structure is appropriate for a global company like Samsung Electronics, whose shares are majority-owned by foreign investors.

AMAZON

Continued from page B1
Tmall and JD platforms via bonded warehouses. A similar product is also shipped free by Amazon.

In China, Amazon Prime's offerings don't stand out, said Shirley Lu, a Shanghai-based analyst focusing on retail at Euromonitor International.

"Local e-commerce providers have fast deliveries, good customer service and very competitive pricing," Ms. Lu said. "These are areas Amazon will find hard to beat."

A spokeswoman for Amazon said the company has had a "strong response" to Prime from Chinese customers since its launch last October, with membership figures more than doubling since the beginning of the year. She declined to provide figures.

Amazon in October last

year sweetened its offer by discounting its China Prime membership fee to \$30, or half its standard list price. Prime membership costs \$99 annually in the U.S.

But membership programs are also a tough sell in China, where high-profile scandals involving beauty chains and health clubs have made consumers wary, said Deborah Weinswig, New York-based managing director at Fung Global Retail & Technology.

JD and Alibaba also offer memberships, but on those sites you don't have to be a member to qualify for free shipping on most purchases beyond \$15.

Alibaba's 88 Membership program is free and rewards frequent shoppers on their site with discounts for high-end brands and free concert tickets. JD's Plus program costs \$22 and dangles unlimited e-books and free exchanges and returns, on top of

free shipping for all purchases five times a month.

Furthermore, Euromonitor's Ms. Lu said that most Chinese consumers shop on their smartphones, and that Amazon's relatively bare mobile

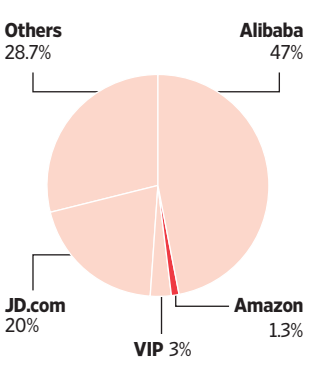
platform is a turnoff for Chinese consumers used to seeing a kaleidoscope of colors and attention-getting deals.

Mobile-phone shopping will account for more than 60% of China's total e-commerce this

Tough Customers

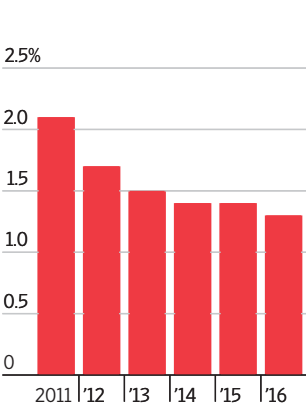
Amazon has struggled to win over Chinese consumers.

Market share for Chinese online retailers in 2016



Source: Euromonitor

Amazon's China market share



THE WALL STREET JOURNAL.

via Amazon.com. As the company sends more merchandise from China to the U.S.—and especially as it develops its own air-service offerings—it needs to fill trucks and planes going both ways.

As Amazon adds international shipping capabilities including its own planes, "in order for it to be cost effective, they need to have goods that are going out of the U.S. and into the U.S. to do it profitably," said John Haber, chief executive of supply-chain consultancy Spend Management Experts.

Robert W. Baird & Co. Amazon analyst Colin Sebastian expects Amazon to continue to focus on its global store, which allows Chinese consumers to buy products from countries including the U.S. and the U.K. That is an area where it can likely gain a better foothold because of its reputation as a place to buy authentic Western goods.

FINANCE & MARKETS

Floods Hit Hard in Texas Oil Industry

By DAN MOLINSKI
AND CHRISTOPHER M. MATTHEWS

Several oil companies shut down oil refineries in the Houston area Sunday, taking roughly 12% of U.S. fuel-making capacity out of commission, as the storm Harvey continued to drench the city.

Exxon Mobil Corp. closed its Baytown refinery near Houston—second in size only to a plant in Port Arthur, east of the city, among those in the U.S.—as floodwaters paralyzed large portions of the area.

The plant, located on the Houston Ship Channel, can process up to 560,000 barrels of oil a day and feeds fuel into pipelines and barges that

move it from Texas to states across the southeast and up the East Coast.

Royal Dutch Shell PLC confirmed it stopped making fuel at its 325,000-barrel-a-day plant in Deer Park, Texas, and Brazil's state-controlled oil company, Petróleo Brasileiro SA, shut down its Pasadena plant near Houston that can process up to 110,000 barrels of oil a day.

The companies said they are assessing damage from the storm, which came ashore Friday as a Category 4 hurricane. Even if the plants prove not to have sustained much damage, they count on the Houston Ship Channel to move imported crude oil into the state



Companies are checking the damage. Above, a tank hit by Harvey.

and refined fuels out. The channel has been shut since Friday.

All the refineries in the Corpus Christi, Texas, area that was hard-hit by the storm were already closed, so the Houston plant closures com-

pound concerns about fuel shortages that could develop as the rain continues.

In all, more than 2 million barrels a day of fuel-making capacity was shut down.

While Harvey has been downgraded from hurricane status, the storm continued to dump rain and spawn tornadoes as it moves through the heart of the U.S.'s oil infrastructure.

The worst impact on the U.S. supply of gasoline and other fuels may be yet to come. The Port Arthur region east of Houston is home to four more big fuel-making plants that could be shut. Harvey is expected to linger over Texas until Tuesday, dropping

another 15 to 30 inches of rain.

Markets were closed Sunday, but volatile trading was expected when they open on Monday.

Long-term refinery outages could cause fuel shortages and drive up the price of gasoline significantly around the U.S.

The Gulf Coast is the largest refining hub in the world and the epicenter of U.S. gasoline production. The Texas portion of the coast alone is home to more than 4.9 million barrels a day of refining capacity, out of more than 19 million barrels overall, according to the U.S. Energy Information Administration and analysts.

Venezuela Bonds Push Up In Relief

By CAROLYN CUI

Bond investors expressed relief after new U.S. sanctions against Venezuela didn't ban trading of the country's existing bonds, an outcome that could have caused huge disruptions in the market for Venezuelan debt.

Prices of bonds from state-owned oil company **Petróleos de Venezuela SA** due 2021 were up 2% to 40.25 cents on the dollar Friday, while PdVSA bonds due on Nov. 2 were up 0.4%, to 93.4 cents, after a 6% gain Thursday, traders said.

While Venezuela hasn't issued public debt for years, the new sanctions on Friday include restrictions intended to block the government's ability to finance itself, hoping to undermine President Nicolás Maduro's authoritarian regime.

Those include prohibiting most new debt issues and banning bond trading between the Venezuelan government and any institution in the U.S.

New U.S. sanctions didn't shut down trading for existing Venezuelan debt.

But the sanctions didn't include shutting down secondary-market trading for existing Venezuelan debt. Prices of Venezuelan debt skidded earlier this month after The Wall Street Journal reported the Trump administration was considering a ban on bond trading.

"This has no impact on the secondary market for Venezuelan bonds," said AJ Mediratta, president of Greylock Capital Management, a hedge fund specializing in distressed and high-yield emerging-market bonds.

Raymond Zucaro, chief investment officer at Florida-based **RVX Asset Management LLC**, said he took advantage of the selloff and bought more Venezuelan bonds, believing an outright ban is impractical.

Bonds rallied Thursday after a Venezuelan news report said China is considering buying discounted Venezuelan bonds. Another news report said Russia's oil company, Rosneft, might be involved in a deal that would raise cash for the Venezuelan government.

Prices for the PdVSA bonds due in November rose to their highest levels in three years, said MarketAxess BondTicker. Still, some investors said the ban on new issuance could begin to ripple through secondary-market trading. Bond investors would have to re-evaluate their Venezuelan holdings, taking into account that there would be no channels for the government to access capital markets.

"The U.S. government is closing the window on the ability for the Venezuelan government to raise new money; that's going to have negative repercussions on the value of the existing bonds," said Robert Abad, founder of the emerging-markets advisory firm EM+BRACE.

—Matt Wirz and Emily Glazer contributed to this article.

Chinese Deal for Chicago Exchange on Hold

By DAVE MICHAELS
AND ALEXANDER OSIPOVICH

The **Chicago Stock Exchange** is a relic of history, trading less than 0.5% of U.S. stocks and in such straits that it has been looking for a buyer.

That isn't how U.S. officials see it. After a group of buyers emerged last year to rescue the exchange—led by **Chongqing Casin Enterprise Group**, a Chinese conglomerate—lawmakers demanded that the deal be halted on national-security grounds. The Securities and Exchange Commission issued a last-minute freeze that put the \$20 million transaction on indefinite hold.

The 135-year-old exchange's efforts to win approval for the sale highlight mounting U.S. resistance to Chinese deal making, especially when it involves firms inside the plumb line of the U.S. financial system.

"When you take into account the risk of cyber-market manipulation and the gamut of concerns we have with China... you certainly have to be wary of this acquisition," Rep. Robert Pittenger (R., N.C.), a leading Congressional critic of the deal and other Chinese acquisitions, said in an interview.

Foes of the deal say granting a Chinese company a major stake in a U.S. stock exchange would create a back door for state-sponsored theft of Americans' financial data or hacks of critical market infrastructure.

Casin—which is seeking to buy 20% of the exchange's parent company, **CHX Holdings Inc.**, with other Chinese and U.S. investors buying the rest—says it is independent of the Chinese government. Based in the inland city of Chongqing, it is active in businesses such as



The Chicago Stock Exchange second-floor trading room, circa 1894, was demolished between 1971 and 1972. China's Casin is seeking to buy 20% of the exchange's parent company, CHX Holdings.

banking, tourism and sewage treatment.

CHX denies the acquisition will endanger the security of U.S. markets and says its policies will prevent confidential data from being shared with the new Chinese owners. The current CHX management team will remain in place if the deal goes through, said William Ruben, a CHX spokesman.

The deal got approval in December from the Committee on Foreign Investment in the U.S., or CFIUS, a multiagency panel that reviews acquisitions of U.S. companies for national-security concerns. Several Chinese takeover bids this year have failed to get timely CFIUS approval. These include a \$1.2 billion purchase of MoneyGram International Inc., of Dallas, by Ant Financial Services Group, which is con-

trolled by Chinese billionaire Jack Ma, a co-founder of e-commerce giant Alibaba Group Holding Ltd.

SEC commissioners put the Chicago exchange deal on hold on Aug. 9, freezing a staff decision earlier that day to greenlight the deal following a 240-day review period. CHX Chief Executive John Kerin told the SEC in a letter Friday, "CFIUS conducted a thorough, deep, and wide-ranging investigation" of the deal and "concluded that there were no unresolved national security concerns."

The CHX deal's supporters, including members of the Chicago City Council, say it will revitalize the institution founded in 1882 as a place for Midwest manufacturers and railroads to sell their shares. CHX Holdings has about 80

employees and 2015 revenue of \$19.5 million, according to financial statements reviewed by The Wall Street Journal.

Casin hopes to turn CHX into a listings venue where smaller Chinese and other overseas companies can sell shares to U.S. investors.

The deal "is an opportunity for investors from the two largest economies to work together," Jackson Xiao, chief executive of Casin's North American subsidiary, said in emailed comments forwarded by a U.S.-based lawyer for the company.

CHX executives spoke by phone on Aug. 21 with aides to SEC Chairman Jay Clayton, people familiar with the matter said. The SEC officials told CHX they couldn't give any feedback on why commissioners halted the staff's decision or when the



full commission would vote on the proposal, the people said.

There is no deadline for the SEC to act on the deal. A spokesman for Mr. Clayton declined to comment on the delay.

Republican SEC Commissioner Michael Piwowar voiced concerns about the "corruption" and "lack of transparency" of Chinese firms in a meeting last year with Mr. Pittenger's staff, the congressman said in a November House committee hearing. Mr. Piwowar declined to comment.

President Donald Trump criticized the Chicago exchange deal during last year's presidential campaign.

Listing in Chicago could give Chinese companies an alternative to going public in their home country, where the government tightly controls the offering process. Rep. Pittenger and other critics fear such companies could seek to defraud U.S. investors.

Both Casin and CHX said they would protect investors by imposing strong listing standards, the rules that govern which firms can offer shares. Such rules would need SEC approval.

Watchdog to Scale Back Payday-Loan Rule

By YUKA HAYASHI

WASHINGTON—Some companies selling high-interest personal loans could get a break from new oversight by the federal government when it completes a long-anticipated rule on payday lending in September.

The Consumer Financial Protection Bureau, still under the leadership of an Obama-appointed director, is expected to scale back its new rule on small-dollar lending as it rushes to complete the regulation before a Trump appointee takes over its leadership, industry lobbyists and consumer groups say.

CFPB Director Richard Cordray, appointed by former President Barack Obama in 2012, is serving a term that runs through July 2018, but a number of people said that he might resign soon to run for Ohio governor. Mr. Cordray through a spokesman declined to comment.

Facing pressure to wrap up the rule, the bureau has reduced its scope from a proposed version released in 2016, people familiar with the matter said.

The rule is now expected to focus on short-term payday loans that are typically due in two weeks, or the borrower's next payday, with annual interest rates of as much as 390%.

To be excluded are high-cost installment loans lasting 45 days or longer.

Mr. Cordray is seen as an aggressive regulator who has butted heads with the financial industry and Republican lawmakers. A Trump appointee could bring in a regulatory agenda viewed as favorable to the financial industry.

A CFPB spokesman declined to comment on the rule's content. The spokesman acknowledged that the process of reviewing and publishing public comments on the rule is substantially complete, indicating the bureau is nearing the end of its rule-making process.

People familiar with the matter said the rule is undergoing a peer review by other banking agencies, such as the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corp., with a deadline in early September. The OCC and

year could lose access to credit.

Efforts to regulate the U.S. payday-loan market, which lent roughly \$40 billion in 2015, according to an estimate by Jeffries, have been on the CFPB's agenda since its 2011 creation.

The bureau has said payday lenders push vulnerable lower-income borrowers into "debt traps" by offering unaffordable loans. It proposed an oversight plan last year that would require lenders to assess a borrower's ability to repay and make it harder for lenders to roll over loans, a practice that often leads to escalating borrowing fees.

A rule focused on payday loans would be good news for companies such as **World Acceptance Corp.** and **OneMain Financial**, which offer small personal loans lasting longer than 45 days due in installments.

"This would be a validation by the CFPB of what we've been demonstrating for years: that traditional installment loans are beneficial to consumers," said Chris Stinebert, chief executive of the American Financial Ser-



Richard Cordray, CFPB director

FDIC declined to comment.

"We are expecting the rule anytime," said Dennis Shaul, chief executive of the Community Financial Services Association of America, the primary industry group for payday lenders. "They are very far along in their process."

The payday industry has fought new federal oversight, saying that an estimated 10 million to 12 million people who take out payday loans every

vices Association, a trade group for installment lenders.

A final rule on short-term loans is expected in September.

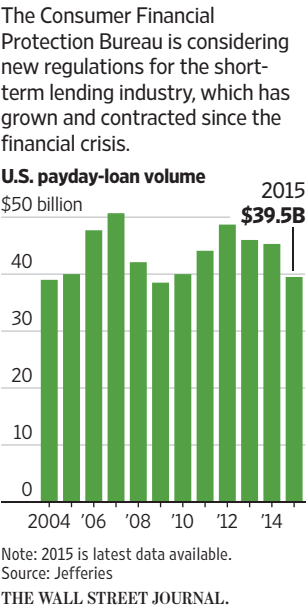
At a later date, the CFPB may issue a separate rule to address the longer-term loan market, which requires more complex regulations and involves a wider range of lenders, including banks and credit unions.

Consumer groups in recent months have expressed support for such a two-stage approach.

"I think it's a major step forward," said Ed Mierzwinski, federal consumer director at advocacy group U.S. PIRG. "If we can rein in one part of the industry but not the other, why not?"

Despite persistent pressure from Republicans and Trump administration officials, the CFPB has continued apace with enforcement actions and rule-making into the Trump presidency. In July, the bureau finished a regulation to bar requirements for arbitration over disputes about consumer financial products, a rule industry and Republicans in Congress are working to overturn.

Up and Down



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FUND NAME	GF	AT	LB	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							
CAMS-GIF Limited							
01 01 MU5 08/18 US 305085.29 1.0 0.7 5.1							

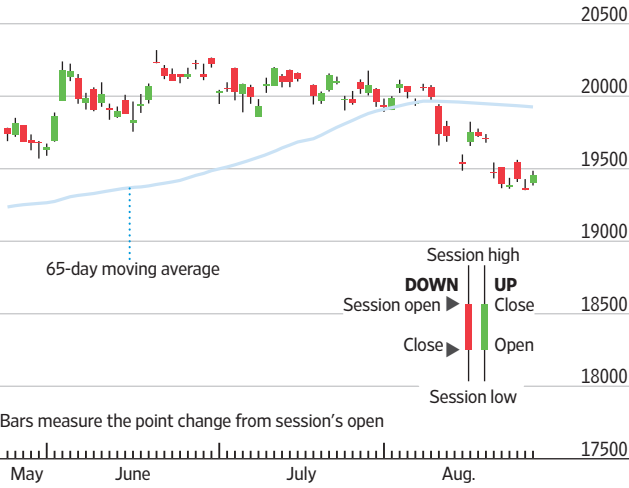
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MARKETS DIGEST

Data as of Friday, August 25, 2017

Nikkei 225 Index

19452.61 ▲98.84, or 0.51%
High, low, open and close for each trading day of the past three months.



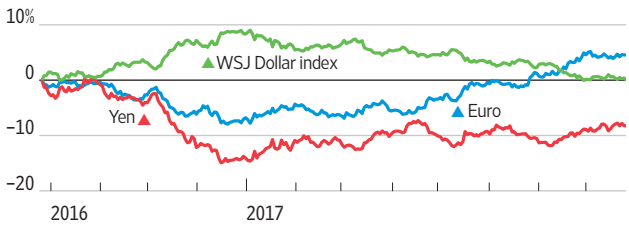
International Stock Indexes

Region/Country		Index	Close	Latest NetChg	% chg	Low	52-Week Range Close	High	YTD % chg
World	The Global Dow		2831.89	11.56	▲1.77%	2390.11		2878.99	11.9
	MSCI EAFE		1927.80	9.26	▲0.48	1614.17		1955.39	14.5
	MSCI EM USD		1085.37	2.92	▲0.27	838.96		1085.37	25.9
Americas	DJ Americas		588.81	1.03	▲0.18	503.67		596.96	9.0
	Brazil Sao Paulo Bovespa		71073.65	-59.15	-0.08↓	56820.77		71132.80	18.0
	Canada S&P/TSX Comp		15055.99	-20.17	-0.13↓	14349.10		15922.37	-1.5
	Mexico IPC All-Share		51373.23	-96.83	-0.19↓	44364.17		51713.38	12.6
	Chile Santiago IPSA		3932.62	17.71	▲0.45	3127.54		3932.62	22.0
U.S.	DJIA		21813.67	30.27	▲0.14	17888.28		22118.42	10.4
	Nasdaq Composite		6265.64	-5.68	-0.09↓	5046.37		6422.75	16.4
	S&P 500		2443.05	4.08	▲0.17	2085.18		2480.91	9.1
	CBOE Volatility		11.28	-0.95	-7.77█	9.36		22.51	-19.7
EMEA	Stoxx Europe 600		374.07	-0.44	-0.12↓	328.80		396.45	3.5
	Stoxx Europe 50		3042.38	-3.69	-0.12↓	2730.05		3276.11	1.1
	Austria ATX		3231.20	26.11	▲0.81	2311.65		3280.48	23.4
	Belgium Bel-20		3905.71	-12.28	-0.31↓	3426.21		4041.03	8.3
	France CAC 40		5104.33	-8.80	-0.17↓	4332.45		5432.40	5.0
	Germany DAX		12167.94	-12.89	-0.11↓	10259.13		12888.95	6.0
	Greece ATG		835.30	-0.25	-0.03↓	551.93		858.08	29.8
	Hungary BUX		38011.33	56.92	▲0.15	27476.40		38011.33	18.8
	Israel Tel Aviv		1396.08	...	Closed	1363.50		1478.96	-5.1
	Italy FTSE MIB		21746.50	16.63	▲0.08	16134.71		22048.30	13.1
	Netherlands AEX		517.42	-1.68	-0.32↓	439.07		536.26	7.1
	Poland WIG		64135.52	248.98	▲0.39	46756.18		64135.52	23.9
	Russia RTS Index		1060.49	10.53	▲1.00	944.96		1195.61	-8.0
	Spain IBEX 35		10345.30	-12.10	-0.12↓	8607.10		11135.40	10.6
	Sweden SX All Share		554.29	1.72	▲0.31	496.66		596.72	3.7
	Switzerland Swiss Market		8906.18	-36.86	-0.41↓	7593.20		9176.99	8.3
	South Africa Johannesburg All Share		56655.88	66.89	▲0.12	48935.90		56655.88	11.8
	Turkey BIST 100		109755.14	601.23	▲0.55	72519.85		109781.13	40.5
	U.K. FTSE 100		7401.46	-5.60	-0.08↓	6665.63		7547.63	3.6
Asia-Pacific	S&P/ASX 200		5743.90	-1.60	-0.03↓	5156.60		5956.50	1.4
	China Shanghai Composite		3331.52	60.01	▲1.83	2980.43		3331.52	7.3
	Hong Kong Hang Seng		27848.16	329.56	▲1.20	21574.76		27854.91	26.6
	India S&P BSE Sensex		31596.06	...	Closed	25765.14		32575.17	18.7
	Japan Nikkei Stock Avg		19452.61	98.84	▲0.51	16251.54		20230.41	1.8
	Singapore Straits Times		3259.57	-12.59	-0.38↓	2787.27		3354.71	13.1
	South Korea Kospi		2378.51	2.67	▲0.11	1958.38		2451.53	17.4
	Taiwan Weighted		10515.51	26.55	▲0.25	8902.30		10579.38	13.6

Source: SIX Financial Information;WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency	Fri in US\$	per US\$	YTD chg (%)
Americas			
Argentina peso-a	0.0581	17.2198	8.5
Brazil real	0.3179	3.1457	-3.4
Canada dollar	0.8005	1.2492	-7.1
Chile peso	0.001573	635.90	-5.1
Colombia peso	0.0003417	2926.88	-2.5
Ecuador US dollar-f	1	1	unch
Mexico peso-a	0.0568	17.6073	-15.1
Peru sol	0.3089	3.2377	-3.4
Uruguay peso-e	0.0347	28.830	-1.8
Venezuela bolivar	0.099288	10.07	0.8
Asia-Pacific			
Australia dollar	0.7933	1.2606	-9.2
China yuan	0.1504	6.6498	-4.2

Top Stock Listings

Cur Stock	Sym	Last	% Chg	YTD% Chg
Asia Titans				
HK\$ AIAGroup	1299	59.75	0.84	36.57
¥ AstellasPharma	4503	1376.00	-0.47	-15.24
AUS AustNZBK	ANZ	29.65	-0.50	-2.53
AUS BHP	BP	26.68	0.30	6.46
HK\$ BankofChina	3988	4.08	3.29	18.60
HK\$ CKHutchison	0001	101.70	0.20	15.70
HK\$ CNOOC	0883	9.36	2.74	-3.51
AUS CSL	CSL	128.55	0.43	28.03
¥ Canon	7751	3792.00	0.26	15.08
¥ CentralJapanRwy	9022	18125	-0.28	-5.75
HK\$ ChinaConstructBk	0939	6.97	34.1	16.75
HK\$ ChinaLifeInsurance	2628	25.00	4.17	23.76
HK\$ ChinaMobile	0941	87.70	0.23	6.69
HK\$ ChinaPetroChem	0386	5.86	2.45	6.55
AUS CmwthBkAust	CBA	77.72	0.22	-5.69
¥ EastJapanRailway	9020	10000	-0.10	-0.99
¥ Fancu	6954	21085	0.26	6.41
¥ Hitachi	6501	719.00	0.21	13.77
TW\$ Hon Hai Precisin	2317	116.00	...	37.77
¥ HondaMotor	7267	3053.00	0.63	-10.60
KRW HyundaiMtr	005380	144500	0.70	-1.03
HK\$ IndsComm	1398	5.96	34.7	28.17
¥ JapanTobacco	9434	3696.00	-0.56	-3.85
¥ KDDI	2913	2957.50	0.44	-0.07
¥ Mitsubishi	8058	2501.00	0.97	0.44
¥ MitsubishiElectric	6503	1624.00	-0.67	-0.34
¥ MitsubishiUFJFin	8306	664.30	0.65	-7.76
¥ Mitsui	8031	1607.50	0.66	0.03
¥ Mizuho Fin	8411	187.90	0.48	-10.44
¥ NTTDoCoMo	9437	2536.00	-0.35	-4.77
AUS NatAustBnk	NAB	30.68	-0.39	0.03
¥ NipponTelegr	9432	5291.00	0.13	7.72
¥ NissanMotor	7201	10825.00	...	79.28
¥ Panasonic	6752	1445.50	...	-22.21
HK\$ PingAnInsdChina	2318	62.80	...	61.86
¥ RelianceIndsGDR	RIG	49.10	0.51	55.63
KRW SamsungElectronics	005930	235100	-1.05	30.47
¥ SevensG Hlids	3382	4377.00	0.58	-13.71
¥ SoftBankGroup	9984	8835.00	0.85	13.78
¥ Sony	6756	4199.00	0.74	28.21
¥ Sumitomo Mitsui	8318	4056.00	0.70	-9.06
HK\$ SunHngKaiPrp	0016	125.20	1.13	27.76
TW\$ TaiwanSemiMfg	2330	217.50	0.23	19.83

STOXX 600 Index

374.07 ▼0.44, or 0.12%
High, low, open and close for each trading day of the past three months.



Data as of 4 p.m. New York time

Country/currency	Close	Latest NetChg	% chg	Low	52-Week Range Close	High	YTD % chg
Europe							
Bulgaria lev	0.6071	1.6473	-11.4				
Croatia kuna	0.1603	6.240	-13.0				
Euro zone euro	1.1883	0.8416	-11.5				
Japan yen	0.0455	21.966	-14.5				
Czech Rep. koruna-b	0.1597	6.2617	-11.4				
Denmark krone	0.003898	256.54	-12.8				
Hungary forint	0.009513	105.12	-6.9				
Iceland krona	0.1286	7.7741	-10.1				
Norway krone	0.2794	3.5789	-14.5				
Poland zloty	0.01705	58.661	-4.3				
Russia ruble-d	0.1252	7.9904	-12.3				
Sweden krona	1.0454	0.9566	-6.1				
Switzerland franc	0.2903	3.4443	-2.2				
Turkey lira	0.0391	25.5550	-5.6				
Ukraine hryvnia	1.2880	0.7764	-4.2				
Middle East/Africa							
Bahrain dinar	2.6522	0.3770	-0.03				
Egypt pound-a	0.0565	17.6950	-2.4				
Israel shekel	0.2788	3.5870	-6.8				
Kuwait dinar	3.3127	0.3019	-1.2				
Oman sul rial	2.5973	0.3850	0.01				
Qatar rial	0.2753	3.633	-0.21				
Saudi Arabia riyal	0.2666	3.7503	-0.01				
South Africa rand	0.0769	12.9973	-5.1				
WSJ Dollar Index							
	85.71	-0.43	-0.50				-7.77

Source: Tullett Prebon;WSJ Market Data Group

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

Coupon	Country/		Yield	Spread Over Treasuries, in basis points					Yield		
	Maturity, in years			Latest	Previous	Month Ago	Year ago	Previous	Month ago	Year ago	
2.750	Australia	2	1.840	49.8	49.7	45.9	64.4	1.831	1.849	1.437	
2.750		10	2.657	48.5	44.7	36.1	28.8	2.643	2.699	1.866	
3.000	Belgium	2	-0.566	-190.8	-190.1	-186.1	-139.2	-0.568	-0.472	-0.599	
0.800		10	0.695	-147.6	-150.0	-151.2	-143.2	0.696	0.826	0.146	
0.000	France	2	-0.499	-184.0	-183.8	-177.4	-135.8	-0.504	-0.384	-0.565	
1.000		10	0.694	-147.7	-150.6	-152.9	-141.3	0.690	0.810	0.164	
0.000	Germany	2	-0.730	-207.1	-207.0	-204.3	-140.6	-0.736	-0.653	-0.613	
0.500		10	0.379	-179.2	-181.8	-176.9	-164.9	0.377	0.570	-0.071	
0.050	Italy	2	-0.026	-136.8	-135.9	-139.4	-89.8	-0.025	-0.004	-0.105	
2.200		10	2.099	-7.2	-8.8	-21.7	-44.4	2.108	2.122	1.133	
0.100	Japan	2	-0.159	-150.0	-147.7	-150.0	-97.9	-0.143	-0.110	-0.186	
0.100		10	0.014	-215.8	-217.2	-226.8	-166.3	0.024	0.070	-0.086	
4.000	Netherlands	2	-0.684	-202.6	-201.8	-202.4	-138.0	-0.684	-0.634	-0.587	
0.750		10	0.516	-165.6	-168.8	-165.7	-154.5	0.508	0.681	0.032	
4.750	Portugal	2	-0.012	-135.4	-133.8	-133.2	-31.8	-0.004	0.058	0.475	
4.125		10	2.843	67.2	65.1	61.9	139.0	2.846	2.957	2.967	
2.750	Spain	2	-0.348	-168.9	-169.1	-165.2	-102.6	-0.357	-0.262	-0.233	
1.450		10	1.600	-57.1	-59.9	-80.8	-66.2	1.597	1.531	0.915	
4.250	Sweden	2	-0.671	-201.3	-199.9	-208.2	-143.4	-0.665	-0.692	-0.641	
1.000		10	0.606	-156.6	-160.5	-167.7	-147.0	0.591	0.662	0.108	
1.750	U.K.	2	0.179	-116.2	-114.5	-107.8	-63.1	0.189	0.312	0.162	
4.250		10	1.054	-111.8	-113.9	-107.8	-100.1	1.057	1.260	0.577	
1.375	U.S.	2	1.342	...	...	...	...	1.334	1.390	0.793
2.250		10	2.171	...	...	...	...	2.196	2.338	1.577

FINANCE & MARKETS

Watch ECB for Still More Bond Buying

By JUSTIN YANG
AND CHRISTOPHER WHITTALL

Just as the European Central Bank gets ready to reduce its bond-buying program, it appears poised to scoop up more.

The extra buying, as the ECB reinvests the proceeds of maturing debt, creates a new dynamic for investors who have been more focused on when the central bank will begin reducing its €60 billion (\$70.8 billion) a month of bond purchases.

The ECB began buying government bonds in March 2015 to help stimulate the eurozone economy, boosting the price of debt and stocks across the region.

But now, eurozone growth is taking off, and investors predict the ECB could taper its asset purchases as early as January 2018, having already reduced them from €80 billion a month in March.

But before that happens, the ECB's bond buying will actually ramp up, analysts say. Bonds on its books are starting to mature, and reinvesting billions of euros of redemp-



The ECB, in Frankfurt, is expected to ramp up bond purchases as debt on its books matures and the proceeds are reinvested.

tions could support the market even as the ECB prepares to reduce the pace of its purchases, some investors say.

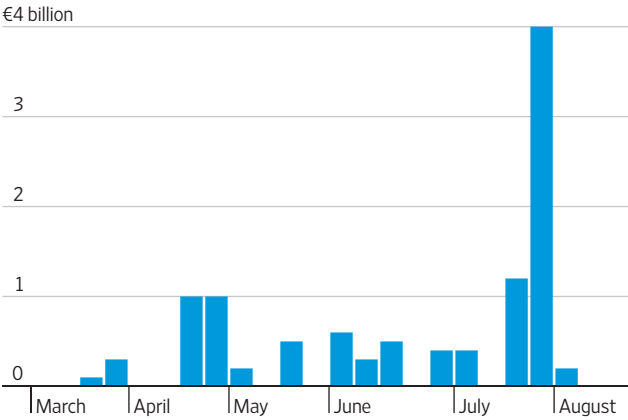
Investors are trying to work out where that ECB reinvestment will go. The central bank already has purchased €1.8 trillion of sovereign and corporate debt, making it effectively one of the world's largest fund managers.

"It adds to the inflow and is thereby even more supportive of European fixed income," said Charlie Diebel, head of rates at Aviva Investors.

In the last two weeks of July, €5.2 billion of bonds held by the ECB under its asset-purchase program came due. Those proceeds have to be reinvested in new bonds, according to the ECB's own rules, in

Picking Up

Bonds that mature each week, European Central Bank's public-sector purchase program



Note: €1 billion = \$1.18 billion
Sources: Rabobank; ECB

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the same month the old bonds mature or in the following months "if needed."

About €12 billion of bonds a month will need to be reinvested over the course of 2018, according to estimates from Bank of America Merrill Lynch.

The Fed has been reinvesting the proceeds of its bond-buying program since it

stopped expanding its balance sheet in October 2014. Fed officials are now contemplating shrinking their bondholdings by scaling back reinvestments, a move economists think could come as soon as September.

That reduction, along with interest-rate increases, forms part of the Fed's efforts to unwind the extraordinary stimulus it unleashed following the

financial crisis.

Richard McGuire, head of rates strategy at **Rabobank**, said the Fed's reinvestments are far more predictable. That is because, unlike the ECB, the Fed provided more details on how many bonds, and of what different maturities, it bought.

"The ECB is much more opaque," said Mr. McGuire.

That can make it tougher for investors to establish when and where the ECB's reinvestments will fall. Some analysts are starting to game where the reinvestments will go.

Some investors say it is simple: The ECB has been spreading its purchases based on the relative size of the eurozone's economies. Just below a quarter of its €1.7 trillion of its public-sector debt purchases have come from Germany, so that country's debt should also see the biggest chunk of the reinvestments, some investors say.

Mr. Diebel said he recently closed a bet that German bonds would fall in value relative to U.S. bonds, in part because of the prospect of more ECB money flowing into German debt from reinvestments.

Easing, Not Tightening, Tops Agenda at Some Central Banks

By SAUMYA VAISHAMPAYAN

Policy makers from leading central banks may be wondering how to step back from years of easy monetary policy. But several of their counterparts in emerging markets are heading in the opposite direction by cutting interest rates.

The number of emerging-market central banks that lowered interest rates topped the number raising rates for the fourth month in a row in July, according to Capital Economics. That trend, largely driven by Latin American countries, is spreading to Asia.

In a surprise step last week, Indonesia's central bank lowered its benchmark rate for

the first time in nearly a year, to 4.5% from 4.75%. Its move followed the Reserve Bank of India's decision this month to cut its main lending rate to its lowest in more than six years.

Lowering rates right now might seem risky. Relatively high interest rates in emerging markets in recent years had helped them to attract foreign capital. Foreigners poured a net \$17.5 billion into India's debt market and bought a net \$8.4 billion of Indonesian bonds in the first seven months of 2017, according to Australia & New Zealand Banking Group Ltd.

Now, though, the days of emerging markets' interest-rate advantage over developed

markets look numbered. The Federal Reserve appears committed to raising rates. Meanwhile, the European Central Bank is getting ready to reduce its bond-buying program.

Rate-cutting trend moves from Latin America to Asia as Indonesia and India act.

Even so, several factors are encouraging central bankers in emerging countries to feel confident they can enact rate cuts, or at least not tighten policy further, without hurting their economies. Low inflation in countries such as India and

Indonesia is giving policy makers leeway to take measures to boost growth.

Moreover, Asia's rate cuts have come without evidence that they will spur heavy capi-

tal outflows. Indonesia's rupiah slipped by just 0.1% after the central bank's policy decision Tuesday. India's rupee gained 0.7% against the dollar on the day of its rate cut.

A reason markets haven't reacted violently: Even with the latest cuts, India's main interest rate stands at 6%, while Indonesia's is at 4.5%. Those policy rates are the two highest in the region, according to data compiled by Capital Economics. That should leave currencies and bonds attractive to investors.

Another reason investors aren't worrying about rate cuts in Asia is that decent growth levels mean few believe a long period of policy easing is needed.

"We don't think there's going to be a new wave of central bank easing in Asia," said Aidan Yao, senior emerging Asia economist at AXA Investment Managers in Hong Kong.

"If you don't have expecta-

tions for persistent cuts...in the coming year, I don't think there's that much need for investors to take money out," he said.

So can another central bank sneak in an interest-rate cut this year? Rob Carnell, head of research for Asia at ING in Singapore, notes that Thailand's export sector has been hit by the value of the Thai baht, which he estimates is one of the most overvalued currencies in Asia, while both growth and inflation are low in Thailand.

"The most obvious contender to follow in Bank Indonesia's footsteps is the Bank of Thailand," he wrote in a recent research note.



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MARKETS

Terrible Month for U.S. Energy Shares

Sector down 5.7% as quarterly reports disappoint investors and oil prices languish

By MICHAEL WURSTHORN

Shares of energy companies are on track for their biggest monthly decline since the end of 2015, showing that stabilizing earnings aren't enough to attract investors.

Energy companies in the S&P 500 are off 17% so far this year, making it the index's worst-performing sector. August has been particularly painful, with energy shares shedding 5.7% through Friday.

The sector has given back nearly all the gains it made last year, when it rose 24% as oil prices rebounded from multiyear lows. The rally in energy companies reflected expectations that oil would continue to rise, bolstered by an agreement by the Organization of the Petroleum Exporting Countries and other major producers to curb output.

But such shares lost much of their appeal this year when oil prices started to fall again, even as earnings have generally improved off a low base. U.S. crude prices are down 11% this year and are languishing below \$50 a barrel.

About \$2.7 billion has flowed out of energy-focused stock funds for the year through July, according to data from Morningstar, after roughly \$5.8 billion flowed in last year.

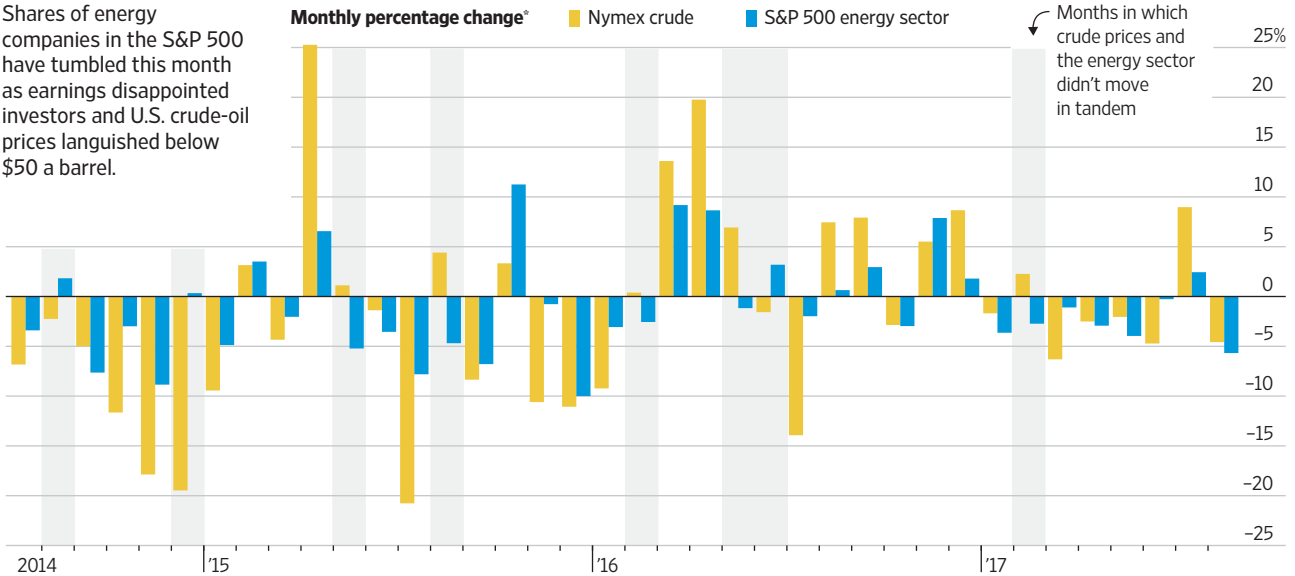
Analysts and investors pointed to quarterly reports from companies including **Pioneer Natural Resources** Co. as key contributors to the sector's sagging stock prices this month.

Some companies talked about not hitting production levels, which "spooked a lot of investors," said Terry Simpson, a multiasset investment strategist at BlackRock.

Pioneer cut its production-

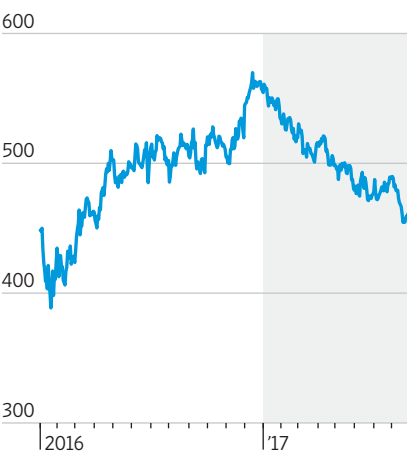
Sapped

Shares of energy companies in the S&P 500 have tumbled this month as earnings disappointed investors and U.S. crude-oil prices languished below \$50 a barrel.



The sector has given back nearly all the gains it made last year, when oil prices rebounded from multiyear lows.

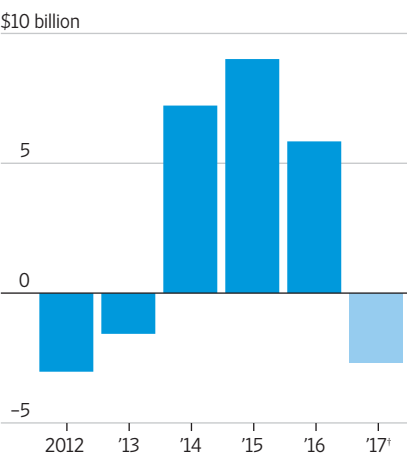
S&P 500 energy sector



*August 2017 data are through Friday. †Through July
Sources: WSJ Market Data Group (crude); FactSet (energy sector); Morningstar (flows); U.S. Energy Information Administration (inventories)

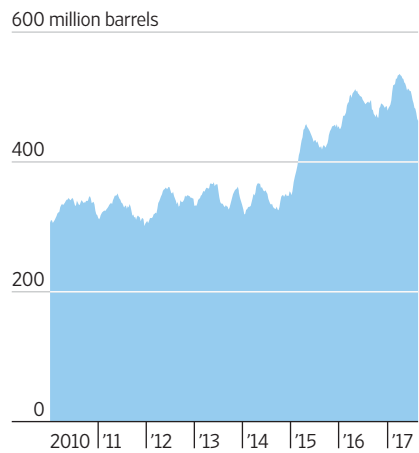
Investors are yanking money from energy funds after three years of inflows.

Estimated net flows into and out of U.S. energy-stock funds



There are signs the oil glut is easing, but U.S. inventories are still relatively high, keeping pressure on prices.

U.S. crude-oil inventories



growth guidance after running into drilling problems that caused delays. Shares of Pioneer fell 11% Aug. 2, even though it reported a higher profit that beat analysts' expectations. Pioneer is down 28% for the year, with most of that decline coming in August.

Pioneer President Timothy Dove attributed the production issues to "train-wreck wells" that have caused "all kinds of problems," when he discussed earnings results with analysts. Pioneer said it now takes more time to drill those wells, and it has in-

creased costs, too.

"Driving down costs continues to be a primary focus for us," a Pioneer spokesman said.

Chesapeake Energy Corp. exceeded analysts' expectations on quarterly profit and revenue earlier this month, but its production increase fell

short. Chesapeake shares have tumbled 24% in August.

Whiting Petroleum Corp. said it expects production to increase later this year after the company reported a drop in second-quarter production, which contributed to its eighth consecutive quarterly loss.

HEARD ON THE STREET

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Cash Is Piling Up at Buyout Funds

Private equity has a \$600 billion problem.

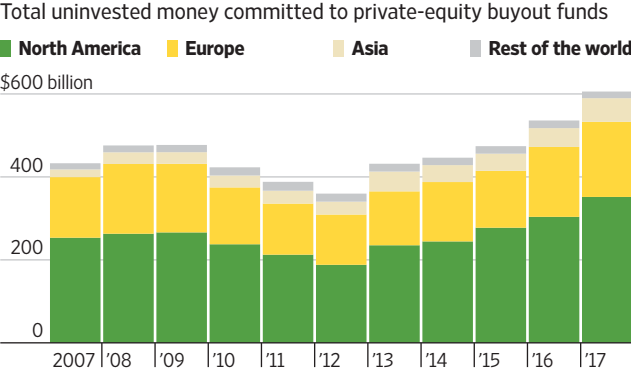
That is the record amount of uninvested cash buyout funds are sitting on, according to the research firm Preqin, after a bout of fundraising that included the biggest buyout fund ever: Apollo Global Management's \$23.5 billion vehicle wrapped up in June.

The problem is how to spend it. Although loan markets are flooded with cheap money and loose terms, company valuations are very high and buyout deal volumes have slipped since 2015.

The big risk for private-equity investors is that their deal makers might do something dumb. With so much cash to invest, and no growth in the pool of people to invest it, a new era of megadeals could be in the cards.

The last great wave of supersize buyouts was a decade ago, just before the global financial crisis. Deal volumes then reached more than \$600 billion in both 2006 and 2007. Deal flow recovered after 2010, but remains far below those heady days. The best

Burning a Hole



Note: Note: 2017 is amount as of Wednesday.
Source: Preqin

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recent year, 2015, saw \$303 billion of buyouts backed by private equity, which slipped to \$239 billion last year. That pace has ticked up to \$190 billion so far this year, according to ThomsonReuters.

The last cycle peaked with KKR's \$45 billion buyout of Texas energy group TXU, which went bankrupt in 2014 and is only now being sold off in pieces. But even with such big blowups, private equity has given fund investors better returns than public stock

markets throughout the past decade, according to Bain & Co. Even now, it is just about producing double-digit returns.

Very large deals have been scarce. There were none worth more than \$10 billion announced in 2016 and only a handful worth more than \$5 billion. In 2017, the U.S. power-generation company Calpine has just agreed to be bought in a deal worth \$17 billion including debt, but beyond that, just four other

deals have cost more than \$5 billion, according to Dealogic.

Big deals also carry less debt than a decade ago, partly due to restrictions on bank lending imposed by the Federal Reserve. However, valuations paid by private equity are rising. Deal values, as a multiple of underlying earnings, hit 11 times among U.S. buyouts late last year, according to Bain, versus an average multiple of nine between 2007 and 2015.

In this environment, maintaining discipline will get harder. Alongside the glut of funds in private equity's hands, more competition is coming from traditional asset managers and pension funds. Also, since 2013 private equity has been able to keep busy making money in improving markets by selling and refinancing companies bought before the crisis.

With that work done, private-equity investors and managers could get itchy trigger fingers. They will have to work hard to balance discipline with the desire to put money to work.

—Paul J. Davies

OVERHEARD

As the crisis in U.S. retail rolls on, companies are going to great lengths to show investors they are doing something to avert disaster. They are even making up words.

Retail executives from at least 14 companies have used the word "learnings" during their second-quarter conference calls to emphasize efforts to turn their businesses around. The plural usage of the word is nowhere to be found in Merriam-Webster.

Abercrombie & Fitch CEO **Fran Horowitz** said executives "continue to acquire learnings" from its more successful Hollister brand. **Urban Outfitters** CEO **Trish Donnelly** said her company aims to "refine [its] learnings" to return its namesake brand to growth.

Of course, Wall Street analysts are often the biggest offenders. An analyst with RBC Capital Markets asked **L Brands** whether it had any "learnings" from the launch of a new bra. Victoria's Secret CEO **Jan Singer** answered without repeating the word.

Samsung Needs a Boss Not in Jail

Are your bosses ever worth their paychecks? Maybe not, judging by recent events at Samsung Electronics. The Korean technology giant has been doing just fine without a leader for months, with its de facto boss Lee Jae-yong awaiting trial on charges of bribery and embezzlement. Still, the guilty verdict and five-year prison sentence handed to Mr. Lee on Friday should cause investors to rethink.

The long-running corruption scandal that involved former President Park Geun-hye doesn't appear to have hurt Samsung to date. It reported its best ever quarterly earnings in the three months ended June 30. Mr. Lee's lawyers say he will appeal the court's decision.

A big organization with well-defined responsibilities can keep daily operations going as normal even during a leadership crisis. Yet any long-term absence for its leader could still leave Samsung disoriented. The company made its biggest ever acquisition, the \$8 billion purchase of car-infotainment and audio company Harman, on his watch last year. Similar deals could be harder to come by with a power vacuum at the top.

Moreover, tech, it hardly needs saying, is a fast-moving business that often requires nimble leadership: Witness the big changes in areas from artificial intelligence to self-driving cars currently taking place.

A prison cell hardly seems the best place from which to handle all this. Samsung may carry on doing well in an autopilot mode for a while yet. But unless Mr. Lee can change his fate, it will need to find a new driver soon.

—Jacky Wong

U.S. Banking Data Suggest Economy May Be Losing Steam

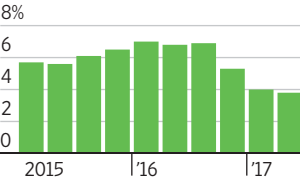
U.S. banks are sending signals that the country's economic expansion is getting long in the tooth.

Being a key transmission mechanism for savings, investment and spending, the banking sector is worth watching as a barometer for the health of the overall economy. Lately it has been acting as one would expect toward the end of an expansion phase.

Most glaringly, after strong lending growth for several years, momentum clearly is slowing. In its quarterly report on the sector, the Federal Deposit Insurance Corp. found that to-

Downshift

Net loans and leases by FDIC-insured institutions, change from year earlier



Source: FDIC
THE WALL STREET JOURNAL.

tal loans and leases by banks and other insured institutions rose by just 3.7% from a year earlier at the end of June. That is the third con-

secutive quarterly deceleration and is down from a 6.7% pace of growth a year ago.

In a statement, FDIC Chairman Martin Gruenberg explicitly linked the slowdown to the fact that the economy is now in its ninth year of expansion. But it is more than just a symptom. Slower lending growth means less fuel for business investment and personal consumption, potentially weighing on economic performance.

After a period of strong lending, it is also typical for defaults to start ticking up as levels of indebtedness rise and bills come due. This is

indeed happening, at least among consumers. Credit-card charge-offs soared by 24.5% in the second quarter, according to the FDIC, marking the seventh straight increase. Charge-offs on loans to commercial and industrial borrowers, however, declined by 9.7%, possibly due to a recovering energy sector.

Despite these headwinds, banks are doing well for themselves. The nearly 5,800 banks and savings institutions that the FDIC monitors reported \$48.3 billion of combined net profits in the second quarter, up 10.7% from a year earlier. This was mostly due to higher interest

rates. Banks have been quick to raise rates on loans but slow to do so on deposits, widening their lending margins.

While good for the banks, rising interest rates are also a symptom of a late-phase expansion, and a potential trigger for an economic slowdown.

These signs of advanced age in the credit cycle don't mean a recession is imminent, but they do mean it is time to be on the lookout for other signals of an economic downturn. Expansions don't die of old age, as they say. They also can't live forever.

—Aaron Back