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DJIA 21513.17 ▼ 0.31%

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What's News

Business & Finance

OPEC is coming to grips with its failure to raise oil prices and weighing a crackdown on members that aren't curbing output. A1

◆ Samsung is launching a lower-price copy of J&J's rheumatoid-arthritis drug Remicade in the U.S. A1

◆ KKR reached a deal to buy health-information provider WebMD for \$2.8 billion. B1

◆ Expedia, Priceline and other big travel portals are grabbing a larger share of vacation-rental listings in a challenge to Airbnb. B1

◆ Google parent Alphabet said quarterly profit fell 28% due to an EU fine, but revenue rose 21% as its ad business continued to grow. B1

◆ Wall Street pay has been shrinking, even as U.S. regulators back away from plans to rein in compensation. B1

◆ Ryanair said net rose 55% last quarter but warned that overcapacity will continue to pressure fares. B2

◆ Telecom Italia is set to announce its CEO's departure amid mounting tensions with shareholder Vivendi. B4

◆ Foxconn is nearing a decision to make display panels in Wisconsin and is considering a Detroit plant. B4

◆ GrabTaxi plans to raise \$2.5 billion in a bid to battle Uber in Southeast Asia. B4

◆ Britain opened a probe of suspected corrupt activities by Rio Tinto in Guinea. B3

◆ Economic growth eased in the eurozone in July, a business survey showed. A4

World-Wide

◆ Kushner said he didn't collude with any Russian efforts to interfere in the 2016 U.S. presidential vote and denied Moscow was responsible for Trump's win. A1

◆ Trump referred to Attorney General Sessions as "beleaguered" in one of a series of tweets in which he criticized the Russia probe. A6

◆ China has been quietly bolstering defenses along its 880-mile frontier with North Korea to prepare for a potential crisis. A1

◆ Poland's president vetoed legislation that would have forced the Supreme Court to retire, a surprise move that bucked his own party. A3

◆ NATO is trying to defuse a dispute between Turkey and Germany that threatens counterterrorism missions and other operations. A4

◆ An Israeli security guard at the country's embassy in Amman shot and killed two Jordanians when one attacked with a screwdriver. A5

◆ A suicide bomber in Kabul struck a minibus carrying Afghan government workers, killing at least 31 people. A5

◆ The British parents of a terminally ill baby ceased their fight to take him abroad for experimental therapy. A4

◆ Democrats launched a new agenda focused on the economy, amid polls showing most Americans don't know what the party stands for. A6

◆ A truck driver accused of smuggling migrants into the U.S. was charged over the deaths of 10 men. A7

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Parents Drop Battle With Doctors Over Ill Child



LETTING GO: Chris Gard and Connie Yates, parents of Charlie Gard, a terminally ill 11-month-old, abandoned a push to take him outside the U.K. for experimental therapy, ending a challenge to doctors who want to turn off his ventilator and give him end-of-life care. A4

China Plans for a Conflict

Chinese military hedges against a possible U.S.-North Korea showdown

By JEREMY PAGE

BEIJING—China has been bolstering defenses along its 880-mile frontier with North Korea and realigning forces in surrounding regions to prepare for a potential crisis across their border, including the possibility of a U.S. military strike.

A review of official military and government websites and interviews with experts who

have studied the preparations show that Beijing has implemented many of the changes in recent months after initiating them last year. They coincide with repeated warnings by U.S. President Donald Trump that he is weighing military action to halt Pyongyang's nuclear weapons program.

Recent measures include establishing a new border defense brigade, 24-hour video surveillance of the mountainous frontier backed by aerial drones, and bunkers to protect against nuclear and chemical blasts, according to the websites.

China's military has also

merged, moved and modernized other units in border regions and released details of recent drills there with special forces, airborne troops and other units that experts say could be sent into North Korea in a crisis. They include a live-fire drill in June by helicopter gunships and one in July by an armored infantry unit recently transferred from eastern China and equipped with new weaponry.

China's Defense Ministry didn't respond directly when asked if the recent changes were connected to North Korea, saying only in a written statement that its forces

"maintain a normal state of combat readiness and training" on the border. It has denied previous reports of thousands of extra Chinese troops moving into border areas. A Chinese Foreign Ministry spokesman on Monday said: "Military means shouldn't be an option to solve the Korean Peninsula issue."

Chinese authorities have nonetheless been preparing for North Korean contingencies, including economic collapse, nuclear contamination, or military conflict, according to U.S. and Chinese experts who have studied Beijing's planning.

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A Father Mourns After Attack



DOZENS DIE: The Taliban claimed responsibility for a suicide attack in Kabul that killed at least 24 people. A security official said the toll could reach 38. Above, a father who lost his son. A5

MOHAMMAD ISMAIL/REUTERS

OPEC Points the Finger At Self for Low Oil Prices

ST. PETERSBURG, Russia—Internal discord among OPEC members and big oil-producing allies spilled into public view as the group struggles with its efforts to raise prices for crude.

By Georgi Kantchev,
Nathan Hodge
and Benoit Faucon

Until now, the Organization of the Petroleum Exporting Countries had largely blamed low prices on U.S. shale drillers, which are at the heart of an American oil boom that has decimated the group's power. Oil prices have actually fallen since OPEC's 14 members and 10 other big producers struck a deal in December to with-

hold 2% of global oil supply, in part because American producers ramped up output.

OPEC officials said they were now looking inward and contemplating a crackdown on members that aren't keeping their promises to limit output. OPEC production rose again in July to over 33 million barrels a day, a Petro-Logistics report said last week, near the group's record levels of 2016.

OPEC officials expressed frustration with a new truth of the oil market: The group no longer has much power to lift prices, but it can certainly send prices lower with too much production. Iraq, the United Arab Emirates and others haven't cut as much output as promised.

"We are not doing this to allow other countries to free ride and undercut the agreement by overproducing," said Khalid al-Falih, the Saudi Arabian energy minister, in unusually blunt remarks following a meeting Monday with national representatives from oil-producing countries.

Mr. Falih said Saudi Arabia, the world's top oil exporter, announced it would go further than cutting its production and would also limit its exports at 6.6 million barrels a day in August. He said he wanted other countries to follow suit, noting troubling figures that showed some were still exporting huge amounts of oil even as they say they

Please see OPEC page A8

'Phelps vs. Shark,' Reviewed by a Shark

* * *

A coldblooded view of televised race; 'Connecticut is delicious'

By FRED THE SHARK

First of all, the shark's name is Larry. The great Michael Phelps lost to a shark named Larry.

When the Journal asked me to review Sunday night's televised, hugely hyped "Phelps vs. Shark" race on the Discovery Channel, I hesitated. I'm having a perfectly enjoyable summer chasing rich, toned seals off the Hamptons. Why should I get involved in this human nonsense?

But then I watched it, and I thought: *This is so dumb. Somebody's got to speak for the sharks here.*

And speak for Larry, too.

The Discovery Channel narrator kept saying Phelps was racing a computer-generated shark, but Discovery can bite me. I know Great Whites, and that was Larry. Good shark.

Used to have a condo up this way. Low-key guy. Fast. Couple of kids, both grown-ups now.

Divorced. Looks like he's lost a couple of pounds.

Discovery also said they filmed it in South Africa. I know for a fact they did it off the coast of suburban Connecticut. Yes: We're everywhere this summer. Connecticut is delicious.

So Larry slowed down and teased Phelps and made it a lot closer than it should have been. I wonder if Larry got paid. Did Discovery say the shark was "computer generated" in order to skip out on paying Larry? I'm starting to get really steamed.

To be clear: Nobody in the shark community has a problem with Michael Phelps. That dude can swim. He's old and fierce, and prefers water to land, what's not to like? He doesn't have to prove anything to sharks.

Phelps had to know he would lose. I bet he got a sweet check from Discovery. Good for him. He should throw a little over to Larry.

As a whole, the "Phelps vs.

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Fred the Shark

Anyway, we're all proud of Larry here, but no shark is surprised that he beat Phelps by two seconds in a 100-meter race. Watch the tape again: Larry took it easy. He toyed

Samsung Enters U.S. Drug Market

BY TIMOTHY W. MARTIN
AND JONATHAN D. ROCKOFF

Americans suffering from arthritis can now find relief from an unexpected new participant in the pharmaceuticals market.

Samsung's Samsung conglomerate, best known for its smartphones and televisions, planned to make available on Monday in the U.S. its lower-price copy of Johnson & Johnson's blockbuster rheumatoid-arthritis drug Remicade, the second such alternative on the market. The Samsung-developed drug will be marketed to health-care providers by Merck & Co.'s U.S. sales team and will be sold for about a 35% discount off Remicade's current list price.

The move follows an April approval by the Food and Drug Administration. It is the Samsung business empire's debut

treatment in the world's biggest drug market and reflects the conglomerate's desires to diversify beyond electronics.

Samsung Bioepis Co., the group's new biotechnology company, is targeting the creation of near replicas of so-called branded biologic drugs, like Remicade, which are made out of living cells and address complex diseases including cancer or arthritis.

These "biosimilars" are sold more cheaply than brand-name treatments that often cost tens of thousands of dollars a year.

The lucrative biologic drug market will gradually open up as patent protections of those treatments expire, creating opportunities for biosimilars made by Samsung and others. Biologics had \$202 billion in world-wide sales last year, and the drugs are expected to have

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WORLD NEWS

Democrats Have Openings in Trump Country



CAPITAL JOURNAL

By Gerald F. Seib

This is a column about how Donald Trump won the White House.

Well, more precisely, it's a column about how Hillary Clinton lost the White House. That's particularly relevant right now because Democrats are about to release a new road map showing how to recover from that 2016 loss.

Democratic leaders are calling their new agenda "A Better Deal," and it's heavy on populist economics: a higher minimum wage; more working-class access to government health programs; and expanded broadband for rural areas.

A deeper look back at the 2016 outcome suggests that approach is at least on the right track. The key for Democrats isn't simply to turn out more young, liberal voters, or to win over Republicans who don't like President Trump. Rather, Democrats need to win back working-class voters who defected to Mr. Trump. To do that, many

in the party believe, Democrats will have to craft a more effective economic message as well as convince voters that the party isn't locked into an unpopular Washington status quo.

The Third Way, a centrist Democratic think tank, finds in a new report that about six million people who voted for Barack Obama in 2012 abandoned the Democrats to vote for Mr. Trump in 2016. That's twice as many as voters who went for Republican Mitt Romney in 2012 and then flipped to Mrs. Clinton.

The voters who flipped from Mr. Obama to Mr. Trump are key. But why did they leave? Some answers are found in a Wall Street Journal/NBC News survey released earlier this month that looked at a broad cross-section of counties Mr.

Trump carried last year.

There's no escaping that people in Trump country simply didn't like Mrs. Clinton. In some places, she was practically toxic. Across all Trump counties, just 27% hold a positive view of her. Among independent voters in those counties, only 16% view her positively.

But much of Trump country is so deep red that it is beyond Democrats' reach. It's more instructive to look instead at a subset of Trump counties: those that Mr. Obama carried in 2012 but that went for Mr. Trump.



Bernie Sanders's policies resonate in counties that shifted from the Democrats to the GOP in 2016.

ALEX WONG/GETTY IMAGES

In these "flip counties" Mrs. Clinton also is personally unpopular; just 30% view her favorably, while 50% have an unfavorable view. Interestingly, though, Sen. Bernie Sanders, who challenged Mrs. Clinton from the left with a populist message, is far more popular there. In the flip counties, 44% have a positive view of Mr. Sanders, while just 29% have a negative view.

In other words, in counties that moved from Democrats to Mr. Trump, feelings toward Mrs. Clinton are a net 20-percentage points nega-

tive, while a net 15-points positive for Mr. Sanders.

That suggests Mrs. Clinton, the ultimate representative of the party establishment, was a particularly ill-suited candidate for 2016. It further suggests that a populist economic message of the kind Mr. Sanders brought to the table has resonance in the areas that moved away from the Democrats.

That notion is supported by some more specific findings in the Journal/NBC survey. In the flip counties, more than half said they think the political and eco-

nomic systems of the country are stacked against them. A whopping 71% said they aren't confident their children's generation will have a better life.

There is much about Mr. Trump's style that flip-county residents don't like, but they particularly like the suggestion that he is "shaking things up in Washington," and that he is twisting corporate arms to keep jobs in the U.S. That may be because they are feeling economic strain; 66% say someone in their household has lost a job in the last five

years, and 75% say someone in the household has more than \$20,000 in student debt.

Yet there also are signs that many voters in this slice of Trump country have impulses that are more Democratic than Republican. Six in 10 say government should be doing more to solve problems, while just 37% say the government is doing too many things. They are slightly more inclined to want Democrats to control Congress than Republicans, and they have positive views overall of Mr. Obama. They don't like Republicans' health-care plans.

Mr. Trump won these places with his "America First" economic and cultural messages. But Mrs. Clinton just as surely lost them because she was seen as part of the establishment in a year of anti-establishment sentiment, which Mr. Sanders tapped into quite effectively from within her own party.

These numbers suggest Democrats should have a good shot at retrieving this slice of the Trump coalition. They also suggest something else: Don't be surprised if Republicans try to hold on to those voters in next year's midterm elections by portraying Democratic House Speaker Nancy Pelosi as a replica of Mrs. Clinton, an embodiment of a hated political establishment.

RUSSIA

Continued from Page One

paign. In that statement, he said he had no improper interactions and that he hadn't "relied" on Russian funds to "finance [his] business activities."

A spokesman for Mr. Kushner didn't immediately respond to a question about whether the statement meant no Russian funds were involved in his businesses.

The written statement included details of a previously undisclosed meeting with the Russian ambassador to the U.S. in April 2016. During the encounter—shortly before Mr. Trump would become the Republican party's effective nominee—Mr. Kushner met ambassador Sergei Kislyak at an event at the Mayflower Hotel in Washington, D.C. Mr. Kushner said he was introduced to Mr. Kislyak and three other ambassadors by Dimitri Simes, the publisher of a foreign-policy magazine who was hosting the event.

Mr. Trump, who gave a speech addressing foreign policy at the event, also greeted Mr. Kislyak and three other foreign ambassadors who came to a VIP reception, The Wall Street Journal reported in May 2016. Mr. Kushner's account makes no mention of Mr. Trump being present at



JONATHAN ERNST/REUTERS

the reception. Attorney General Jeff Sessions—then a U.S. senator advising the Trump campaign—also attended the event, and said in sworn testimony before a Senate panel this past June that he couldn't recall whether he had a passing encounter with Mr. Kislyak there.

"The ambassadors...expressed interest in creating a positive relationship should we win the election," Mr. Kushner wrote in his statement. "Each exchange lasted less than a minute; some gave me their business cards and invited me to lunch at their embassies. I never took them up on any of these invitations and that was the extent of the interactions."

A spokesman for Mr. Kushner had previously denied that Messrs. Kushner and Kislyak met privately at the event. A separate Kushner spokesman said Monday that the statement doesn't contradict the previous denial because the two met at a reception, not one-on-one.

In the statement, Mr. Kushner also denied trying to establish any "backchannel" with Russia, though he acknowledged that in a December meeting with Mr. Kislyak, Mr. Kushner proposed receiving information about military operations in Syria via a secure communications line at the Russian embassy, because the Trump transition team had

no secure system of its own. After Mr. Trump's victory on Election Day, the White House denied there had been any contacts between his campaign and Russian officials. "It never happened," spokeswoman Hope Hicks told the Associated Press in November.

Since then, it has emerged that several members of Mr. Trump's campaign—some of whom now serve in his administration—did have contact with Russians. They include Mr. Sessions, former national-security adviser Mike Flynn and the president's son, Donald Trump Jr.

Congressional investigators and Special Counsel Robert

Mueller, who is overseeing a criminal probe for the Federal Bureau of Investigation, are investigating possible Russian meddling in the election, as well as whether Trump associates colluded in any meddling.

Mr. Trump and his campaign aides have denied any collusion, and the president has said he questions the U.S. intelligence agencies' consensus that Moscow sought to intervene during the campaign—a charge that Russian officials have denied.

The Russian Embassy announced on Twitter Saturday that Mr. Kislyak has concluded his assignment in Washington.

The revelations of the Rus-

sia meetings come as Congress considers legislation imposing new sanctions on Russia as retribution for any interference in the campaign.

The bill, which already passed the Senate on a rare and overwhelming bipartisan 98-2 vote, will pose a test for the president, who has expressed skepticism about the intelligence community's assessment of Moscow's role in the campaign, from hacking Democratic emails to promoting fake news. The White House press secretary Sarah Huckabee Sanders on Sunday said Mr. Trump was likely to support the legislation.

Meanwhile, the Senate Judiciary Committee has summoned Paul Manafort, Mr. Trump's campaign chairman for three months in 2016, and Donald Trump Jr., the president's eldest son, to a hearing on Wednesday, along with Russia sanctions activist Bill Browder and Glenn Simpson,

the founder of a political intelligence firm in Washington called Fusion GPS. Mr. Simpson, a former Wall Street Journal reporter, was subpoenaed to appear before the committee on Friday.

Mr. Simpson's attorneys have said they are prepared to fight the subpoena. The Judiciary Committee said Donald Trump Jr. and Mr. Manafort are providing documents to the committee and are still negotiating the terms of their

testimonies.

The new meeting disclosed on Monday comes on top of three previously confirmed meetings Mr. Kushner has held with Russians. He also disclosed that in October—days before the election—he reported to a Secret Service agent an email he received from someone under the name "Guccifer400" that threatened to "reveal candidate Trump's tax returns and demanded that we send him 52 bitcoins in exchange for not publishing that information." The agent advised Mr. Kushner to ignore the email, and Mr. Kushner said he wasn't contacted by the sender again.

In June 2016, Mr. Kushner met with Russian lawyer Natalia Veselnitskaya, Mr. Manafort and Donald Trump Jr. in a meeting arranged by the younger Mr. Trump. Emails the president's son released earlier this month showed the meeting was held to discuss allegedly damaging information about Democratic rival Mrs. Clinton that the Trump campaign was told was being offered by the Russian government in support of the elder Mr. Trump's candidacy.

Mr. Kushner said Monday that he arrived late and left early, sending his assistant an email that said: "Can u pls call me on my cell? Need excuse to get out of meeting."

—Shane Harris contributed to this article.

DRUG

Continued from Page One

\$214 billion in sales this year, according to EvaluatePharma, a source of pharmaceutical market data and analysis. It estimates sales will reach \$276 billion in 2020.

Samsung said in a statement its new drug, called Renflexis, would be priced at about \$750 per vial.

Pfizer Inc. and partner Celltrion Inc. launched their own Remicade near-copy in November, selling it then at 15% below J&J's list price. But J&J

has said patients pay a significantly lower price for Remicade after discounts.

What remains unclear is to what extent U.S. doctors and patients will embrace these new types of medication amid concerns about the safety and efficacy of biosimilars.

But adoption across Europe, where biosimilars have been available for years, has "dramatically" improved, while perceptions are getting better among U.S. health-care providers, said Klaus Falk, a Samsung Bioepis vice president who heads commercial strategy, in an email.

"I am convinced that the

good experiences we've seen in Europe will be repeated in the U.S." Mr. Falk said. "That said, there is still a way to go in educating the relevant stakeholders about the science behind biosimilars."

A vial of J&J's Remicade lists for more than \$1,100, with a year's treatment typically listed then at more than \$30,000. It is among the top-selling drugs in the U.S. with \$4.5 billion in sales last year.

Adoption of the Pfizer-Celltrion copy of Remicade—called Inflectra—has been limited. Pfizer reported the biosimilar generated just \$17 million of U.S. sales in the first quarter.

In its second quarter earnings call last week, J&J CFO Dominic Caruso described the impact of biosimilar competition on Remicade sales as less than J&J expected. Pfizer declined to comment.

Samsung, whose biotechnology push is five years old, has muscled into the drug world on an unusually fast timeline, industry analysts say. Its association with South Korea's largest conglomerate gives the Bioepis unit deep pockets to invest heavily in research and development, as well as the ability to price aggressively.

Pfizer has offered just small Inflectra discounts so far, opting not to lower prices to spur sales, according to Sanford C. Bernstein & Co. analyst Ronny

Gal.

Mr. Gal said Merck and Samsung would probably have to discount Renflexis even further, during contract talks with health plans, if the biosimilar was going to succeed in getting Remicade patients to switch over. J&J is already heavily discounting off Remicade's list price. J&J says the average sales price of Remicade, after discounts, is a little more than \$800 a vial or \$21,000 a year, about a third less than the list price.

J&J has acted forcefully to protect its franchise by, for instance, negotiating exclusive contracts with the managed-care organizations that pay for the drug and giving rebates on other company products to

hospitals that keep using Remicade, according to Mr. Gal.

J&J said Remicade has a long history of safe, effective use, and that the company was working to make sure patients who are doing well on Remicade can stay on it and aren't forced to switch to one of the copies.

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CORRECTIONS & AMPLIFICATIONS

The death toll from an apparent human smuggling crime in San Antonio rose to nine on Sunday after an adult male died at a hospital. A U.S. News article and headline on Monday about people found in a tractor trailer incorrectly said there were 10 deaths in total, and the article incor-

rectly said two people died later in the hospital.

The River Yeam was incorrectly called Yeald in a listing for a house in the village of Newton Ferrers that ran with a Mansion article in the Friday-Sunday edition about the English countryside.

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

WORLD NEWS



PAWEŁ Supernak/EUROPEAN PRESSPHOTO AGENCY

President Andrzej Duda announcing on Monday in Warsaw his intention to veto two laws pushed by his Law and Justice party, saying they 'would not strengthen the sense of security and justice.'

Polish President Blocks Move on Court

Andrzej Duda defies his party's attempt to limit the independence of the Supreme Court

By DREW HINSHAW
AND WIKTOR SZARY

WARSAW—Poland's President Andrzej Duda vetoed legislation that would have forced the entire Supreme Court into retirement, in a surprise move that bucked his own party and handed a victory to Poland's pro-democracy protesters.

After days of demonstrations in nearly all major cities, Mr. Duda announced on Monday he wouldn't sign two of the three laws that, taken together, would have given Poland's populist ruling party, Law and Justice, considerable control over the country's judiciary.

"This reform, in this shape, would not strengthen the sense of security and justice" in Poland, he said. He announced later in the day that he carried out the vetoes.

The legislation had drawn the ire of European Union leaders, who warned the measures it set forth would erode the rule of law in Poland's post-Communist democracy. Many

of the tens of thousands of Poles who protested believed action from the EU would be decisive in pressuring the government to back down.

The debate in Brussels, however, has moved more slowly than the reaction in Poland itself. The EU's executive branch was set on Wednesday to discuss legal procedures that could lead to fines against Poland after the country's leaders repeatedly rebuffed EU attempts to start a dialogue. But those actions would have taken months to bear fruit. Bolder steps such as stripping Poland of funding or its voting rights would have required the consensus of all 27 other EU members, making them unlikely.

Meanwhile, Mr. Duda saw a more widespread alliance of opposition rise up. Dozens of university rectors, hundreds of Polish legal experts, top business lobbies and former anti-Communist dissidents all voiced reservations about the bills, which parliament passed last week. The U.S. State Department also criticized the legislation, as did U.S. Senator John McCain. On Monday, prominent Catholic leaders, normally close to the ruling party, thanked Mr. Duda for his decision to veto the bills.

That broad chorus of oppo-



People attending a Warsaw protest on Monday against the government's proposed judicial overhauls, which were vetoed.

sition appears to have moved Mr. Duda to break with his party. In announcing his intention on Monday, he mentioned a conversation with Zofia Romaszewska, a 76-year-old anti-Communist dissident who was in Poland's 1980s Solidarity movement and has been close to the ruling party. The laws, she said, would return Poland to an era when courts took orders from the ruling party, as

they did under Communism.

"I agree with all those who say that it should not be this way," the president said. "It would deepen the divisions in our society."

One of the laws Mr. Duda vetoed would have retired every judge on the Supreme Court except those exempted by the justice minister, who would have then been allowed to appoint their temporary re-

placements. He also vetoed a second law that would have given the justice minister and parliament the authority to choose most of the appointees charged with selecting new Supreme Court judges to replace those temporary judges.

The ruling party and the opposition agreed that the two laws would have amounted to a milestone for Poland. The Law and Justice party saw them as a means to purge the last of the country's officials who entered public life in the tainted Communist era. The opposition said the laws would have pushed Poland toward becoming an authoritarian-tinged democracy like Turkey or Russia.

Both factions said they were surprised by the vetoes from Mr. Duda, a party loyalist who had never before so exerted his independence. An obscure deputy justice minister when he was put forward by Law and Justice leader Jarosław Kaczyński as the party's 2015 presidential candidate, he had been seen as a mere figurehead for the ruling party. A popular TV comedy show here lampoons the Polish president as forever stuck in Mr. Kaczyński's waiting room.

"I think this is maybe the beginning of a new Andrzej Duda, a new Polish president,

an independent president," said Marcin Matczak, a law professor at the University of Warsaw. "We now have a better chance for a more balanced politics in Poland, and for separation of powers to remain."

Mr. Duda said he would sign a third law, which gives the ruling party more administrative powers over judges who preside over the country's lower courts. He also said he would like to help write legislation over the next two months aimed at overhauling the country's judiciary in what he called "wise reform."

The president's vetoes are likely not the last word on a controversial matter. "It's a big deal but it doesn't mean the status quo in the Polish judiciary will stay," said Maciej Kisilowski, associate professor of law at the Central European University in Budapest.

The ruling party doesn't have enough votes to override their president's veto, but it promised more action ahead.

"Changes to the judicial system and Poland's justice system are necessary," said Stanisław Karczewski, head of the upper chamber of the Polish parliament. "And they will be implemented."

—Laurence Norman contributed to this article.

A large advertisement for the Breitling Avenger Hurricane watch. The watch is shown in the foreground, featuring a black dial with white and yellow markings, a black bezel with a tachymeter scale, and a black leather strap. The background is dark with the words "AVIENGER" and "HURRICANE" in large, light-colored letters. The Breitling logo and the text "INSTRUMENTS FOR PROFESSIONALS™" are in the top right corner. The bottom left corner features the text "AVIENGER" above a star, followed by "HURRICANE".

The superlative-charged chronograph. 50 mm case in Breitlight®. Exclusive Manufacture
Breitling Caliber B12 with 24-hour military-style display. Officially chronometer-certified.

WORLD NEWS



An Awacs aircraft and an F-16 Fighting Falcon jet fly over NATO headquarters in Brussels for a summit's opening ceremony in May.

Turkish-German Disputes Threaten NATO Mission

By JULIAN E. BARNES
AND EMRE PEKER

BRUSSELS—The North Atlantic Treaty Organization is working urgently to defuse a dispute between Turkey and Germany that threatens its operations including counter-terrorism missions in the Middle East.

The deepening political divide risks curtailing NATO surveillance flights over Turkey from an air base in Konya if German lawmakers aren't granted access to personnel stationed at Konya, in central Turkey. German officials argue the visits are part of a mandate governing German military deployments abroad.

Last month Berlin ended German operations from nearby Incirlik air base, relocating troops to Jordan, after Ankara blocked a visit by German lawmakers.

Other NATO members and allies including the Netherlands, the U.S. and Austria have also gotten into their own spats with Turkey, unsettling relations inside the 29-country alliance.

NATO Secretary General Jens Stoltenberg last week was in contact with the Turkish and German foreign ministers seeking a compromise in the current dispute, a NATO official said.

On Monday, NATO announced a compromise that the German legislators visit the Konya base as part of a NATO delegation, spokesman Piers Cazalet said. Turkish officials didn't respond to requests for comment, but German lawmakers welcomed the NATO proposal.

NATO diplomats want to

A timeline of recent spats with the West

- ◆ July 2016: Rogue officers try to topple the government, which beats back the putsch and blames U.S.-based Turkish cleric Fethullah Gulen for the attempt.
- ◆ September 2016: Turkey requests Mr. Gulen's extradition, frustrated by U.S. pushback and the long judicial process.
- ◆ November 2016: NATO says Turkish officers seek asylum in allied countries. Turkey demands their return.
- ◆ February 2017: NATO continues monitoring the Aegean

Sea over Turkey's objection.

- ◆ March 2017: Netherlands and Germany try to prevent visiting Turkish officials campaigning for a referendum in Turkey, eroding relations.
- ◆ May 2017: A dispute with Austria over Turkey's relations with the European Union leads to a freeze in Vienna's partnership with NATO.
- ◆ May 2017: U.S. announces it will arm Syrian Kurdish forces over the objections of Ankara.
- ◆ June 2017: Germany moves a surveillance mission from Turkey to non-NATO Jordan.

—WSJ Staff

keep the German contingent at Konya because Germany provides roughly one-third of the air crew for the NATO Awacs surveillance planes. NATO isn't directly involved in fighting Islamic State but provides valuable surveillance and air-traffic management to NATO member forces.

NATO is no stranger to quarrels between members, mainly border disputes, but has long managed to limit them. The latest disagreements are different, current and former NATO officials say. Turkey and its NATO allies are now sniping over fundamental policy issues including human rights, designations of terrorist organizations and decisions on how to fight Islamic State.

The situation is alarming, NATO officials and diplomats said. "We cannot afford to have disagreements destroy

An adviser to Mr. Erdogan last

what has been created over decades to preserve security," said Lithuanian Foreign Minister Linas Linkevičius, an advocate for accommodating Turkey. "Let's go and talk."

Turkey's relations inside NATO have deteriorated since a failed coup attempt. President Recep Tayyip Erdogan responded with a crackdown that expanded from coup-plotters to opposition lawmakers, journalists, academics and human-rights advocates.

Some NATO members are increasingly critical of how Mr. Erdogan has consolidated power. Mr. Erdogan has responded by attacking NATO allies for supporting Kurdish and other terrorist organizations hostile to Turkey.

Turkish officials have leveled similar criticism at the U.S., a longtime Turkish ally.

An adviser to Mr. Erdogan last

year suggested a ban on U.S. operations from Incirlik over Washington's support for Syrian Kurdish forces that Ankara considers terrorists.

U.S. officials have played down the rift, saying relations are strong out of public view. Still, the publication last week by a Turkish state-run news agency of a map purportedly showing the locations of U.S. forces deployed in Syria drew a warning from the Pentagon.

Wrangling with Turkey is being intensified by domestic politics in some European countries. Germany holds national elections in September and Austria one month later.

NATO in May delayed exercises with all of its partners due to a dispute between Turkey and Austria after Austrian politicians criticized Mr. Erdogan. NATO agreed to Turkey's demands to put on hold its relationship with Austria, which isn't a member.

Former NATO Deputy Secretary-General Alexander Vershbow said the latest fights are particularly difficult because many are rooted in Mr. Erdogan's belief that he and his country are being slighted by Europe. The Turkish president has repeatedly criticized NATO allies for being slow to condemn the coup and offer him their support.

"It got much more personal," said Mr. Vershbow, a senior adviser at Rasmussen Global, a consulting firm run by previous NATO Secretary-General Anders Fogh Rasmussen. "That is what is different from some of the substantive issues of past."

—Ned Levin in Istanbul and Andrea Thomas in Berlin contributed to this article.

U.K. Couple End Legal Fight Over Son's Treatment

By JOANNA SUGDEN

LONDON—The parents of Charlie Gard abandoned their legal fight to take the terminally ill 11-month-old abroad for experimental therapy, ending a challenge to British doctors who want to switch off his ventilator and give him end-of-life care.

Saying they were prepared to spend their "last precious moments" with their son, Chris Gard and Connie Yates told the U.K. High Court on Monday that it was too late for a possible treatment because his muscles were irreversibly damaged by the advance of his rare mitochondrial disorder.

Ms. Yates fought back tears as she stood in the witness stand with Mr. Gard and told the court that their choice "to let our sweet little Charlie go" was the hardest they would ever have to make.

The baby's case raised myriad moral and ethical questions and captured international attention after President Donald Trump offered to help him and Pope Francis said Charlie should be treated.

Judge Nicholas Francis told the court that it was "impossible for any of us to comprehend or even begin to imagine the agony to which Charlie's parents have been subjected in recent weeks and months as they have had to come to terms with the decision that they have now made."

"The world of social media doubtless has very many benefits but one of its pitfalls, I suggest, is that when cases such as this go viral, the watching world feels entitled to express opinions" he added.

Charlie can't move his limbs, is unable to see or hear and his brain is failing to grow, doctors say. An experimental treatment, known as nucleoside therapy, has been used to treat patients with similar but less severe diseases than Charlie's and hasn't been tested on mice or humans with his illness.

A U.S. doctor, Michio Hirano of Columbia University Medical Center, had proposed the treatment could have a 10%

chance of improving Charlie's muscle function, but after meeting the child last week and seeing new scans of his muscles, came to the conclusion they were too far gone.

Grant Armstrong, an attorney for Ms. Yates and Ms. Gard, said the case had reached a point akin to a "Greek tragedy."

"Just as the parents were on the verge of satisfying the court" that the new treatment was in Charlie's best interests "they must withdraw their application," Mr. Armstrong said.

Ms. Yates said she and Charlie's father believe he isn't brain dead and that if he had started the new therapy months ago he would have had a better chance.

"A whole lot of time has been wasted," Ms. Yates said. "Charlie did have a real chance of getting better if it was started sooner."

Great Ormond Street Hospital, where the boy has been in intensive care since October, has said he was likely in pain and his brain damage was irreversible. It says it investigated using nucleoside treatment but decided it wouldn't work after he suffered a series of seizures.

In a statement, the hospital said the "agony, desolation and bravery of [Charlie's parents'] decision command [its] utmost respect and humble all who work there."

The child's parents will now go through mediation with the hospital to decide how to proceed with end-of-life care for Charlie, the judge said.

The decision brings to a close an increasingly bitter battle in successive courts between the hospital and Charlie's parents. Courts in the U.K. have the final say when parents and doctors disagree over the treatment a child should receive.

The European Court of Human Rights declined to intervene in the case in June after the U.K. High Court upheld Judge Francis's ruling against Charlie's parents. The hospital asked the court to re-examine the case after Dr. Hirano suggested there was new evidence on treatment.



Connie Yates and Chris Gard, 11-month-old Charlie Gard's parents, arriving at the Royal Courts of Justice in London on Monday.

Survey Suggests Eurozone's Recovery May Have Peaked

By PAUL HANNON

A survey of businesses showed economic growth eased in the eurozone in July, an indication that performance in the second half of the year may not be as strong as it was in the first.

The currency area has been one of the positive surprises this year, as it outpaced the U.S. in the first quarter and appeared to have accelerated further in the three months to June.

Reflecting that strength, the International Monetary Fund on Sunday raised its growth forecast for 2017 to 1.9% from 1.7%, even as it cut its forecast for the U.S. to 2.1% from 2.3%.

The unexpected acceleration has brought the European Central Bank's stimulus measures into focus, with policy makers set to consider whether to extend a bond-buying program, and if so at what scale.

However, a survey of purchasing managers at 5,000 manufacturers and service providers across the currency area suggests the recovery may already have peaked.

IHS Markit on Monday said its composite Purchasing Managers Index for the eurozone fell to 55.8 in July from 56.3 in June. That was below the 56.2 reading expected by economists who were surveyed by The Wall Street Journal last week, and a six-month low.

The drop in the composite PMI follows the release of a survey by the European Commission that showed consumer confidence fell off in July for the first month since February.

The PMI decline is unlikely to signal the start of a sharp slowdown, since the surveys found new orders remain strong and businesses continue to hire. But it does suggest growth may moderate, while remaining



Truck cab chassis at the MAN plant in Munich, Germany. The IHS Markit survey said that eurozone export-order growth was 'robust.'

above the rates that were typical of the four-year recovery until the start of this year.

One potential drag on growth

over the second half of the year is the euro, which has gained over the weeks since ECB President Mario Draghi hinted that the ECB may soon consider a reduction in its bond purchases. The survey of purchasing managers recorded few signs of unease over the currency's gains, and instead found the growth of export orders had remained "robust."

WORLD NEWS

U.S. Tries to Ease Israel-Jordan Tensions

Envoy arrives in region after deadly shooting at embassy in Amman amid rift over shrine

The White House on Monday worked to defuse tensions between Israel and Jordan after an Israeli security guard at the country's embassy compound in Amman shot and

By **Rory Jones**
in Tel Aviv
and **Suha Ma'ayeh**
in London

killed two Jordanians when one attacked the guard with a screwdriver.

The incident came as the two key U.S. allies spar over Israeli moves to tighten security at a Jordanian-administered holy site in Jerusalem after Arab gunmen shot and killed two Israeli policemen there this month.

Jason Greenblatt, the White House envoy to the Israeli-Palestinian peace process, arrived in Israel Monday evening to speak with Prime Minister Benjamin Netanyahu before flying to meet with Jordanian officials in Amman.

His visit followed a weekend of violence over security at the Jerusalem site—known to Jews as the Temple Mount and to Muslims as the Noble Sanctuary—in which three Israelis and at least three Palestinians were killed.

The situation underscores the tinderbox nature of the stalemate in Israel and the Palestinian territories as peace talks remain stalled, and marks Mr. Greenblatt's first major diplomatic test.

The Israeli security guard in Amman on Sunday opened fire on a Jordanian worker who had entered the embassy compound under the guise of re-



A Jordanian police officer stands outside Israel's embassy in Amman, where an Israeli guard shot and killed two men after one of them attacked him with a screwdriver.

placing furniture but instead attacked the Israeli with a screwdriver, Israel's foreign ministry said.

The Jordanian assailant was killed. The landlord of the building, who was also present, was hit in the crossfire and later died of his wounds, the ministry said.

Jordan confirmed a shooting incident via its state news agency but didn't say one of its citizens had attempted to attack the Israeli guard.

The United Nations Security Council held an emergency meeting on Monday to discuss

the situation in Jerusalem, a day before its quarterly Middle East briefing.

The U.N.'s envoy to the Middle East, Nickolay Mladenov, briefed the council and warned that the crisis must be contained before Friday, a day of communal prayers at the Al Aqsa mosque, otherwise protests and violence could escalate, moving the Israelis and Palestinians further away from achieving long-term peace.

Diplomats said the meeting had been productive and there was consensus among the 15-member council to condemn

the violence and call for calm.

Jordan initially barred the Israeli guard from leaving for Israel, Israeli media reported. But the security guard and Israel's diplomatic envoys in Amman returned to Israel late Monday evening after a flurry of diplomatic efforts between Israeli and Arab officials, Mr. Netanyahu's office said.

Thousands of Jordanians took to the streets of Amman on Friday to protest Israel's installation of metal detectors at the Jerusalem shrine after a shooting incident the previous

Friday at the compound left two Israeli policemen dead. On Sunday, it also introduced surveillance cameras at its entrance.

The moves, considered standard security measures by Israeli officials, have stirred widespread anger among Palestinians and Waqf, the Jordanian religious authority that administers the site.

The plaza in Jerusalem's Old City is holy to both Muslims and Jews, home of the Al Aqsa mosque and said to previously have been the site of two ancient Jewish temples.

But only Muslims are allowed to pray on the site, and although Jewish groups have been lobbying for that right, the Israeli government hasn't initiated any plans to change the status quo.

Waqf has called on Muslims not to visit the site until the cameras are removed. It accuses Israel of using such security apparatus to try to take control of the area, a charge Israel denies.

—*Eli Stokols in Washington and Farnaz Fassihi at the United Nations contributed to this article.*

Duterte Threatens Mine Firms

BY **JAKE MAXWELL WATTS**
AND **BIMAN MUKHERJI**

Philippine President Rodrigo Duterte chided the country's mining industry for its environmental record and said he may consider stopping the exports of unprocessed raw materials, a measure that echoes similar economic policies in other countries in the region.

Mr. Duterte's comments on Monday, delivered during his annual state-of-the-nation address, were a setback for mining companies in the world's largest exporter of nickel ore, where firms had previously objected to what they saw as unfair attempts to require them to improve their environmental credentials.

The president, known for frequent inflammatory remarks and top-down disciplinary style, said he wanted to see all extracted mineral resources to be processed within the Philippines before being exported and that he would draft a new mining law to regulate the industry.

In addition to its leading nickel-export role, the Philippines has large reserves of gold, copper and chromite, among

other metals and minerals.

Mr. Duterte lashed out at the mining industry's environmental record and its adherence to tax regulations. "The protection of the environment must be made a priority over mining," he said. "This policy is nonnegotiable."

He threatened companies that don't shoulder a fair tax burden. "Declare your correct income. Pay your correct taxes. Your failure to do so will be your undoing and your eventual ruin," he said.

Three-month nickel prices on the London Metal Exchange rose in response to the news. Nickel is mainly used in the manufacture of stainless steel.

The president's suggestion of possible measures echo those of Indonesia, another large raw material exporter. In 2014, the government there sought to move Indonesia up the value chain by forcing mining companies to refine their products prior to export. The move kicked off a bitter battle with the industry, including big foreign players such as U.S. mining company Freeport-McMoRan Inc.

Earlier this year Indonesia relaxed the ban, allowing mining companies to export as

long as they show progress toward building smelters in a five-year period. Many companies struggled to stump up the sizable investments necessary to invest in smelters, which can take years to build.

The Philippine mining industry thought it had won a battle against Mr. Duterte's administration in May, when the president's nominated environment secretary, Gina Lopez, was rejected by a confirmation committee.

Ms. Lopez put dozens of mines in the Philippines under review during her 10 months in office, threatening them with closure due to alleged violation of environmental regulations.

Her defeat, after sustained lobbying from the mining industry that questioned her technical understanding, was seen by her supporters as a win for big business over the interests of consumers and the environment.

Nickel prices surged last year at around the time Ms. Lopez took office. The Philippines also exports other metals such as copper and gold. The majority of the minerals it produces are exported unrefined.

WORLD WATCH

SOUTH KOREA

Seoul Counters U.S. Offer on Trade Pact

South Korea, in its first official written response to the U.S. offer to discuss changes to a five-year-old free-trade agreement criticized by President Donald Trump as widening the American deficit, said that both sides should first jointly look into the causes of the trade imbalance before seeking to amend or renegotiate the pact.

The agreement, known as Korus FTA and the second-largest U.S. deal by trading volume, has become a source of tensions between the two allies.

In a reply Monday to U.S. Trade Representative Robert Lighthizer's July 12 letter proposing to hold talks in Washington on possible changes to the pact, South Korea's new minister of Trade, Industry and Energy, Paik Ungyu, suggested the U.S.-proposed special session of the Joint Committee discuss how best to work together to objectively examine, analyze and assess the effects of the Korus FTA since it took effect in 2012.

"We consider that the Korus FTA has not only produced economic benefits for both countries but also significantly contributed to strengthening America's engagement and strategic leadership in the region," Mr. Paik said in the letter.

—*Kwanwoo Jun*

SWITZERLAND

Police Hunt for Chainsaw Attacker

A man armed with a chain saw injured five people in an attack at a health insurer's office Monday in the northern Swiss city of Schaffhausen, police said, triggering a manhunt for a suspect described as aggressive and psychologically unstable.

The suspect, identified as Franz Wrrous, 51 years old, has two convictions for weapons offenses and no fixed residence, authorities said.

Police said one employee of insurer CSS was seriously injured and another was slightly injured. Another three people were slightly injured, police said.

The attacker fled before police arrived. Authorities sealed the city's old town until mid-afternoon but kept up their hunt. Police ruled out terrorism.

—*Associated Press*



Officials at nickel-ore mine SR Metals observed operations in the southern Philippines in February.

Volunteers on Monday transported a man who was hurt in a suicide attack in Kabul for which the Taliban claimed responsibility.

Deadly Suicide Blast Hits Kabul Minibus

BY **EHSANULLAH AMIRI**
AND **JESSICA DONATI**

KABUL—A suicide bomber drove a vehicle packed with explosives into a minibus carrying government workers in the Afghan capital, killing at least 31 people and wounding dozens of others, the health ministry and police said.

The attack came amid intensifying violence across the country, as the Taliban, who claimed responsibility, have pressed attacks in more than half a dozen provinces and captured district centers in Ghor and Faryab.

The powerful explosion took place at rush hour on Monday, when shops were opening and children were headed to school.

The passengers on the minibus were employees of the Ministry of Mines, an Afghan police official said, but other civilians in the vicinity of the blast were among the victims.

Minibuses shuttling employees to work in Kabul are an easy target for the Taliban and other extremist groups, who frequently attack Afghan civilians who work for the government and foreign organizations.

The insurgents have previously used similar methods to target staff working for the Canadian Embassy, the attorney general's office and Tolo News, the country's largest television broadcaster.

The Taliban claimed the minibus had been carrying Af-

ghan intelligence officers. Security officials said the country's spy agency doesn't use minibuses to shuttle employees to work.

Monday's attack comes at a time of escalating violence in Afghanistan, as the Taliban have launched simultaneous assaults across the country, including in the provinces of Faryab, Ghazni, Ghor, Helmand, Herat and Paktia, a spokesman said.

The Afghan government has ceded swaths of territory to the Taliban since most foreign troops withdrew in 2014, leaving fledgling local forces to fight with only limited U.S. military assistance.

The Afghan defense ministry on Monday said the situation was under control despite the increased pressure on its troops.

"This is war. If a check post collapses, that does not mean the whole country is collapsed. We have a system and we have a government," spokesman Dawlat Waziri said.

In recent months, the U.S. military has sought to prevent further territorial losses by dramatically increasing airstrikes in support of Afghan troops, as the Trump administration continues to debate a new strategy for the 16-year war.

Over the past week, at least two U.S. airstrikes have struck the wrong target, adding to public frustration with the intensifying violence.

—*Habib Khan Totakil contributed to this article.*

U.S. NEWS

Democrats Refocus Message on Economy

Push to bridge gaps as polls show most Americans don't know what party stands for

By NATALIE ANDREWS

Democrats launched on Monday a new policy agenda focused on the economy, which seeks to bridge gaps with voters amid polls showing most Americans don't know what the party stands for.

The proposals, dubbed "A Better Deal," are in large part a response to Hillary Clinton's demoralizing loss to Donald Trump last year and the loss of the Democratic majority in the Senate in the last midterm election, Senate Minority Leader Chuck Schumer said.

"When you lose elections as we did, in 2014, and 2016, you don't flinch. You don't blink. You look in the mirror and ask 'what did we do wrong?' the New York senator said at an event in Berryville, Va.—the district of Rep. Barbara Comstock, a Republican that Democrats deem vulnerable in 2018.

With a focus on winning congressional seats next year, the Democrats' new agenda has a distinctly populist tone, though it includes ideas the party's centrists can get behind as well, such as lower prescription-drug costs and improved access to broadband in rural areas.

It also calls for a \$15-an-hour minimum wage and more



CLIFF OWEN/ASSOCIATED PRESS

Senate Minority Leader Chuck Schumer, accompanied by congressional Democrats, speaking in Berryville, Va., on Monday.

regulation of Wall Street.

Sen. Bernie Sanders (I, Vt.) called for the \$15 minimum wage during the presidential campaign, a higher rate than urged by Mrs. Clinton.

Among the most vexing issues for Democrats and Republicans is health care, given the widespread agreement that President Barack Obama's Affordable Care Act can be improved and the GOP's struggle to craft a replacement.

"Many things are on the table," Mr. Schumer said in an interview Sunday on ABC's *This Week*. "Medicare for people above 55 is on the table. A buy-in to Medicare is on the table. Buy-in to Medicaid is on the table. On the broader issues, we will start examining them once we stabilize the system."

Medicare is the health-care program for people age 65 years and older, while Medicaid

serves the poor and disabled.

The question is whether the "Better Deal"—an echo of Franklin Roosevelt's "New Deal"—can unite the Democratic factions against a party led by a president who wrote "The Art of the Deal."

The Democrats' plan will compete against House Republicans' "A Better Way" agenda, which promotes conservative proposals such as deregulation and a hawkish national secu-

rity stance.

"It will only be as good as we are disciplined," said Sen. Chris Murphy (D, Conn.). "Our failing historically has been to focus on very targeted demographic messages, cultural issues, rather than broad-based economic themes."

Republicans hold a narrow two-vote lead in the Senate. But they have few vulnerable members in that chamber, while 10 Democratic senators

are facing re-election campaigns in states Mr. Trump won.

In the House, Democrats would need to take 24 seats to win the majority. To do that, the party is targeting 23 districts that Mrs. Clinton won as a starting point, as well as hoping to pick up ones that Mr. Trump won by a slim margin.

"If national Democrats think all they need is a new slogan, the 2018 election is going to be a real surprise for them, said National Republican Senatorial Committee Communications Director Katie Martin.

The Congressional Leadership Fund, the House GOP super PAC, launched a 30-second ad labeling Democrats as "Radical extremists who destroy buildings, burn cars and divide America." The ad will run in Democratic districts that Trump won in 2016.

The Senate and House Democratic campaign arms were involved in crafting the new message, but not all Democrats campaigning in 2018 are lining up behind the agenda.

Democrat Rep. Beto O'Rourke, who is challenging Republican Sen. Ted Cruz of Texas for his seat in 2018, said he can speak only for his state.

"I'm focused on Texas, and the people I want to represent and the people I serve today," Mr. O'Rourke said. "I think we make a mistake anytime we allow somebody from another part of the country to dictate a message to our part of the country."

soon as possible.

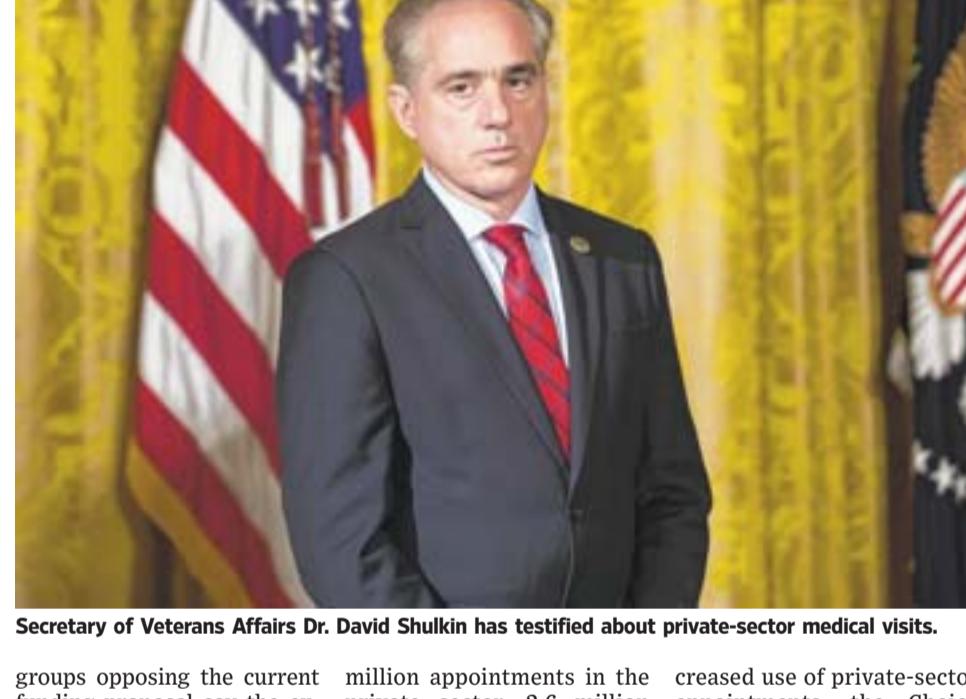
"The chairman's priority is making sure the Choice fund doesn't run dry because of the real and disastrous effect it would have on veterans' health care," said Tiffany Hawley, spokeswoman for Rep. Phil Roe (R, Tenn.) the chairman of the House Committee on Veterans' Affairs.

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

The funding issue is the second within a week that has faced opposition from veterans' advocates. Last Tuesday, members of Dr. Roe's committee discussed adding funds to the Choice program while also requiring the creation of a nine-member, presidentially appointed panel with the power to review and recommend the closing of VA facilities.

A number of veterans groups immediately balked at the idea of giving so much power to such a panel. One veterans organization representative said "there was no way in hell we'd accept" such a panel.

Dr. Roe pulled the proposal within hours, citing the need for further discussion.



CHERISS MAY/NURPHOTO/ZUMA PRESS

Secretary of Veterans Affairs Dr. David Shulkin has testified about private-sector medical visits.

groups opposing the current funding proposal say the expansion of private-sector appointments is tantamount to gradual privatization.

Since January, the VA has authorized more than eight

million appointments in the private sector, 2.6 million more than the previous year, or a nearly 50% year-over-year increase, Dr. Shulkin testified before a Senate panel in late June. With this in-

creased use of private-sector appointments, the Choice program has used more money than anticipated, leading to budget shortfalls and what backers call the need to inject additional funding as

Trump Calls Sessions 'Beleaguered'

BY REBECCA BALLHAUS

President Donald Trump on Monday referred to Attorney General Jeff Sessions as "beleaguered" in one of a series of tweets in which he criticized the current probes of Russian meddling in the 2016 U.S. election.

Mr. Trump expressed displeasure with his attorney general last week, telling the *New York Times* in an interview that he wouldn't have appointed Mr. Sessions to his job if he had known Mr. Sessions would remove himself from the investigation into Russian meddling in the 2016 election.

Mr. Trump has alleged that the Russia probe is a "witch hunt" driven by Democrats to explain losing the White House in November. On Monday, he hit at that theme, calling the probes a "Dem loss excuse."

Mr. Trump's reference to his attorney general comes days after the *Washington Post* reported that Russian Ambassador Sergei Kislyak told his superiors in Moscow that he had held campaign-related discussions with Mr. Sessions during the campaign. Mr. Sessions has denied doing so.

Mr. Sessions, an early and vocal supporter of Mr. Trump,

last week deflected the criticism from Mr. Trump and said he planned to stay in the job "as long as that is appropriate."

Mr. Trump's comments and tweet mark the latest chapter in a series of tensions between the president and his attorney general, who earlier this year offered to resign over Mr. Trump's frustration about his decision to recuse himself from the Russia probe.

Mr. Trump's tweets come

amid a probe into whether Trump campaign associates colluded with Russia in last year's presidential election. Mr. Trump has denied that any campaign associates colluded with Russia. Moscow has denied interfering in the U.S. election.

Mr. Trump's son-in-law, Jared Kushner, on Monday spoke with the Senate Intelligence Committee—his first time speaking with congressional investigators—and ear-

lier in the day denied any col-

lusion as he released a list of

his contacts with Russians in

the past two years, including a

previously undisclosed meet-

ing with Mr. Kislyak in April

2016.

Mr. Trump's eldest son,

Donald Trump Jr., and former

campaign chairman Paul

Manafort are providing docu-

ments to the Senate Judiciary

Committee and are negotiat-

ing the terms of their testimo-

nies, according to the panel.



The president expressed displeasure with Attorney General Jeff Sessions last week.

GOP Senators Urged to Overturn Obamacare

BY LOUISE RADNOFSKY

WASHINGTON—President Donald Trump called Monday on Republican senators to vote this week to initiate debate on the party's effort to overturn the Affordable Care Act, saying "now is the time" for senators to keep their campaign promises.

"For the past seven years Republicans have been united in standing up for Obamacare's victims," with a pledge to repeal the 2010 ACA and replace it with a more conservative approach, he said. "We as a party must fulfill that solemn promise to the voters of this country."

The party's 52-member Senate caucus has been hamstrung by competing desires over how to resolve the fate of the ACA, including how much to strike and what to put in its place. Mr. Trump tried to focus Monday on what has historically united Republicans—their opposition to the law, including the promises made by Democrats for what it would achieve.

Mr. Trump called those promises "a big, fat, ugly lie."

Mr. Trump said GOP sena-

tors must ask whether they

wanted to side with the Democratic architects of the 2010 health law or families who, he said, had been hurt by it. Mr. Trump was flanked by individuals he said had been hurt by the bill's provisions.

Democrats remain united in opposing the GOP move, saying that they believe the ACA's gains, which include reducing the number of uninsured by around 20 million, should be built on, not reversed.

The president repeated his previous challenges to GOP senators, asking whether they had merely been pretending to want to repeal the law when they voted for repeal knowing then-President Barack Obama would veto the measure.

"They now have a chance," Mr. Trump said. "This is their chance to keep their promise."

Earlier Monday, Mr. Trump met with people from Illinois, Ohio, South Carolina and West Virginia who said they had been harmed by the 2010 health law through unexpectedly high deductibles and narrower networks. Several families flanked him as he made his remarks, with babies fussing and crying softly as the president spoke.

U.S. NEWS



TY WRIGHT/BLOOMBERG NEWS
Seagulls flew overhead as a shrimper sorted the day's catch on a boat off the coast of Grand Isle, La., in October 2014.

Gulf Narrows for Shrimpers

Bigger-than-usual 'dead zone' forces additional travel and could pinch profits

BY ARIAN CAMPO-FLORES

Gulf Coast shrimpers are having to travel farther to catch their harvest amid projections that the annual "dead zone"—an oxygen-deprived swath in the Gulf of Mexico caused by nutrient pollution and devoid of marine life—could be one of the largest on record.

"It's devastating for us and our fisheries," said Acy Cooper Jr., president of the Louisiana Shrimp Association and a lifelong fisherman. "It kills everything in the water."

Farther travel, either east toward the waters off Mississippi or closer to the coast to find suitable spots, causes

fisherman to crowd into more-limited areas and requires higher fuel expenses. The catch also tends to come in smaller. That lowers prices and hurts profits for fisherman, pinching an industry that accounts for 15,000 jobs and an annual economic activity of \$1.3 billion, according to the Louisiana Seafood Board.

The dead zone is the result of runoff of fertilizers from farms up the Mississippi River combined with treated sewage from urban centers that is released into waterways. When those flows of nutrients reach the Gulf of Mexico, they stimulate the growth of algae, which sinks and decomposes in the ocean in a process that consumes oxygen.

The resulting hypoxic, or low-oxygen, zone, which typically lasts through the fall, can kill stationary marine life like oysters and prompt mobile species like fish and shrimp to flee.

A research team including the Louisiana Universities Marine Consortium is setting out this week to conduct an annual study to measure the dead zone more precisely.

In May, the U.S. Geological Survey recorded large flows of water and high levels of nutri-

A task force has sought to reduce the influx of nutrient pollution into waterways.

ents in the Mississippi and Atchafalaya River system—a gush equivalent to about 2,800 train cars of fertilizer pouring into the Gulf.

As a result, the agency, along with the National Oceanic and Atmospheric Administration, predicted that this

summer's dead zone would be the third-largest since monitoring began 32 years ago, an area roughly the size of New Jersey sitting off the coast of Texas and Louisiana.

A study released in January that was funded by the NOAA and led by Duke University found that the Gulf dead zone results in fishermen catching more small shrimp, making them cheaper, and fewer large ones. A reduction in the volume of more-prized large shrimp could lead to a net economic loss for fishermen, the study said.

The area covered by recent dead zones was prime fishing ground in the 1960s, said Alan Lewitus, supervisory oceanographer at the NOAA. As the use of fertilizer grew in subsequent decades, hypoxia occurred more frequently, he said.

Since the mid-1990s, the size of the dead zone has fluctuated year to year. The largest was in 2002, when it measured 8,497 square miles—about 300 miles greater than the size projected for this year—according to data from the Louisiana Universities Marine Consortium and others.

A Hypoxia Task Force made up of federal and state agencies has sought to reduce the influx of nutrient pollution into waterways. But officials have said it would take until 2035 to achieve the goal of reducing the size of the dead zone to less than 2,000 square miles.

That date is too distant for Mr. Cooper and his fellow fishermen. The dead zone "gets bigger and bigger," he said. "Instead of talking about it, we need to start doing something about it."

Underwater Lab Helps Battle Lake Erie Algae

An underwater lab has joined the fight against toxic algal blooms in western Lake Erie, and scientists say the refrigerator-size capsule can help warn water-treatment plant operators if a dangerous bloom drifts toward intake pipes. A key goal is to avoid a recurrence of the 2014 crisis when a cyanobacteria bloom shut down the drinking-water supply to more than 400,000 residents in the Toledo, Ohio, area for about two days.

The \$375,000 lab, sitting in

18 feet of water, tests water quality daily and emails results four hours later—far faster than a ship-based system in which scientists take weekly samples and get results two days later.

"We are going to be able to provide much better data faster and earlier," said National Oceanic Atmospheric Administration molecular ecologist Timothy Davis, who leads an algal bloom monitoring team.

Scientists use satellites to spot blooms and models to forecast their path, but water testing is key because a bloom's size doesn't directly equate to its toxicity, said aquatic ecologist Tom Johenigen, associate director of the

University of Michigan's Cooperative Institute for Great Lakes Research.

Similar devices operate off the U.S. East and West coasts to protect the shellfish industry. Scientists say the Lake Erie lab, roughly 3 feet by 2 feet and sealed in a frame, is the only one deployed to safeguard drinking water. Two more will be launched in the lake next year for testing and should be in regular service in 2019.

"We welcome any new tool that provides additional information that helps our water-treatment professionals get a jump start on the treatment process," said Toledo Mayor Paula Hicks-Hudson.

—Scott Calvert

U.S. WATCH

ECONOMY

Existing-Home Sales Slide on Tight Supply

Sales of previously owned U.S. homes fell in June and prices jumped as strong demand overwhelmed a pinched supply of available homes.

Existing-home sales fell 1.8% in June from the previous month to a seasonally adjusted annual rate of 5.52 million, the National Association of Realtors said Monday. The median sales price in June hit a record of \$263,800, up 6.5% from a year earlier. Adjusted for inflation, prices remained about 9% below the 2006 peak.

Sales have essentially been flat since March, when home purchases reached the highest level since 2007. A number of indicators suggest demand is surging due to a strong economy and millennials entering the housing market in force for the first time. But severe supply shortages are depressing sales.

"The demand for buying a home is as strong as it has been since before the Great Recession. Listings in the affordable price range continue to be scooped up rapidly, but the severe housing shortages inflicting many markets are keeping a large segment of would-be buyers on the sidelines," said NAR Chief Economist Lawrence Yun.

—Laura Kusisto and Sarah Chaney

HAWAII

Soldier Indicted on Terrorism Charges

A federal grand jury in Hawaii indicted a U.S. soldier on Friday for attempting to provide material support to Islamic State.

Army Sgt. 1st Class Ikaika Kang was arrested by an FBI SWAT team on July 8. Sgt. Kang was ordered held without bail.

Sgt. Kang was scheduled to be arraigned in federal court on Monday when he had previously been scheduled for a preliminary hearing. Sgt. Kang's court-appointed attorney, Birney Bervar, said his client will plead not guilty on Monday when a federal judge will set a trial date.

Sgt. Kang is charged with four counts of attempting to provide material support to the Islamic State group based on events that occurred in Hawaii between June 21 and July 8, prosecutors said.

Federal officials say Sgt. Kang met with undercover FBI agents he thought were with the terror group and provided classified military documents to the agents. The FBI said in their criminal complaint that Sgt. Kang wanted to commit a mass shooting after pledging allegiance to the Islamic State group. Sgt. Kang served in Iraq from March 2010 to February 2011, and in Afghanistan from July 2013 to April 2014, according to the complaint.

—Associated Press

Scientists Undertake Study of Matter

BY QUINT FORGEY

Scientists at a physics laboratory outside Chicago and a mile beneath the Earth's surface in a former South Dakota gold mine celebrated the launch of an improbable physics experiment that will shoot subatomic particles through 800 miles of rock and dirt to study some fundamental cosmic riddles.

The more-than-\$1-billion

experiment, funded by the U.S. Department of Energy; CERN, the European Organization for Nuclear Research; and institutions from 30 countries is meant to help researchers better understand neutrinos, the most abundant matter particles in the universe.

The Deep Underground Neutrino Experiment begins at Fermilab, an Energy Department national laboratory in Batavia, Ill., which will fire an

intense beam of neutrinos at nearly light speed through the Earth's mantle toward detectors at the Sanford Underground Research Facility in Lead, S.D. The trip will last about four milliseconds.

Construction began Friday on the neutrino detectors at the Sanford lab, which will be about a mile deep and filled with 70,000 tons of liquid argon. Construction on the Fermilab beamline, which will de-

liver the neutrinos to South Dakota, is scheduled to begin in 2021. The first neutrino beam is scheduled to fire in about 10 years.

"Together, we will build the largest science megaproject ever attempted on U.S. soil," said Mike Headley, executive director of the South Dakota Science and Technology Authority, which operates the Sanford lab.

The Sanford lab, which opened in the summer of 2012 and costs about \$20 million annually to maintain, is the site of the former Homestake Gold Mine, which has been dormant since 2001.

More than 1,000 scientists from around the world will observe changes the neutrinos undergo on their journey from Illinois to South Dakota and will analyze the neutrinos' interactions with the extremely cold liquid in the Sanford detectors. They are trying to figure out what role neutrinos played in the universe's evolution, and their findings could explain why matter exists.

"This project, along with other exciting physics experiments occurring here at the Sanford lab, can transform the young minds of the next generation," said South Dakota Gov. Dennis Daugaard. "We're honored to play a role in mankind's march toward a greater understanding of the universe."



The Sanford Underground Research Facility, housed inside the now-shuttered Homestake Gold Mine.

Truck Driver Is Charged Over Dead Migrants

BY DAN FROSCH

A truck driver accused of smuggling dozens of migrants into the U.S. this past weekend was charged Monday by federal prosecutors in connection with the deaths of 10 men who were crammed into the back of the sweltering big rig.

James M. Bradley Jr., 60 years old, told investigators that he had no idea that anyone had been hiding in his truck and only discovered them after he pulled over to use the bathroom, according to court filings.

Mr. Bradley, who faces one count of illegally transporting aliens, made an initial court appearance on Monday and is being held without bond. A federal public defender representing Mr. Bradley didn't immediately respond to a request for comment, and it wasn't clear how the trucker would plead. He could receive the death penalty if found guilty.

Mr. Bradley told investigators he had been delivering a trailer from Schaller, Iowa, to Brownsville, Texas, and had stopped at a Wal-Mart store in San Antonio after getting his truck detailed near Laredo, Texas.

When he got out, he said, he heard banging and shaking from the trailer and "was run over by 'Spanish' people" who rushed from the truck and knocked him to the ground, according to an affidavit.

Mr. Bradley said he tried to administer aid to people who had been hiding in the back of the truck and quickly realized that at least one person was dead. He didn't call police, but called his wife and she didn't answer, according to court filings.

After being alerted to the horrific scene by a Wal-Mart



ERIC GAY/ASSOCIATED PRESS
James M. Bradley Jr. arrives at court on Monday in San Antonio.

FROM PAGE ONE

KOREA

Continued from Page One

China's recent changes in force structure, equipment and training are connected to nationwide military reforms launched last year to overhaul Soviet-modeled command structures and prepare better for combat beyond China's borders, those experts say.

In the northeast, however, those reforms are geared predominantly toward handling a North Korean crisis, the experts say.

Many of the changes have taken effect in recent months as U.S. President Donald Trump has repeatedly warned that he is weighing military action to halt Pyongyang's nuclear weapons program and exerted pressure on China to do more to rein in North Korea.

China's contingency preparations "go well beyond just seizing a buffer zone in the North and border security," said Mark Cozad, a former senior U.S. defense intelligence official for East Asia, now at the Rand Corp.

"Once you start talking about efforts from outside powers, in particular the United States and South Korea, to stabilize the North, to seize nuclear weapons or WMD, in those cases then I think you're starting to look at a much more robust Chinese response," he said.

"If you're going to make me place bets on where I think the U.S. and China would first get into a conflict, it's not Taiwan, the South China Sea or the East China Sea; I think it's the Korean Peninsula."

China, like many foreign governments, still considers a U.S. military strike unlikely, mainly because of the risk of Pyongyang retaliating against South Korea, an American ally whose capital of Seoul lies within easy reach of the North's artillery.

The Pentagon declined to discuss U.S. planning efforts. American officials didn't respond to questions about steps taken by China. But top American officials say they are focused on diplomatic and economic pressure, and view

military action as a last resort.

Although technically allied to Pyongyang, Beijing wouldn't necessarily defend its regime, but is determined to prevent a flood of North Koreans from entering northeastern China and to protect the population there, U.S. and Chinese experts say.

Beijing also appears to be enhancing its capability to seize North Korean nuclear sites and occupy a swath of the country's northern territory if U.S. or South Korean forces start to advance toward the Chinese border, according to those people.

That, they say, would require a much larger Chinese operation than just sealing border, with special forces and airborne troops likely entering first to secure nuclear sites, followed by armored ground forces with air cover, pushing deep into North Korea.

It could also bring Chinese and U.S. forces face to face on the peninsula for the first time since the war there ended in 1953 with an armistice—an added complication for the Trump administration as it weighs options for dealing with North Korea.

Beijing has rebuffed repeated American requests to discuss contingency planning, American officials say.

China has long worried that economic collapse in North Korea could cause a refugee crisis, bring U.S. forces to its borders, and create a united, democratic and pro-American Korea. But China's fears of a U.S. military intervention have risen since January as Pyongyang has test-fired several missiles, including one capable of reaching Alaska.

"Time is running out," said retired Maj. Gen. Wang Haiyun, a former military attaché to Moscow now attached to several Chinese think tanks. "We can't let the flames of war burn into China."

He wrote an unusually outspoken article for one of those think tanks in May arguing that China should "draw a red line" for the U.S.: If it attacked North Korea without Chinese approval, Beijing would have to intervene militarily.

China should demand that any U.S. military attack result



North Korean soldiers ride on a boat used as a local ferry as they cross the Yalu River north of the border city of Dandong

in no nuclear contamination, no U.S. occupation of areas north of the current "demarcation line" between North and South, and no regime hostile to China established in the North, his article said.

If war breaks out, China should without hesitation occupy northern parts of North Korea, take control of North Korean nuclear facilities, and demarcate safe areas to stop a wave of refugees and disbanded soldiers entering China's northeast," it said.

China worries an economic collapse in North Korea could cause a refugee crisis.

Maj. Gen. Wang said he didn't speak for the government. But his article isn't censored online—as it would likely be if Beijing disapproved—in China and other Chinese scholars and military figures recently voiced similar views.

In recent weeks, some details of China's preparations have also emerged on the military and government websites. The new border defense brigade patrolled the entire front-

tier in June to gather intelligence and has drawn up detailed plans for sealing it in a crisis, according to the military's official newspaper.

Aerial drones would help identify targets, supplementing the new 24-hour video surveillance and addressing problems with "information access, rapid mobility and command and control," another report in the newspaper said.

Many other units in the northeast have recently conducted new combat-focused training for the kind of joint military operations that experts say would be needed for an intervention within North Korea.

In one drill, a new "combined arms brigade" simulated battle against a "blue team" with artillery, tanks and helicopters, state television reported in June.

The new Northern Theater Command, which controls forces in the northeast, also now incorporates units in eastern China that experts say could be launched across the Yellow Sea toward North Korea.

Meanwhile, authorities in Jilin province, which borders North Korea, are reinforcing and expanding a network of underground shelters and command posts to withstand air, nuclear or chemical attack, local government notices show.

Such facilities were needed "to respond to the complicated security situation surrounding the province," Jilin's civil air defense bureau said in a notice on its website, which also features photos and specifications of U.S. military aircraft.

In May, Jilin's government unveiled what it called China's first "combat-ready big data disaster preparedness center" in an under-

Crisis Planning

China is realigning armed forces in its east and northeast to prepare for contingencies in North Korea.

China's military units in the Northern Theater Command

Ground force Air force Navy Rocket force

North Korea's key nuclear facilities



Sources: Jamestown Foundation (military units); James Martin Center for Nonproliferation Studies via the Nuclear Threat Initiative (nuclear facilities)

THE WALL STREET JOURNAL.

ground facility designed to protect critical military and government data from nuclear or chemical attack.

Jilin authorities declined to comment, citing the sensitivity of the subject.

China's military reforms aren't complete and the People's Liberation Army, or PLA, remains ill-prepared for a North Korean operation, some experts say.

"I don't see the PLA at this time being particularly enthusiastic about being tasked to undertake a potential near-term mission in North Korea," said Dennis Blasko, a former U.S. military attaché in Beijing.

But China, like the U.S., has been surprised by how fast North Korea's nuclear weapons program has progressed, say foreign diplomats and experts. Beijing also worries that Pyongyang's actions are now

harming Chinese security interests, since the U.S. deployment in South Korea in April of a missile-defense system that China says can track its own nuclear missiles, diplomats and experts say.

Beijing's interests "now clearly extend beyond the refugee issue" to encompass nuclear safety and the peninsula's long-term future, said Oriana Skylar Mastro, an assistant professor at Georgetown University who has studied China's planning for a North Korean crisis.

"China's leaders need to make sure that whatever happens with (North Korea), the result supports China's regional power aspirations and does not help the United States extend or prolong its influence," Ms. Mastro said.

—Ben Kesling in Washington contributed to this article.

U.S. Aircraft Nearly Hit by China Fighter

WASHINGTON—A U.S. Navy reconnaissance plane was forced to take evasive action to avoid a possible midair collision after a Chinese jet fighter came within 300 feet of the American aircraft over the East China Sea, U.S. officials said Monday.

Capt. Jeff Davis, a Pentagon

spokesman, said a Chinese J-10 jet fighter rapidly approached under the U.S. EP-3 reconnaissance plane, slowed down and then flew in front of the American pilot, triggering the plane's collision alarm system and forcing it to take evasive action.

The Chinese plane was flying in international airspace, according to another defense official.

Capt. Davis said the incident

was "uncharacteristic" of the Chinese military, calling it an exception, not the rule, for interactions between pilots in the area.

The incident is the latest in series of incidents between the U.S. and Chinese militaries as tensions rise on the Korean Peninsula. In May, Chinese planes were involved in two similar incidents criticized by the Pentagon.

—Dion Nissenbaum

OPEC

Continued from Page One

OPEC also secured a production commitment from Nigeria, a group member exempted from last year's deal, although that isn't likely to have an immediate effect on the crude market.

"We are aiming to bring those who are slacking to full conformity," said Russian Energy Minister Alexander Novak in an interview. Russia isn't an OPEC member, but its commitment to limit output was crucial to securing an OPEC deal last fall.

Crude prices rose after Monday's meeting. Brent crude, the international benchmark, gained 1.1%, to settle at \$48.60 a barrel, while West Texas Intermediate, the benchmark for U.S. oil, rose 1.2%, to \$46.34.

Mr. Falih's focus on exports was new. He pointed to discrepancies between countries' production and export figures,

calling the difference "a matter of concern."

For example, OPEC's production fell by 920,000 barrels a day from October to June, according to the International Energy Agency. But its exports were only 120,000 barrels a day lower in June compared with October, according to Kpler, a ship-tracking firm.

So even with OPEC cutting production, it was still sending roughly the same amount of oil into the global market in June as it was in October, the month used as the baseline level for the production deal.

"Exports have become the key metric for financial markets, and we need to find a way to reconcile credible export data with production data," Mr. Falih said.

The announcements came after meetings in St. Petersburg over the weekend and a gathering of big producers at the Four Seasons Hotel. It highlighted how worried OPEC members have become about the futility of their efforts.

"This is a collective effort,"

Mr. Falih said after the meet-

ing, saying he had held a teleconference with absent countries that haven't been cutting to "forcefully demand participation and the same level of commitment... We are not going to just sit back and watch."

Mr. Falih is under pressure to keep the OPEC deal from falling apart and raise prices. The Wall Street Journal has reported. The Saudi kingdom is preparing to publicly list its state oil company in 2018, and its valuation will depend in part on oil prices.

Mr. Falih has become concerned about the deal as prices kept falling in recent weeks and bad news kept rolling in, according to people familiar with the matter. He said Saudi Arabia could support extending the production deal beyond its expiration in March 2018. It culminated last week with tanker-tracking firm Petro-Logistics reporting OPEC output rose above 33 million barrels a day this month, up 145,000 barrels a day from a month ago.

Even if Monday's news gives oil prices a lasting lift,

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Even if Monday's news gives oil prices a lasting lift,

Waning

OPEC's share of global crude-oil supply



Source: International Energy Agency

THE WALL STREET JOURNAL.

OPEC still has to worry about U.S. shale producers taking advantage and throttling up output. That is what happened after last year's OPEC deal, and the flood of new oil from the U.S. is one reason oil prices remain depressed.

Giovanni Staunovo, commodity analyst at Swiss bank UBS Group AG, said the production deal has a 20%-30% probability of a breakdown.

Should this happen, countries bound by the deal would likely immediately ramp up production back to predeal levels, the oil market would move from a deficit into oversupply, and prices may plunge heavily," Mr. Staunovo said.

A new Saudi cut to its exports could have a real effect on the balance of supply and demand, said Bjarne Schiel

drop, a commodity analyst with the Nordic bank SEB. The kingdom exported an average of 7.2 million barrels a day from January to May, he said, so the new action would theoretically remove an additional 600,000 barrels a day from the market.

But Saudi Arabia generally reduces exports in the summer when it faces rising domestic demand for crude oil to be burned to create electricity for air conditioning.

The limit on Nigeria, however, is less likely to result in helping reduce the oil glut. Nigeria has agreed to limit its production to 1.8 million barrels a day, OPEC officials said. The African country produced

about 1.6 million barrels a day in June, giving it substantial room to keep increasing.

Another OPEC member exempted from last year's deal, Libya, has a target of 1.25 million barrels a day, still higher than its June production of 820,000 million barrels a day.

Beyond Libya and Nigeria, Iraq, OPEC's second-biggest producer, and the U.A.E. have been pumping more than their agreed-upon limits.

"We've had very serious discussions with those countries that are not performing as well as others," Mr. Falih said, saying there were unspecified "mechanisms" in place to bring those countries in line.

Analysts have warned that any new production cuts from OPEC would likely just help American shale producers. First, it would cede market share to the U.S. from OPEC. Second, any price rally would likely be quickly killed by new shale production, they say.

—Sarah McFarlane and Summer Said contributed to this article.

SHARK

Continued from Page One

"Shark" special pretty much drove me nuts. The marine biologist nerds kept criticizing sharks for not being able to swim in a straight line. What? We can totally swim in a straight line. We just choose not to. Those marine biologists better be careful, or one day I'm going to swim in a straight line right up to their boat.

Another thing that really annoyed me was how they kept rhapsodizing about Phelps's Olympic glory and

how competitive the guy is.

"He just loves to win," somebody said.

Please. I'm going to throw up. Humans always make everything about themselves. Sharks are competitive! Sharks also want to win. You think we watch "Jaws" and root for Richard Dreyfuss?

And Discovery gave Phelps every conceivable advantage. They filmed it during the day. They let Phelps wear a wet-suit. He also got to put some kind of "monofin" on his feet for propulsion. I'm not so sure about that monofin. It looked like a pair of bike shoes attached to a spatula from Wil-

iams-Sonoma.

And Larry still kicked his behind.

Phelps was respectful about the whole thing, saying he'd always dreamed of swimming among the sharks. That was nice, but I kept waiting for the announcer to go to Larry for his postrace interview, and they never did. What the heck, Discovery?

It's demoralizing. First "Sharknado" and now this.

LIFE & ARTS

TURNING POINTS | By Clare Ansberry

It's OK to Party When You Turn 60

More people are celebrating the age rather than lamenting getting older; a pool party for close friends or a band for a crowd

SIXTY YEARS AGO, the baby boom peaked with 4.3 million babies being born. That means more boomers than ever are becoming sexagenarians at a rough rate of 491 an hour. That's a lot of candles.

Two of them, teenage sweethearts Mike and Robin Hamlin threw an "120" party in honor of each reaching that milestone birthday this year. They invited about 100 people, had a live band and danced to Bruno Mars' Uptown Funk.

"I could care less if people know I'm 60," says Ms. Hamlin. The only time it bothers her is when she enters her age on the treadmill in the morning. "Then I think: 'I don't believe it. I don't feel different than 40.'"

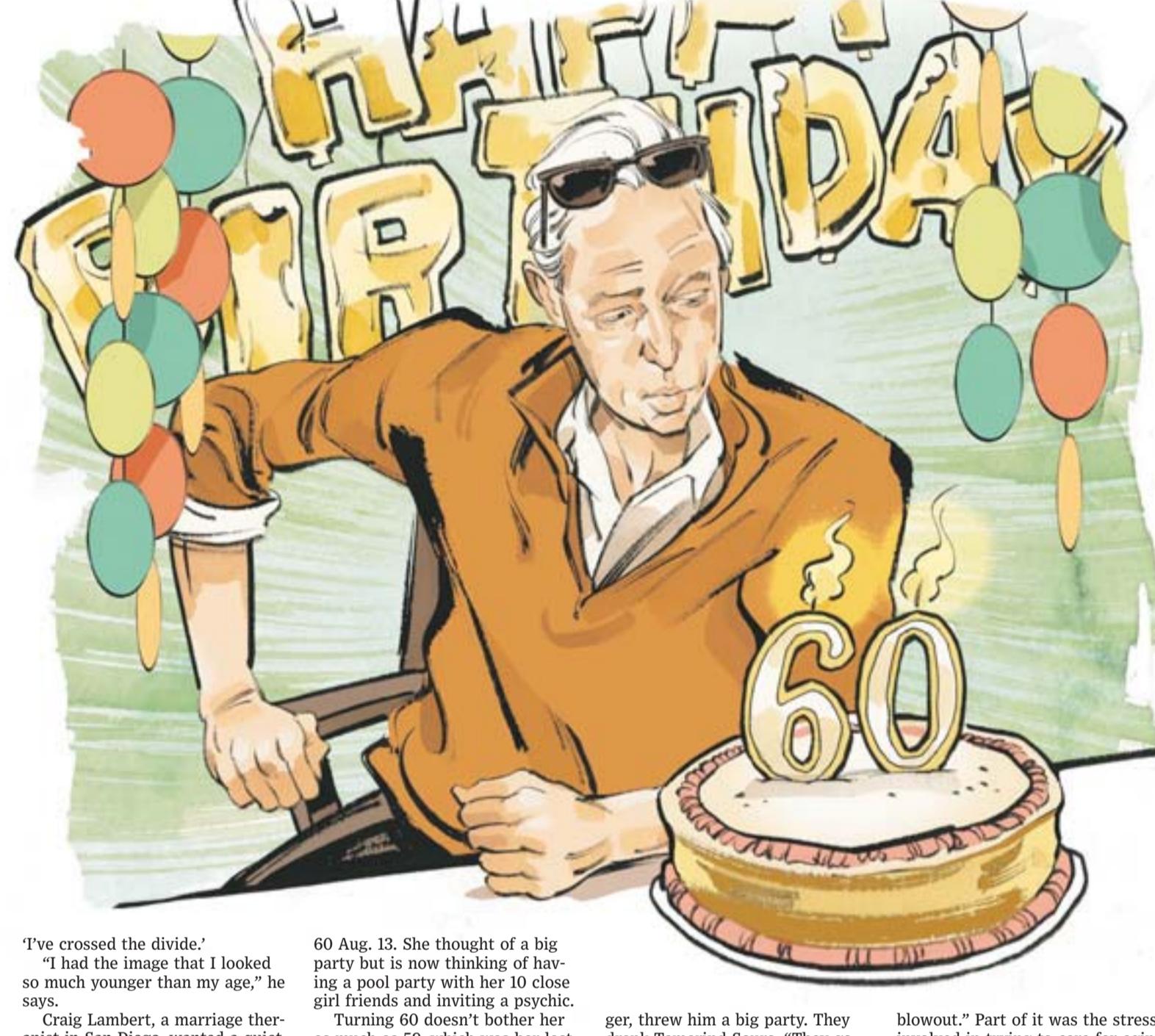
Today's 60-year-old is generally in better health and has more education than their mom and dad. They look younger thanks to cosmetic surgery, better nutrition, exercise, skin creams, and they are more active. They volunteer, backpack, FaceTime with grandchildren if they have them, take more cruises than their parents and take vitamin supplements, especially vitamin D. They are on the brink of what one aging expert called an emerging "gerontogenesis," a new period of transition.

But for the most part, people in the U.S. prefer to tiptoe past their 60th birthday because they don't want anyone to know that they are that old. Among the best possible birthday gifts for a 60th birthday: "That people would forget I am 60," according to a 2006 study by AARP Inc. For good reason: Those under 30 say old age begins at 60, according to a 2009 Pew Research Center report.

Part of the trepidation is the so-called clock—a cultural timeline of expectations of what you should do at a certain age, says William Doherty, director of marriage and family therapy at the University of Minnesota.

At 60, people ask, "When do you plan to retire?" which is unsettling for many men whose self-image and identity is dominated by work, says Dr. Doherty, who is 72 and still working. People began asking, "Are you still working?" when he was in his late 60s, which was followed by, "You're not still working are you?" when he reached 70. And that still happens even though nearly 9 million Americans aged 65 and older were working in May 2016, more than twice the number of people that age in 2000.

Men at 60 also tend to think they look better than they do, while women are more critical of their appearances from an earlier age. Dr. Doherty remembers being offended when an 18-year-old McDonald's clerk asked him if he wanted a discount when he was 62. He said "No," and told himself,



'I've crossed the divide.'

"I had the image that I looked so much younger than my age," he says.

Craig Lambert, a marriage therapist in San Diego, wanted a quiet dinner when he turned 60 last year, nothing like the big 50th birthday bash he had. "I didn't want to focus on the number. I just wanted to get beyond it," says Mr. Lambert. Many men, he says, feel that by 60 they have peaked in their career and that the best years are behind them. He exercises and is in good shape. But when he looks in the mirror, "I honestly can't believe what I look like. My hair is totally gray," says Mr. Lambert, who had cosmetic surgery around his eyes.

Women, he says, seem to have a better outlook. "The kids are grown and out of the house. They have a new lease on life and feel a greater potential to grow and expand in ways they haven't before," he says.

His fiancée, Debbie Seid, turns

60 Aug. 13. She thought of a big party but is now thinking of having a pool party with her 10 close girl friends and inviting a psychic.

Turning 60 doesn't bother her as much as 59, which was her last birthday in her 50s. "I hung onto 58 like crazy," she says. In recent months, she has been trying to get used to being a sexagenarian by telling people "I'm going to be 60."

Ian Brown, a journalist and author, decided to keep a year-long daily diary, starting with the day he turned 60, in large part because he realized life was short and he needed to pay closer attention to its details. He wrote in the resulting book, "Sixty: A Diary of My Sixty-First Year: The Beginning of the End, or the End of the Beginning?" about his growing baldness and memory lapses, not accomplishing what he thought he would and the fear of what he calls "erasure," which is something women have dealt with for a long time, and learned how to compensate. His wife, who is eight years younger,

threw him a big party. They drank Tamarind Sours. "They go down easily," he says.

The 120 party was Mike Hamlin's idea. Mr. Hamlin, who owns Wing-Hamlin Co., a manufacturing representative agency in Elmhurst, Ill., turned 60 in March. He and his wife went to their daughter's home in Boston. They had a nice quiet dinner. His 5-year-old grandson made him a toolbox.

A month later, they were in Florida, visiting Ms. Hamlin's parents. Her father is 94 and her mother is 88. The Hamlins have made several trips back and forth and the last one was especially stressful. They thought it would be better for her parents to move into assisted living and provided several options. Her parents declined.

On the way to the airport, Mr. Hamlin told his wife, who was turning 60 in May, "we need a big

blowout." Part of it was the stress involved in trying to care for aging parents. In the back of his mind, too, he says, was his business partner who died of a heart attack when he was 60 and his dad, who died at 70. "We need to really make sure we don't let the next 10 years slip by," he remembers telling his wife, who has lost two dear friends to cancer.

They picked May 20, the Saturday after Ms. Hamlin's 60th birthday. She worried at one point during dinner when the band played recorded music, including "Close to You" by the Carpenters. "I thought, 'Oh my God. This is going to be so lame,'" she says.

Later, the band, named Enough Said, played "Raise your Glass" by Pink. Everyone danced. At the end of the night, Mr. Hamlin invited family and friends back in five years to celebrate the 130.

YOUR HEALTH | By Sumathi Reddy

PATIENTS MAKE MORE MEDICATION MISTAKES

THE NUMBER of serious medication errors people make is on the rise, with about one-third of them resulting in hospitalizations.

Every two minutes someone calls a U.S. poison control center about a medication error. They took the wrong dose, took their medication twice or accidentally took someone else's, among other mistakes.

About 14 of those calls a day are serious medication errors that typically require medical treatment and may result in hospitalization or even death, according to a recent study published in the journal Clinical Toxicology earlier this month. The study analyzed calls to poison control centers across the country, focusing on serious medication errors that took place outside of the hospital.

The researchers found that serious medical errors doubled between 2000 and 2012, said Nichole Hodges, first author of the study and a research scientist with the Center for Injury Research and Policy at Nationwide Children's Hospital in Columbus, Ohio.

The most common medication mistakes involved cardiovascular drugs, such as beta blockers and calcium channel blockers, which



More patients take the wrong dose or medicines, a new study finds.

made up 20.6% of serious errors. Pain medications such as opioids and acetaminophen (brand name, Tylenol) were involved in 12% of errors, and hormone therapies, mainly insulin, were associated with 11% of serious mistakes.

The usage of these types of

medications is going up, said Dr. Hodges. "So we're likely to see more errors. But we can't tell for sure whether the errors are increasing or whether they're just being reported more often."

Calcium channel blockers, commonly used for high blood pres-

sure and cardiac arrhythmias, can be especially dangerous when extra doses are accidentally taken because they can cause blood pressure to drop abnormally low. They can also cause arrhythmias and other heart issues, said Henry A. Spiller, a co-author on the study and director of the Central Ohio Poison Center at Nationwide Children's Hospital.

"Because older people may be on multiple medications they are sometimes used to swallowing several pills at a time," said Dr. Spiller. "If you take six of these you have a week's worth of the drugs and that becomes dangerous."

Taking too much acetaminophen can cause liver damage and high doses of opioids can cause breathing problems and coma, he said.

A common problem for diabetics is when they confuse their morning dose of insulin with their evening dose. Diabetics typically take two different doses of insulin each day, a faster-acting and larger dose that is supposed to be taken in the morning and a lower dose that is for the evening.

"The good news is most of these errors are highly preventable," said Dr. Hodges.

She advises that parents and caregivers keep a log, noting the time and day a medication is given. Weekly pill planners can be helpful but make sure they are child-resistant and stored out of sight of children, she said.

Hospital-based medication errors have also been a focus of concern for years with efforts under way to reduce such errors. "Medication errors are common in hospitals but fortunately only about one in 100 result in harm," said David Bates, chief of general medicine at Boston's Brigham and Women's Hospital.

Electronic health records have helped reduce such errors. Overdoses are the most common error in hospitals. "Older patients are particularly susceptible to getting too much medication as are patients with kidney problems," Dr. Bates said.

Adding bar codes to medications and the creation of smart pumps for medicines that are given intravenously have also helped reduce medication errors in the hospital, said Dr. Bates. Smart pumps are programmed for a specific dose range so that if a nurse or doctor is given a dose that is too high the pump will beep or alert them.

OPINION

REVIEW & OUTLOOK

Trump's Syria Muddle

Does the Trump Administration have a policy in Syria worth the name? If so it isn't obvious, and its recent decisions suggest that the White House may be willing to accommodate the Russian and Iranian goal of propping up Bashar Assad for the long term.

Last week the Administration disclosed that it has stopped assisting the anti-Assad Sunni Arab fighters whom the CIA has trained, equipped and funded since 2013. U.S. Special Operations Command chief Gen. Raymond Thomas told the Aspen Security Forum Friday that the decision to pull the plug was "based on an assessment of the nature of the program and what we are trying to accomplish and the viability of it going forward."

That might make sense if anyone knew what the U.S. is trying to accomplish beyond ousting Islamic State from Raqqqa in northern Syria. In that fight the Pentagon has resisted Russia and Iran by arming the Kurdish Syrian Democratic Forces and shooting down the Syrian aircraft threatening them. Mr. Trump also launched cruise missiles to punish Mr. Assad after the strongman used chemical weapons.

The muddle is what the U.S. wants in Syria after the looming defeat of Islamic State. On that score the Trump Administration seems to want to find some agreement with Russia to stabilize Syria even if that means entrenching Mr. Assad and the Russian and Iranian military presence.

Cutting off the Sunni Free Syrian Army has long been a Russian and Iranian goal. FSA fighters in southern Syria have helped to contain the more radical Sunni opposition formerly known as the Nusra Front and they've fought Islamic State, but they also want to depose Mr. Assad. Not all of the Sunni rebels are as moderate as we'd like, but they aren't al Qaeda or Islamic State. The arms cutoff caught the rebels by surprise and will make our allies in the region further doubt American reliability.

This follows the deal Mr. Trump struck at the G-20 meeting with Vladimir Putin for a cease-fire in southern Syria near its border with Israel and Jordan. U.S. Secretary of State Rex Tillerson hailed it as a potential precedent for other parts of Syria, and Administration sources advertised that Israel and Jordan were on board.

But we later learned that Israel is far more skeptical. Prime Minister Benjamin Netanyahu

told a recent cabinet meeting that "Israel will welcome a genuine cease-fire in Syria, but this cease-fire must not enable the establishment of a military presence by Iran and its proxies in Syria in general and in southern Syria in particular."

Yet by this point any territory controlled by Mr. Assad will come with Iranian military tentacles. Iran's Hezbollah footsoldiers from Lebanon helped rescue Mr. Assad's military, and they'd love to open another frontline against the Jewish state.

Messrs. Trump and Tillerson may want to negotiate a diplomatic settlement with Mr. Putin on Syria, and no doubt the Russian is pitching his "common front" line against radical Islamists. But CIA Director Mike Pompeo told the Aspen forum on Friday that Russia has done little fighting against Islamic State. Mr. Putin also has no incentive to give ground in Syria while his side is winning.

Russia and Iran know what they want in Syria: a reunified country under Mr. Assad's control. Iran will then get another Arab city—Damascus—under its dominion. It will have another base from which to undermine U.S. allies in Jordan and attack Israel when the next war breaks out. Russia wants to show the world that its allies always win while keeping its air base and a Mediterranean port.

None of this is in the U.S. interest. The only way to reach an acceptable diplomatic solution is if Iran and Russia feel they are paying too large a price for their Syrian sojourn. This means more support for Mr. Assad's enemies, not cutting them off without notice. And it means building up a Middle East coalition willing to fight Islamic State and resist Iran. The U.S. should also consider enforcing "safe zones" in Syria for anti-Assad forces.

It's hard to imagine a stable Syria as long as Mr. Assad is in power. But if he stays, then the U.S. goal should be a divided country with safe areas for Sunnis and the Kurds who have helped liberate Raqqqa. Then we can perhaps tolerate an Assad government that presides over a rump Syria dominated by Alawites. But none of that will happen if the U.S. abandons its allies to the Russia-Assad-Iran axis. And if abandoning Syria to Iran is the policy, then at least own up to it in public so everyone knows the score.

Tying School Choice to 'Racism'

Betsy DeVos must be doing something right. Why else would Randi Weingarten, president of the American Federation of Teachers, devote a speech late last week to blasting the U.S. Education Secretary for using the word "choice"—and then tying it to racism?

Sounding like Hillary Clinton in full deplorable mode, Ms. Weingarten says the movement to give parents more say over where their kids go to school has its roots in "racism, sexism, classism, xenophobia and homophobia." Adapting the theology of the climate-change censors who seek to shut down debate, she goes on to call Mrs. DeVos a "public-school denier."

What really frosts the AFT president is that she recognizes that the public-school monopoly her union backs is now under siege, morally and politically, for its failure to educate children, especially minority children.

It's not that there are no excellent public schools. It's that citizens are beginning to see that the public money the unions increasingly demand is more likely to go into pensions than the classroom. And access to excellent schools increasingly depends on where they live.

A Victory Against Obama

Westchester's Chief Executive Rob Astorino spent seven years fighting Obama-era Department of Housing and Urban Development accusations that his New York State county's zoning laws are racist. Now HUD has conceded that the suburban New Yorker was right all along.

In a one-paragraph memo sent to Westchester recently, HUD Regional Director Jay Golden accepted the county's latest report demonstrating that local zoning laws are race-neutral. Westchester was required to produce this "analysis of impediments" to housing as part of a 2009 legal settlement between Mr. Astorino's Democratic predecessor, Andrew Spano, and a liberal activist group.

Mr. Astorino called HUD's memo a "vindication," and it is—not least because Westchester demonstrated as early as 2010 that the county didn't have racially exclusionary zoning practices. Westchester's residents live where they want and can afford to live. Between the 2000 and 2010 censuses (the most recent available), the county's African-American and Hispanic populations rose 56%.

The Obama Administration had a larger social and political agenda, which was to use federal antidiscrimination law as a battering ram to rewrite local zoning laws. Westchester would be the model for the rest of the country, and as a Republican Mr. Astorino was an ideal foil to portray as a racist and then point to as a precedent to force racial housing quotas on neighborhoods across America.

The teachers union makes the tenuous claim in defending its turf.

Ms. Weingarten tries to taint the push for choice by tracing it to attempts in some parts of the country to evade the integration demanded by *Brown v. Board of Education*. There's a reason Ms. Weingarten spends most of her time on the bad old days. This is because it's much harder to defend the academic resegregation of today.

Before last year's anniversary of *Brown*, for example, the Government Accountability Office released a study showing resegregation is on the rise, with more and more of America's poor black and Latino children in schools where they are the majority. Many of these are failing schools.

Yet as she made clear in her speech, Ms. Weingarten and her union will fight to their dying breath to keep these children there rather than give them the opportunity of a better education through a charter public school or a voucher for a private or parochial school.

We hope Secretary DeVos takes away from Ms. Weingarten's speech the message that so brittle is the teachers union monopoly that today it fears her even talking about choice.

Feds concede a New York county's zoning laws aren't discriminatory.

As part of the settlement implementation, the agency deemed standard zoning, such as building heights or sewer placement to protect drinking water, as "restrictive practices" that the feds wanted to change. Westchester balked, recognizing the move as a federal takeover of local policy.

The agency also ignored that Mr. Astorino exceeded the 2009 settlement's mandate to facilitate the construction of 750 housing units in 31 mostly white communities over seven years.

Mr. Astorino fought back in court, producing 11 reports about the county's zoning practices. The agency responded by withholding \$23.4 million in development money meant for Westchester's poorest communities over four years.

New York Governor Andrew Cuomo used the dispute to portray the Republican as hostile to minorities when Mr. Astorino ran against the Democrat in 2014.

Now Mr. Astorino looks like a hero to Westchester residents who have already forked out \$81.6 million for land acquisition and construction costs for the new housing, plus the \$172 million contributed by state and federal taxpayers.

The misuse of federal regulatory enforcement to impose its liberal policy preferences was one of the worst excesses of the Obama Administration. Congratulations to Mr. Astorino and Westchester for refusing to give in to the extortion—and for winning in the end.

Is Tesla Too Big to Fail?



BUSINESS WORLD
By Holman W. Jenkins Jr.

Even as Wall Street bulls tout Tesla's stock, almost a conspiracy of silence has surrounded the most interesting questions. One of these concerns what happens when 300,000 customers who deposited \$1,000 each for the forthcoming Tesla Model 3 learn that the

\$7,500 federal tax credit will expire before they can get their hands on it.

Now we know. Tesla may not be too big to fail as far as the federal government is concerned, but it certainly is too big to fail as far as California politicians are concerned.

An enthusiast site GreenCarReports.com says frankly of AB 1184, a bill recently passed by the state Assembly and awaiting Senate action: "CA bill would make up for federal electric-car incentives as they expire."

Yep, the law clearly is designed to help an electric-vehicle manufacturer about to exhaust the federal credit, a category that includes only Tesla. The bill specifies a car that gets at least 200 miles a charge—as the new Tesla Model 3, at 215 miles, just does.

The proposed law is suspiciously friendly toward a luxury brand going up against BMW and Mercedes. It aims to bridge the price gap between an electric vehicle and a comparable gasoline-powered car.

For a high-end car, the rebate could be \$10,000, \$20,000 or even \$30,000. In a state that accounts for half of all electric-vehicle sales, this vig would be determined by politically appointed air-quality regulators.

Tesla owners say taxpayer rebates don't matter. They say they'd buy the car anyway. Apparently they think Elon Musk is leaving money on the table in dealings with them. If his customers would buy without the \$7,500 federal rebate, he'd be a fool not to raise the price by \$7,500 and capture the value of the tax credit for Tesla.

He's no fool. All state-sponsored benefits, including HOV privileges, end up in Tesla prices. They go straight to Mr. Musk's bottom line.

A company like Tesla could only happen in California—or maybe Vladimir Putin's Russia.

Let's see, then-Rep. Henry Waxman and state Treasurer Bill Lockyer strong-armed Toyota into providing Tesla its giant local factory on the cheap. Hardly a year passes without Mr. Lockyer or his successor signing off on fresh tax favors. These include \$174 million in sales-tax suspensions for Tesla's equipment purchases via a state agency pretending to be the purchaser.

Tesla has banked tens of millions from California's existing green-car rebates, and hundreds of millions in state

zero-emissions credits. When Nevada outbid California for a battery plant in 2014, the Sacramento Bee wrote: "That shouldn't happen again." Expect local Democrats to dig deep when Mr. Musk goes shopping for his promised truck plant later this year.

In desperation, EV promoters point out that these sums don't come close to the \$550 billion in annual subsidies the oil industry allegedly receives. This figure, which comes from the International Energy Agency, mostly consists of the implicit value of cheap oil products that countries like Iran and Venezuela dump on their domestic citizens.

Yes, these subsidies are abominable, but they are at the expense of the oil industry. They are also at the expense of energy users in the rest of the world. The price of gasoline to the rest of us would be lower, making electric cars less attractive, if these handouts were stopped.

California can't stop tossing taxpayer money at the electric-vehicle wunderkind.

AB 1184 must still pass the California Senate. It still needs funding through the state cap-and-trade program, thereby shifting its cost to other energy users. Gov. Jerry Brown still needs to sign the bill—Mr. Brown who recently decided his swan song will be a global climate conference in San Francisco in September 2018, where he can be expected to tout California's green-car leadership.

Perhaps not accidentally, the bill would take effect the same month, landing just as Tesla might be facing its Waterloo over the federal credit's disappearance for Model 3 customers.

But here's where we must eat a little crow. Seven years ago, we cautioned against the idea that Mr. Musk's California "political allies-of-the-moment" represent some kind of commitment to the company's long-term success.

We were obviously wrong. California Democrats have so lashed themselves to Tesla, there's no amount of taxpayer money they won't spend to keep it afloat.

No, the company isn't a bankruptcy risk as long as investors keep supplying fresh capital to let it make and sell cars at a loss. But Tesla has always been, in large measure, a public-policy bet. The shares have been on a shaky ride lately amid Mr. Musk's Model 3 Hail Mary. AB 1184 may be just the signal investors need that California's deep pockets are behind the company—at least until they're not.

* * *

Joe Rago was a particular friend and sounding board for this column. He will be deeply missed.

Trump and the Nafta Talks



AMERICAS
By Mary Anastasia O'Grady

No part of Donald Trump's 2016 run for president excited crowds more than his rants against Mexico, his promises to "build the wall," to make the neighbors pay for it, and to rewrite or scrap the 1994 North American Free Trade Agreement.

Rhetorically, Presi-

dent Trump has not stepped back much from all that. He now says he will build the wall first and figure how to get the money from Mexico later. But now that the serious business of negotiation on trade is beginning, it appears that much of the craziness has been set aside.

Canada and Mexico have agreed to return to the Nafta negotiating table, and most of the objectives outlined in the U.S. Trade Representative's summary, released last week, are aimed not at destroying the 24-year-old pact but modernizing it. In many cases the U.S. is asking to open markets further on a reciprocal basis.

One objective is freer trade in agricultural products, which suggests that Canada's protected dairy and poultry markets will be on the table. The document also says the U.S. will aim for greater ease at the borders by "streamlining" customs procedures. A specific goal is to raise the value of goods that can enter duty-free in express-mail shipping to \$800 from \$50. This mail would presumably include products made in China.

Unfortunately some items on the Trump wish list would take the region backward economically.

It's hardly surprising the administration has made it a priority to eliminate trade deficits with Canada and Mexico. It has the same wrongheaded obsession globally. But a current-account deficit—which includes trade—doesn't matter because it means there is a capital-account surplus. The dollars Americans spend on foreign-produced goods and services eventually must return to the U.S., usually via investments in U.S. assets.

Trade deficits with Canada and Mexico are even less relevant. The USTR claims that "trade deficits have exploded." Yet the trade deficit with Nafta partners is less than 13% of the total U.S. trade deficit, while Nafta represents 30% of total U.S. trade.

Canada and Mexico are the largest export markets for the U.S., and the trade

deficits are nowhere proportional. It's also worth noting that the U.S. has had a surplus in services with Mexico averaging about \$9 billion a year over the past three years.

On the goods side, continental free trade makes U.S. exports more attractive globally. By putting production facilities in all three Nafta countries, American auto manufacturers, for example, can turn out cars and trucks that compete on price and quality all over the world.

This reduces the overall U.S. trade deficit. All things being equal, the deficit would go down even more if all markets were further opened to U.S. exports. It follows that the ideal U.S. policy for an administration concerned about trade deficits would be to work to reduce all barriers to trade.

In a world of increasingly interconnected commerce supported by free-trade agreements, American protectionists have come to rely heavily on antidumping and countervailing duties. Under Nafta, when exporters are alleged to be selling unfairly, any of the three countries can apply duties as a remedy.

But under Nafta's Chapter 19, exporters can appeal those duties to an international arbitration panel. The USTR wants to eliminate Chapter 19 and send disputes to domestic courts. In the U.S. that would be the Court of International Trade, where the Trump administration and its supporters undoubtedly feel U.S. companies could expect a more favorable outcome than at a Nafta panel.

Yet this would also mean that when Canada and Mexico slap antidumping duties on American products, exporters will have to go to courts in those countries. The result is likely to be rising protectionism in all three markets and sand in the gears of the integrated North American economy.

This can only increase divisions among the three countries at a time when a strong North American alliance is crucial to U.S. leadership in the hemisphere. Mexico has adopted a welcome human-rights policy by taking a strong position against the Venezuelan dictatorship. The U.S. should do what it can to build on this common ground.

The USTR's objectives are largely constructive. But Trump protectionists have planted a few land mines in the otherwise valuable agenda. Americans have to hope that Canada and Mexico will defend the interests that all three partners have in a free and prosperous North America.

Write to O'Grady@wsj.com.

OPINION

Britain Is Committed to Brexit and Free Trade

By Liam Fox

The principles of free trade have underpinned the institutions, rules and alliances that rebuilt the postwar world. They facilitated the fall of Soviet communism. They ushered in 70 years of global prosperity, raising the living standards of hundreds of millions of people. As the United Kingdom looks ahead to a new era of trade and a future outside the European Union, we'll be strengthening ties around the world—especially with our top trading partner and greatest ally, the U.S.

As an independent U.K. embraces the world, the U.S. will remain our foremost partner.

The British government has set up working groups and high-level dialogues in 10 countries that are key trade partners. Our goal is to explore the best ways of improving our trade and investment relationships. On Monday, I visited my American counterpart, U.S. Trade Representative Robert Lighthizer, for the first meeting of the U.S.-U.K.

trade and investment working group. We have two main aims. First, to give businesses on both sides of the Atlantic certainty and confidence. Second, to provide commercial continuity as the U.K. charts a course outside the EU.

The U.K. is prohibited from signing any formal free-trade agreement while we retain EU membership, but we are laying the groundwork for a potential deal with our closest international partners, identifying areas where we could broaden cooperation and remove barriers to trade.

American politicians and business leaders sometimes ask me whether the U.K.'s recent general election has affected our approach to Brexit, or whether there is any chance the U.K. might change its mind and stay in the EU. No. The government's approach hasn't changed. The plan to leave the EU that we originally set out is in our national interest. Brexit is going ahead. The democratic choice has been made.

In the June election, more than 80% of voters backed one of the parties that supports Britain's withdrawal from the EU. The Conservative Party, through our agreement with the Democratic Unionist Party, has secured a legislative majority to provide stable government, uphold the democratic will of the British people, and deliver Brexit.

I believe this offers an unprece-



BLOOMBERG

A container ship dockside last year in Felixstowe, England.

dented opportunity for the U.K. If we want to protect jobs and prosperity and watch British businesses expand, we need to engage with the overseas markets that hold the greatest potential. The EU itself estimates that 90% of global growth in the next decade will come from outside Europe. As one of the world's largest economies, the U.K. has the chance to work with old and new partners to build a truly global Britain at the heart of international trade.

The strength of our trade and investment relationship with the U.S. is clear. Exports to the U.K. last year totaled \$555 million from Al-

bama alone, and \$3.5 billion from Washington state. Such exports supported 1,400 jobs in Alaska and 53,000 in Texas, which I will visit at the end of this week. Together the U.S. and U.K. have around \$1 trillion invested in each other's economies, and this strong trading relationship supports more than one million jobs in both countries.

The fundamentals of the U.K. economy are strong, providing a solid platform on which to build new trading links. We have reduced the deficit by nearly 75% and cut taxes for millions of working people, and the unemployment rate remains low.

The U.K. was the second-fastest

growing economy in the Group of Seven last year. A PricewaterhouseCoopers report from February projects that Britain will hold the G-7 growth title until 2050, outstripping France, Germany and Italy.

The U.K. has long been one of the best places in the world to invest, with regulatory stability, a strong rule of law and a low-tax, high-skilled economy. So it's no surprise that Britain has attracted a range of businesses, from Facebook and Google to Pfizer.

I am committed to securing the best possible global trading framework for the U.K. It is a source of great personal pride to lead the Department for International Trade, tasked with upholding Britain's centuries-long tradition of advocating free trade and commerce.

In that spirit, I look forward to working together with our American allies to deepen a relationship based upon not only our shared values of freedom and democracy, but our shared history, culture and economic success.

At times the U.K. and the U.S. can seem very different, yet we are nations built upon a common foundation. As Britain embraces the world, the U.S. will remain our foremost partner in every endeavor.

Mr. Fox is the U.K.'s international trade secretary.

Washington, Berlin and the Problem With Russia's New Pipeline

By Alan Riley

Mid allegations that Washington is using the cover of sanctions to advance its own commercial interests, Germany has been furiously lobbying against a Russian sanctions bill that passed the U.S. Senate and goes to vote in the U.S. House of Representatives Tuesday.

In a recent joint statement, Germany's Foreign Minister Sigmar Gabriel and Austria's Chancellor Christian Kern blasted the Senate version of the bill as aimed at "selling American liquid natural gas and ending the supply of Russian natural gas to the European market." This position confuses U.S. national and commercial interests, and fails to recognize how European gas markets work.

The focus of German concern is the prospect of sanctions targeting the construction of new Russian export pipelines, and in particular the Nord Stream 2, which would give Russia's Gazprom the capacity to bring 55 billion cubic meters of gas from Russia to Germany through two 1,200 kilometer pipelines beneath the Baltic Sea.

Together with the existing Nord Stream 1, total export capacity traveling the Nord Stream Baltic Sea route would be doubled as a result.

But Nord Stream 2 isn't meant to increase Russia's export capacity. Gazprom has substantial existing capacity via the Yamal pipeline going through Belarus and Poland and the Brotherhood pipeline through Slovakia and Ukraine. Nord Stream 2, just like Nord Stream 1, is intended to be a diversionary pipeline.

If U.S. sanctions are addressed specifically to Nord Stream 2, they won't have any material impact on the flow of Russian natural gas to Europe. And while it's true the sanctions against Russian export pipelines as drawn in the U.S. bill have been drawn broadly, they have also been drafted in the form of a grant of discretionary powers to the U.S. president. In reality, any executive order giving effect to the sanction powers would have to be narrowly drawn to focus on Nord Stream 2.

In its lobbying on Capitol Hill, Berlin has significantly played down the damage that Nord Stream 2 would inflict on the security of Central and Eastern Europe. This is because having most of Russia's gas exports to the EU come through its market would lower natural-gas prices in Germany and make it an energy hub for the rest of Europe. It would also help the German and

also increases Gazprom's market dominance, and further reduces supply alternatives, for Central and Eastern Europe. This significant loss of supply security will further weaken and isolate the states in these regions, all NATO members and partners of the U.S.

The development of Nord Stream 2 also raises two important security concerns for the U.S. that Messrs. Gabriel and Kern overlook.

First, the U.S. has a clear foreign-policy interest here: the survival of Ukraine as an independent, sovereign state. Nord Stream 2, a wholly owned subsidiary of state-owned Gazprom, would remove Kiev as a transit route. This would strip Ukraine of \$2 billion in transit fees, reduce its importance to the rest of Europe and restore Russian gas leverage across the Continent.

Second, with the completion of Nord Stream 2, the two Nord Stream pipelines would together supply 25% of total European Union gas consumption and make up 70% of the EU's gas imports. Russia is in effect proposing, with Germany's support, to place 70% of the EU's

Austrian corporate partners of Nord Stream 2, including OMV, Uniper and BASF-Wintershall, ensure their continued access to upstream Russian energy assets. All of which sets the stage for greater Russian-German cooperation in the future.

Concentrating supply along the two Nord Stream routes reduces supply diversity and makes it easier to cut off those states that no longer provide transit services along the Yamal and Brotherhood routes. It

Leaders in these regions are eager not only to provide health care, but also to discover better methods for delivering it. That's where the smartphone comes in. Last year 60% of global sales revenue for smartphones came from Asia and Africa, and because phone prices are discounted there compared with the West, the actual number of units sold is even greater than the dollar figures suggest.

As central as a smartphone is to modern American life, it may be even more so in poor countries. Phones aren't only the center of communication, they are used to make payments and run small businesses.

Adding devices and applications that provide basic tools for monitoring the user's health is the obvious next step. This iterative strategy will be much easier than launching the sophisticated devices Silicon Valley is dreaming up.

One type of mobile device that is likely to appear first in the Far East and be widely adopted there is the digital stethoscope. This device is

able to detect changes in pitch and soon will be able to detect asthma in children, pneumonia in the elderly and, in conjunction with low-cost portable electrocardiographs, cardiopulmonary disease.

With smartphones everywhere and little regulation, Africa and Asia are set to lead.

An additional advantage is that this part of the world has limited regulation, which makes it much easier to launch these kinds of health-care tools. In India and much of Africa, there are few government drug agencies or big insurance companies to throw up barriers.

Companies that make medical devices and their accompanying smartphone apps could establish themselves almost overnight. Then, once they have built a large, profitable base of users, they could consider

jumping through the legal and regulatory hoops to bring the technology to developed countries. That sequence has worked well for other technology firms. WhatsApp tested its original application in India and quickly attracted more than 160 million active users there.

In the end, enormous gains will come from scale. Imagine what could happen once these companies have billions of users on multiple continents. Their algorithms could sift through data on millions upon millions of patients, looking for ways to predict and prevent disease. It'll be medical artificial intelligence.

No doubt Silicon Valley also will come up with elegant mobile medical tools, but only on the heels of more basic ones rolled out abroad. That means entrepreneurs in Bangalore and Beijing will have an early lead. Will they use the information they have gathered to beat Silicon Valley to the more sophisticated medical tech disruption?

Mr. Riley is a senior fellow at the Institute for Statecraft. He has also advised energy companies in Poland and Ukraine.

Force Congress's Hand on Health Care

By Heather R. Higgins

If President Trump is serious about repealing ObamaCare—about delivering a better policy with more choice and lower costs—there's a simple move he could make that wouldn't require congressional approval. It would align the interests of lawmakers and their staffers with the interests of voters.

Congress is essentially unaffected by the high costs of the ObamaCare exchanges because of a special exemption crafted under the Obama administration. The Affordable Care Act required members of Congress and their employees to participate in the health-insurance exchanges it established. They should have lost the generous coverage they had in the Federal Employees Health Benefit Program and instead bought one of the government-mandated options offered on the ACA exchanges.

In late 2012, staffers and members figured out what was about to happen and begged the Obama administration for relief. Just as Congress was going into its August recess in 2013, the Office of Personnel Management ratified the fiction that the House and Senate each have fewer than 50 employees, and thus qualify as "small businesses." That enabled OPM to establish a system of special subsidies and exemptions, sparing Congress the embarrassment of a self-serving vote.

Many staffers are exempted and allowed to remain on their old insurance plans. Members of Congress and their designated "official office" staff are insured through the District of Columbia's small-business exchange—but they receive a one-of-a-kind subsidy from their employer (taxpayers) of up to \$12,000, or about 70% of their premiums.

All that would be illegal for any-

one else. In fact, it's illegal for Congress too. But since it was established administratively, it can be ended the same way. The president should announce that he is instructing OPM to end the exemption and subsidies for Congress.

This is smart politics. One poll found 94% of voters opposed the special deal for Congress. It would also lead to smart policy: Any continued failure to reform health care means members of Congress and their staff would suffer under the current system.

If the president does this, he'd have huge negotiating leverage. He would align the interests of the ruling class with those of his voters, forcing Congress to act. He might even get some Democratic votes.

Ms. Higgins is CEO of Independent Women's Voice and runs the Repeal & Reform coalition.

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LIFE & ARTS

ART

The 28-Foot-Tall Visitor

How the Metropolitan Museum is installing one of its largest paintings, a Villalpando from Mexico's Puebla Cathedral

BY BRENDA CRONIN

A 17TH-CENTURY painting that towers almost three stories high has the **Metropolitan Museum of Art** rolling out the red carpet with a handful of scissor lifts and more than 16,000 pounds of sand.

The picture, completed in 1683, is the showstopper of "Cristóbal de Villalpando: Mexican Painter of the Baroque" an 11-painting exhibit opening July 25 in New York.

Even for the Met, which is adept at operations that marry the logistics of D-Day with the polish of a royal wedding, this was a tall order. For starters, only a few places in the museum could house Villalpando's 28-foot-tall work, "Moses and the Brazen Serpent and the Transfiguration of Jesus." The Met settled on Gallery 963, the skylit atrium of its Robert Lehman Wing. To display the painting, which is about 14 feet wide, the museum built a wall-like structure and base reinforced with metal and sand.

Until this year, the painting had never left its original site in a chapel of Mexico's Puebla Cathedral. Before coming to the Met, it was restored for the first time under the aegis of Agustín Espinosa Chávez, a Mexico-based conservator. The job included removing "kilos of dust from the back with a vacuum," he says. He and his team replaced the painting's original wood stretchers with ones of wood laminate over steel. They cleaned the elaborate frame, which is made of cedar bedecked with gold leaf.

For the journey to New York, the canvases were cushioned in felt and a paper-like material and rolled on to tubes. The painting was elastic enough to roll without cracking or shedding any original paint, Mr. Espinosa Chávez explained, thanks in part to Villalpando's thin layers of color as well as his chiaroscuro technique of us-



Riggers and technicians took five days to install Villalpando's 'Moses and the Brazen Serpent and the Transfiguration of Jesus' (1683) at the Met.

ing light and dark hues to add depth to the work. The new stretchers and the cedar-and-gilt frame were dismantled and packed in padded crates.

Mr. Espinosa Chávez and members of his team helped with the five-day installation. The painting was reattached to the stretchers, with Mr. Espinosa Chávez gauging the proper degree of tautness by placing his palm on the back of the canvas. "As a conservator, you organize the tension," he said, so the painting doesn't appear wavy or uneven when displayed.

"It's among the largest paintings I've installed," said Taylor Miller, the Met's Buildings Manager for Exhibitions. Mr. Miller, who has worked at the museum for more than a decade, pointed out that while the size of the work is unusual, the installation procedures and equipment—as well as the dozens and dozens of people involved in the planning and execution—arent. "We used the same ropes and pulleys that we use for smaller painting and tapestries,"

he said.

About 16 riggers, machinists, carpenters and technicians rehearsed the effort, including synchronizing the scissor lifts on which some of them perched to install the work. "They've done several dry runs," said Ronda Kasl, a curator in the American Wing at the Met. "They don't usually work off of 30-foot lifts." The canvases were hoisted on to the specially reinforced structure with cloth straps attached to the stretchers.

In his time, Villalpando was one of Mexico's most prominent artists. "This was by far the most important commission he had received to date that we know of, and it was his opportunity to shine," said Ms. Kasl, who began work on the exhibit four years ago. The work initially appears to be two paintings, a biblical twofer of scenes that have been tackled through the ages by Rubens, Michelangelo and other artists. The bottom half of the painting depicts an Old Testament story of repentance and the top is a portrait of



THE METROPOLITAN MUSEUM OF ART, NEW YORK (2)

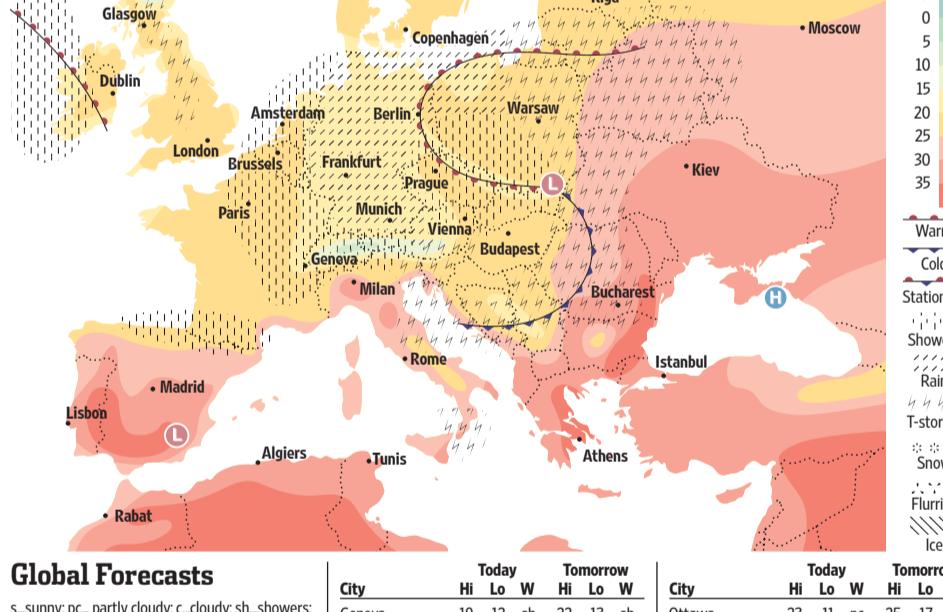
an effulgent Christ from New Testament accounts. The painting allowed Villalpando to portray—presumably while standing on a scaffold much of the time—a broad range of human figures and emotions. "He was really showing off in this picture," she said.

For Ms. Kasl and others at the Met, the masterpiece is yielding

revelations about Villalpando. Among them is the artist's casual habit of cleaning his paintbrushes on the flip side of the canvas, leaving spatters and daubs.

The museum organized the show with the Fomento Cultural Banamex, A.C., a nonprofit that focuses in part on preserving Mexican culture.

Weather



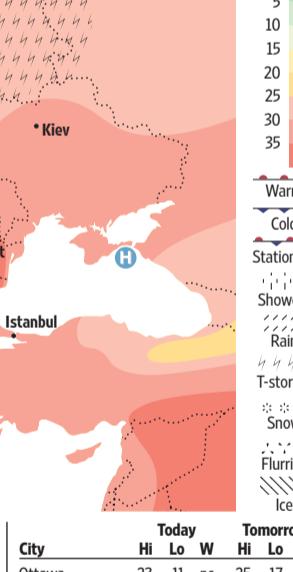
Global Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	20	14	sh	23	16	pc
Anchorage	15	13	c	17	12	c
Athens	35	26	s	34	24	s
Atlanta	32	23	t	31	23	t
Bahrain	46	30	s	46	29	s
Baltimore	29	19	pc	28	21	pc
Bangkok	32	27	t	31	26	t
Beijing	28	21	pc	24	20	r
Berlin	18	14	r	19	15	sh
Bogota	17	10	r	19	9	r
Boise	35	20	pc	35	19	pc
Boston	20	15	sh	25	17	s
Brussels	20	13	sh	24	16	pc
Buenos Aires	16	14	sh	20	15	t
Cairo	38	25	s	38	26	s
Calgary	24	11	s	28	13	s
Caracas	32	27	pc	32	27	pc
Charlotte	34	22	t	31	21	t
Chicago	28	18	pc	31	22	pc
Dallas	38	27	s	38	27	s
Denver	35	17	t	28	16	pc
Detroit	27	18	s	29	21	pc
Dubai	44	35	s	42	35	s
Dublin	21	14	pc	19	11	r
Edinburgh	19	12	pc	17	11	r
Frankfurt	17	15	r	22	15	r

AccuWeather.com

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



City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	19	12	sh	22	13	sh
Hanoi	32	26	t	31	25	t
Havana	32	23	pc	33	23	pc
Hong Kong	33	28	pc	33	27	t
Honolulu	31	24	t	30	24	pc
Istanbul	33	25	s	31	23	s
Jakarta	33	24	pc	33	24	s
Johannesburg	19	6	s	20	4	s
Kansas City	33	24	pc	33	23	pc
Las Vegas	35	28	t	37	28	pc
Lima	21	15	pc	21	15	pc
London	24	15	pc	20	14	s
Los Angeles	27	18	pc	29	19	pc
Madrid	32	19	s	34	21	s
Manila	28	25	t	29	27	t
Melbourne	17	9	sh	13	5	r
Mexico City	22	12	pc	23	12	pc
Miami	33	27	pc	34	27	pc
Milan	31	16	s	32	18	s
Minneapolis	31	21	pc	28	18	t
Monterrey	36	22	pc	36	21	pc
Montreal	23	13	pc	25	19	c
Moscow	22	17	pc	25	18	t
Nashville	33	23	t	34	24	s
New Delhi	34	26	pc	34	27	c
New Orleans	33	24	t	33	25	pc
Orlando	34	24	t	33	23	pc
Paris	32	23	pc	33	23	pc
Rome	27	18	pc	29	19	pc
Sao Paulo	26	13	s	25	12	s
Seattle	30	15	s	28	15	s
Seoul	34	24	s	32	24	s
Shanghai	42	30	s	38	29	t
Singapore	30	26	c	31	26	sh
Stockholm	21	11	c	21	12	sh
Sydney	21	13	s	22	10	s
Taipei	37	27	pc	37	26	pc
Tehran	37	26	s	38	27	s
Tel Aviv	33	26	s	33	25	s
Tokyo	32	25	t	31	25	sh
Toronto	24	14	s	26	19	pc
Vancouver	25	15	s	24	15	s
Washington, D.C.	29	21	pc	29	23	pc
Zurich	18	12	sh	19	11	sh

The WSJ Daily Crossword | Edited by Mike Shenk



BY GOLLY! | By Alex Eaton-Salners

Across	Down	Theme
1 Graf who achieved a Golden Slam	22 "Well That Ends Well"	43 Instrumental theme from "Beverly Hills Cop"
7 Slimming surgery, for short	23 Tricky stratagems	44 Moderately slow
11 Tentative taste	25 Wave generator, of a sort	46 Industry for Randhir and Karisma Kapoor
14 Trojan hero of a Virgil epic	27 Blue Jays pitcher Marco	50 Title boy in a Menotti opera
15 Man (famed racehorse)	31 Plug away	51 "No ifs, or buts"
16 Course goal	33 Christian of "Mr. Robot"	52 Small stream
17 Hyping	34 Gruff character of fairy tale	53 Fencing weapon
19 "If you ask me..." to a texter	36 Most underhanded	54 Nintendo avatar
20 Pianist Gilels	39 SpaceX founder Musk	55 The White House, to Teddy Roosevelt
21 River through Sudan	40 Down	58 Prohibition

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

Previous Puzzle's Solution	

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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Tuesday, July 25, 2017 | B1

Euro vs. Dollar 1.1634 ▼ 0.27%

FTSE 100 7377.73 ▼ 1.01%

Gold 1253.90 ▼ 0.03%

WTI crude 46.34 ▲ 1.25%

German Bund yield 0.510%

10-Year Treasury yield 2.253%

WebMD Agrees to KKR Buyout

By MATT JARZEMSKY
AND BOWDEYA TWEH

Private-equity firm **KKR** & Co. has reached a deal to buy **WebMD Health Corp.** for \$2.8 billion.

The New York-based health-information provider had been running an auction after publicly putting itself in play earlier this year.

KKR's Internet Brands plans to launch a tender offer in the next 10 business days to acquire WebMD shares for \$66.50 each in cash, WebMD said Monday.

The shares were trading at just over \$50 when WebMD said it would consider a sale. They were ahead nearly 20%

at \$66.05 Monday afternoon. WebMD said the acquisition is expected to close during the fourth quarter.

WebMD was founded in the late 1990s by Jeffrey Arnold, who became a billionaire at age 29 when the company merged with Healthon Corp. in 1999. In addition to its namesake website, featuring a symptom checker and glossary of medical terms, the company operates physician-focused Medscape.com, among other services.

The expected takeover comes as uncertainty surrounding health-care policy and drug pricing has damped demand for pharmaceutical marketing such as advertising



The health-information supplier was founded in the late 1990s.

on WebMD's websites. Executives noted that backdrop in February, as the company forecast slowing 2017 revenue and

said it would explore a sale.

"We believe that this transaction will provide additional flexibility and resources to deliver increased value to consumers, health care professionals, employers, and health plan participants," said Dr. Steven L. Zatz, CEO of WebMD, in prepared remarks.

WebMD also said Monday it expects to report a second-quarter profit of \$18.9 million, or 43 cents a share, compared with a profit of \$17.8 million, or 39 cents a share, a year earlier. Revenue is expected to rise 5% to \$176 million. The company's full second-quarter report is expected to be released Aug. 7.

Analysts polled by Thomson Reuters expect the com-

pany to report earnings per share of 41 cents, with revenue of \$171.6 million.

Private-equity firms have long seen the company as a target. In 2012, WebMD scrapped an earlier effort to sell itself, which came on the heels of billionaire investor Carl Icahn taking a stake in WebMD, in prepared remarks.

In March, activist hedge fund firm Blue Harbour Group LP disclosed an 8.99% stake in WebMD. The fund firm, founded by former KKR deal maker Clifton Robbins, is known for friendly approaches toward corporate management teams that contrasts with the style of some of its peers.

Board Is Cited In Bank's Collapse

When Europe's central bank orchestrated an overnight rescue of **Banco Popular Español SA** in June, the immediate spark was a bank run that left the Spanish lender close to collapse.

By Jeannette Neumann
in Madrid and
Patricia Kowsmann
in Frankfurt

But Banco Popular's problems ran deeper, touching an area that has been difficult for European regulators to address: poor governance.

The bank's problems, governance specialists say, included board members who weren't independent enough from management and deals with companies that had ties to the board.

Corporate governance shortcomings are more common in European banks compared with the U.S., some say. Some attribute the difference to a fragmented continent where countries' capital markets are in varied stages of development and have different rules and regulations.

"In Europe, you have 28 different banking systems, which were created nationally under different mandates," said Tom Kirchmaier, deputy director of corporate governance at the **London School of Economics**.

Since the European Central Bank assumed supervision of major eurozone banks in November 2014, it has stepped up the focus on corporate governance, pressing lenders, for instance, to ensure boards include a sufficient number of independent directors. Since then, the ECB conducted 94 on-site visits to examine governance issues, the second-highest number of inspections after loan risk.

When the ECB began to regulate Banco Popular, Spain's No. 6 lender by assets, it inherited a bank that analysts say was riddled with governance problems.

In its 2016 annual report, the bank said seven of 15 board members were independent. However, four had long-standing links to Banco Popular, ties that governance specialists say undermined their ability to challenge executives' decisions.

One had served as finance director and chief executive at the bank immediately before becoming a board member. Governance specialists say there should be at least a few years' "cooling off" period for a director in that situation to be considered independent.

Please see **LENDER** page B2



HomeAway took part in an April advertising campaign in Paris. Expedia purchased the vacation rental site in 2015.

JOHN VAN HASSELT/CORBIS/GETTY IMAGES

Travel Giants Flock to Airbnb's Turf

Expedia, Priceline look for more growth with home-rental options alongside hotel listings

By CHRIS KIRKHAM

home-rental options that can be booked similarly to a hotel, with just a few clicks.

The so-called private-accommodation market, which includes vacation rentals, homes or rooms rented out on a short-term basis, is about one-fifth the size of the hotel market based on revenue in the U.S., but it has been growing faster than hotels since 2015, according to data from travel industry-research group Phocuswright.

Revenue in the U.S. private accommodation market grew 11% last year from the year earlier, and is projected to grow 8% this year to more than \$34 billion; the U.S. hotel industry grew 5% last year to \$151 billion and is projected to do the same this year, accord-

ing to the data.

As the vacation-rental sector has expanded, online intermediaries such as Airbnb, Priceline, Expedia and TripAdvisor have grabbed larger shares of the listings.

Airbnb remains the leader, particularly for rentals in urban locations, with an estimated 15% of global room nights in private accommodations last year, compared with 12% for Expedia and 9% for Priceline, according to Susquehanna International Group. But Priceline Group and Expedia are increasingly displaying vacation rental properties alongside hotel rooms on their sites. Executives said the goal is to provide travelers with the most

Please see **OPTIONS** page B4

Where You Headed?

Private accommodations are expected to reach 18% of U.S. lodgings in 2017, from 16% in 2013.

U.S. lodging revenue



Source: Phocuswright
THE WALL STREET JOURNAL.

Bankers' Pay Is Quietly Shrinking

By TELIS DEMOS
AND DAVE MICHAELS

Trump administration regulators have signaled they want to abandon long-simmering plans to further regulate pay on Wall Street—but it may not matter.

Aspects of the Dodd-Frank law passed in 2010 under President Barack Obama along with changes in the economics of the banking industry have already resulted in tighter compensation controls.

Portions of the Dodd-Frank mandate—including making pay more sensitive to risk and long-term results—have made it into guidelines adopted by the Federal Reserve and other agencies. Banking groups have said their members follow the guidelines, but Washington and Wall Street have wrangled for years over whether they need to be locked in with formal rules.

Last week, regulators including the Securities and Ex-

change Commission dropped efforts to craft those tougher provisions from their published agendas. Those proposals included longer deferment periods for bonuses and longer periods during which the

payouts are subject to potential claw backs.

An SEC spokesman declined to comment on the changed agenda. But Republican lawmakers and regulatory officials have long complained

that Dodd-Frank included many measures unrelated to the financial crisis that spurred its passage.

Barney Frank, the former Democratic congressman who co-sponsored the landmark legislation, said he was unhappy but not surprised that regulators under the Trump administration are halting work on the rules. Because of GOP majorities in Congress and a Republican president in the White House, he says, the agencies "will be able to get away with much of this."

In theory, a regulatory pull-back now could prompt banks to resume some precrisis practices, such as cash bonuses that are free from multiyear vesting periods or dropping provisions that claw back pay for bad behavior.

But big banks already have made moves to rein in pay, pressured by shareholders seeking higher dividends and stock buybacks and as they

Please see **PAY** page B2

Alphabet's Profit Takes Hit From Hefty EU Fine

By JACK NICAS

Google parent **Alphabet** Inc.'s second-quarter profit fell by 28% because of a \$2.7 billion fine from European regulators, but other metrics show that the company's massive advertising business continues to hum.

Alphabet on Monday posted a quarterly profit of \$3.52 billion, or \$5.01 a share, compared with \$4.88 billion, or \$7 a share, a year prior. Excluding certain items, such as the European Union fine, the company said earnings were \$8.90 a share.

Net revenue rose 21% to \$26.01 billion in the second quarter, above analysts' expectations and continuing a streak of steady growth.

Alphabet shares, up 26% this year, fell 3% to \$951.54 in after-hours trading.

EU regulators fined Google after a seven-year investigation concluded Google favors

its shopping ads in its search results at the expense of competitors. Google denies the charges and said it is considering an appeal.

Aside from the fine, Google posted strong results as its advertising business—the world's largest—continues to grow rapidly, fueled by increasing internet usage globally. As more people connect to the web on smartphones, they are clicking on more ads Google sells on internet search results, websites and videos.

Google said clicks on its ads increased 52% in the quarter compared with a year ago, though advertisers paid 23% less per ad click.

The strong growth suggests recent spending cuts by a series of major advertisers did little to hurt its gigantic digital-ad business.

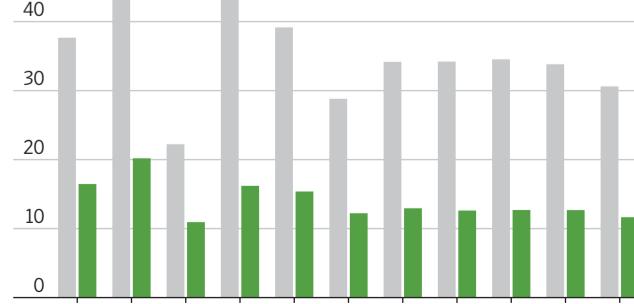
The segment that includes Google's cloud sales, dubbed "other revenue," grew by 42% in the quarter to \$3.09 billion.

New Normal

Pay and revenue on Wall Street have both declined since the financial crisis.

Goldman Sachs's annual revenue (■) and compensation (▲)

\$50 billion



Source: the company
THE WALL STREET JOURNAL.

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HEARD

Continued from the prior page
to pass tougher U.S. tests by
cheating.

EU antitrust penalties can theoretically be as much as 10% of sales, which for the German car makers would be €46 billion. In reality, any charge is likely to be far lower. The \$2.7 billion fine announced last month against Google for skewing internet searches to favor its own comparison-shopping service works out at 2.9% of parent company Alphabet's

sales.

German car makers are in a bind: To meet tightening European regulations they need to rehabilitate diesel's image with customers and regulators. But doing so increases the cost of engines—and with it the relative appeal of Tesla-style battery-driven cars. It is hard not to see the latest stock-market sell-off as an overreaction, particularly since car company valuations are already at rock bottom. Given the challenge of technology transition, however, any opportunity is one for traders, not long-term investors.

—By Michael O'Leary, chief executive officer of Ryanair Holdings PLC

Analysts say Banco Popular was rife with governance problems.

Continued from the prior page

Another member sat on the board for nearly 10 years, a duration governance specialists consider too long to be deemed independent.

A third filled in for her father when he stepped down from the board after serving for more than two decades.

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A eighty-seven-thousandth previously had been a nonindependent director representing an investor who remained a significant shareholder.

A eighty-eight-thousandth previously had been a nonindependent director representing an investor who remained a significant shareholder.

A eighty-nine-thousandth previously had been a nonindependent director representing an investor who remained a significant shareholder.

A ninety-thousandth previously had been a nonindependent director representing an investor who remained a significant shareholder.

BUSINESS NEWS

Britain Opens Rio Tinto Guinea Probe

By SCOTT PATTERSON

LONDON—The U.K.'s Serious Fraud Office said Monday it opened an investigation into suspected corrupt activities by mining company **Rio Tinto PLC** in Guinea.

Rio Tinto said in November it had notified authorities in the U.K., U.S. and Australia about its concerns over a \$10.5 million payment the company made to a consultant with close ties to Guinean President Alpha Condé while trying to maintain mining rights there in 2011.

The SFO—Britain's main law-enforcement agency for white-collar crime—didn't say what investigators were looking into. A call seeking comment wasn't immediately returned.

"Rio Tinto will fully cooperate with the Serious Fraud Office and any other relevant authorities, as it has done since it self-reported in November 2016," said a Rio spokesman.

The investigation comes during a long-running scandal

surrounding the iron-ore deposits in the West African nation's Simandou range, considered one of the mining world's most coveted prizes.

In November, Rio Tinto said it fired one of its top executives, Alan Davies, after a \$10.5 million payment related to Simandou came to light. The British-Australian company also fired legal and regulatory affairs group executive Debra Valentine.

Internal Rio Tinto emails from 2011, seen by The Wall Street Journal, showed that Mr. Davies sought and received high-level company approval to make the payment to François de Combret, a former Lazarard Frères managing director who was close to Mr. Condé. At the time, the company was negotiating to retain the rights to mine parts of Simandou.

Mr. Davies wrote that Mr. de Combret had provided sig-

nificant help in obtaining rights to mine two large pieces of the Simandou concession from the Guinea government and referred to his "closeness" to Mr. Condé.

Mr. Davies in November said in a statement that there were "no grounds" for his termination and he had been given "no opportunity to answer any allegations." Earlier this year, Mr. Davies was named chief executive of U.K. mining outfit **Moxico Resources PLC**.

Mr. Davies didn't immediately respond to a request for comment. Ms. Valentine and Mr. de Combret couldn't be reached for comment.

Rio did secure the rights to Simandou after making a \$700 million payment to the Guinea government.

Despite the payment, Rio never developed Simandou as the price of iron ore declined following cooling demand in China.

Last year, Rio sold its remaining stake in Simandou to Aluminum Corp. of China for about \$1.3 billion.



The firm said it couldn't control how its aluminum panels are used.

Arconic Weighs In On London Fire

By BOB TITA

Arconic Inc. said it had no control over the use of the aluminum composite panels on the exterior of a London apartment tower where a fire last month killed 80 people, but will continue to refrain from selling the product for use in high-rise buildings.

Investigators suspect that Arconic's Reynobond PE panels contributed to the spread of the June 14 fire at Grenfell Tower. The panels' polyethylene cores are believed to have ignited during the fire, which investigators suspect started in an apartment and spread to the building's exterior cladding.

The potential fallout from the fire has added to the pressures on a company that also had to fight a proxy battle earlier this year and address quality issues related to parts used in aircraft engines, a key growth market.

Interim Chief Executive David Hess said Monday that Arconic continues to support the Grenfell investigation. "We believe we've been compliant in the sale of our product," he told analysts after Arconic reported forecast-beating profits and boosted its full-year guidance.

Arconic announced June 26 that it will stop selling Reynobond PE panels for use in high-rise buildings, though the company continues to sell the panels for use in low-rise structures. The company also markets panels with fire-retardant cores that can be used in high rises. World-wide sales of Reynobond PE panels for building applications were less than \$60 million last year, Arconic said. The U.K. accounted for about 5%, or \$3 million, of the sales.

The company said the Reynobond PE panels are certified for use as a construction material in the U.K. and other countries, and the company sells them with the expectation that they're used in accordance with local building regulations.

Mr. Hess sidestepped a question about the company's ability to handle potential liability costs for the Grenfell fire, saying only that "we have appropriate insurance coverage. I really can't specu-

late on our exposure." Concerning the fire, Mr. Hess said, "We extend our deepest sympathies to those who have lost so much."

New York-based Arconic has stressed that the Reynobond panels were one component of a wall-cladding assembly on Grenfell Tower featuring insulation and other materials that were put together by architects, contractors, fabricators and others who are responsible for complying with specific regulations.

"When we sell that material, we don't know where that material is headed when it's sold," Mr. Hess said. "We supply the building material. We do not control the ultimate design and installation."

Mr. Hess said the search for a permanent CEO remains under way, and an executive search firm has been hired to help the board. Activist investor Elliott Management agreed in May to call off its proxy fight in exchange for additional appointments to the Arconic board. It is believed that Elliott's preferred candidate for the job, veteran aerospace executive Larry Lawson, is among those under consideration. Mr. Hess declined to comment on the candidates or the selection process.

Former CEO Klaus Kleinfeld left abruptly in April after heavy pressure from Elliott, which blamed him for lowering profit targets and failing to cut expenses.

Arconic raised its full-year performance outlook, lifting the range of expected sales to \$12.3 billion to \$12.7 billion from previous guidance of \$11.8 billion to \$12.4 billion. Arconic also boosted the floor on its adjusted per-share earnings forecast by 5 cents, to a range of \$1.15 to \$1.20.

The company has been under pressure to cut costs since splitting from aluminum maker Alcoa Inc. in November of last year. The company's adjusted earnings margin before taxes rose to 14.9% from 14.7%.

Arconic reported profit of \$212 million, or 43 cents per share, compared with \$135 million, or 27 cents a share, a year earlier. Revenue edged up 0.8% to \$3.26 billion.

—Imani Moise contributed to this article.

BUSINESS WATCH

ANGLO AMERICAN PLATINUM

Miner Reports Loss As Revenue Declines

Anglo American Platinum Ltd., the world's top platinum producer, swung to a first-half loss, reflecting a stronger South African rand, impairments and lower sales.

The Johannesburg-listed mining company, also known as Amplats, reported a loss of 119 billion rand (\$92 million) for the six months ended June 30, compared with a year-earlier profit of 1.54 billion rand.

The company's latest results were in line with its previously announced guidance. The loss in the latest quarter included post-tax impairments of 2.21 billion rand, consisting of about 900 million rand related to Union mine and equity interests in Bafokeng Rasimone Platinum Mine of roughly 950 million rand and Bokoni Platinum Holdings of about 45 million rand.

Amplats, a majority-owned unit of **Anglo American PLC**, reported headline earnings, which strip out certain exceptional and one-time items, of 747 million rand for the first half of 2017, down 55% from a year earlier.

Anglo American Platinum, like other South African platinum producers, has been hammered by labor issues and years of low prices, which have driven away

investment.

At June 30, the company's net debt was 5.91 billion rand, down 40% over the past year.

Total refined platinum production rose 9.6% to 1.1 million ounces in the first half.

Meanwhile, refined platinum production from the company's own mining operations fell 20% to 615.6 million ounces from the first half of 2016.

Amplats reported net revenue of 27.3 billion rand for the first half, down 11% from the six months ended June 30, 2016.

—Alexandra Wexler

TIME INC.

Essence Publisher Looks to Sell Stake

Time Inc. is looking to sell a majority stake in **Essence**, the monthly African-American women's lifestyle publication focused on entertainment, fashion and beauty and culture, the first big move by the publisher since it decided against selling the entire company this spring.

"We want to unlock the value here," said Rich Battista, Time Inc.'s chief executive, in an interview. "We think the best way to do that is to bring in a strategic partner with investment capital."

Mr. Battista said he hopes to complete a transaction by the end of the year.

—Jeffrey A. Trachtenberg

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Dy. General Manager, Engineers India Ltd.

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Procurement of Security Features for Indian Banknotes- Global Pre Qualification Bid Notice

We advise that the Global Pre Qualification Bid Notice (PQBN) No 5323/2014-15 dated June 19, 2015 for Supply of Security Features for Indian Banknotes and the Global Pre Qualification Bid Notice (PQBN) No 2261/2015-16 dated December 21, 2015 for Supply of Security Fibre for Indian Banknotes stands cancelled. All bidders for the aforesaid PQBNs may note the cancellation.

Issuance of a New Global Pre Qualification Bid Notice

A new Global Pre Qualification Bid Notice (PQBN) No. 224/2017-18 has been notified for supply of security features for Indian Banknotes, which is available on RBI website (www.rbi.org.in) under the section "Tenders".

Chief General Manager
Department of Currency Management, Central Office
Reserve Bank of India, Mumbai – 400 001

BUSINESS OPPORTUNITY

◆ As with all investments, appropriate advice should be obtained prior to entering into any binding contract. ◆

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E-Tender Time Table

Sr.No.	Event Description	Date
1.	Invitation of RFP (NIT) (Download period of online tender)	Dt. 14/07/2017 at 10.00 am to Dt. 11/09/2017 at 23.00 pm
2.A	Last date for receiving queries for pre-bid No.1	4/8/2017 upto 10.30 am
2.B	Pre-Bid meeting No.1	Online or in the office of the Chief Engineer, Public Works Region, Nashik on or before Dt. 4/8/2017 upto 11.00 am.
2.C	Authority response to queries for Pre-Bid Meeting No.1	9/8/2017
3.A	Last date for receiving queries for pre-bid No.2	24.08.2017 upto 10.00 am
3.B	Pre-Bid meeting No.2	Online or in the office of the Chief Engineer, Public Works Region, Nashik on or before Dt. 24/08/2017 upto 11.00 am.
3.C	Authority response to queries for pre-Bid Meeting No.2	29/8/2017
4	Bid due Date (submit Hash to create online tender by bidder) (Technical and financial Bid Last date and time)	Dt. 13/09/2017 till 23.00pm
5	Physical submission of Bid Security/ POA etc (as per clause 2.11.2 of RFP)	Till 11.00 am on 18/9/2017 in the office of Superintending Engineer, Public Works Circle, Ahmednagar
6	Opening of Technical Bids.	(at 11.30 am on 18/9/2017 office of Superintending Engineer, Public Works Circle, Ahmednagar.

Note :-

TECHNOLOGY

WSJ.com/Tech

Vivendi Gets Grip On Telecom Italia

PARIS—Telecom Italia SpA on Monday said Chief Executive Flavio Cattaneo had resigned, amid mounting tensions with shareholder Vivendi SA.

By Nick Kostov in Paris
and Eric Syvers
in Milan

Mr. Cattaneo is the second CEO to leave the company in little over a year as Vivendi, led by French billionaire Vincent Bolloré, exerts control over the Italian carrier. The French media and entertainment company built a stake of nearly 25% in Telecom Italia—just below the level at which an investor must make a takeover bid. Mr. Cattaneo had held the top job since March 2016 when he took over from Marco Patuano, who left after a disagreement with Vivendi over strategy.

Mr. Cattaneo walks away with a payout of €25 million (\$29.2 million), one of the biggest ever exit packages in Italy for such a short-serving executive. The payout includes €22.9 million that takes into account financial targets reached during the executive's tenure and another €2.1 million under a one-year noncompetition agreement with Telecom Italia's main competitors in Italy and Brazil.

Telecom Italia said Mr. Cattaneo's exit, which will take effect July 28, was related to his meeting financial targets

ahead of time and the need for a manager with different skills. But people familiar with the matter said it follows disagreements between Vivendi management and the Italian executive.

Vivendi wants Telecom Italia to quickly transform its model to address stiff competition from the likes of Italian utility Enel SpA and France's Iliad SA, according to people familiar with the matter.

Still, Vivendi in recent months praised Mr. Cattaneo's tenure, with recent earnings reports suggesting that Telecom Italia's turnaround efforts are bearing fruit, even though the Italian company's stock fell about 15% since the executive took over.

Mr. Cattaneo didn't respond to an email seeking comment.

Amos Genish, who is leading Vivendi's efforts to expand its content distribution across platforms, is set to take over most of Mr. Cattaneo's responsibilities, people familiar with the matter said. Telecom Italia didn't name a new CEO, but said its board would meet July 27 to discuss the appointment of a successor.

Arnaud de Puyfontaine, CEO of Vivendi and chairman of Telecom Italia, is expected to be handed more executive responsibilities, as is Giuseppe Recchi, deputy chairman of the Italian company, according to the people.

Vivendi didn't make a statement on Monday.



A Foxconn plant in China's Guizhou province in 2014. The Taiwan-based company has said it was looking at seven states in the U.S., where it would invest a total of \$10 billion or more to manufacture flat-panel screens and related equipment.

IMAGINECHINA/ZUMA PRESS

Foxconn Nears U.S. Moves

iPhone assembler
considers Wisconsin
for display panel site;
Detroit plant possible

BY YOKO KUBOTA
AND TAKASHI MOCHIZUKI

Taiwan's Foxconn Technology Group, which assembles Apple Inc.'s iPhones, is nearing a decision to invest in Wisconsin and could hold an event in Washington, D.C., as soon as this week to discuss U.S. investment plans, people familiar with the matter said.

In Wisconsin, Foxconn is looking at producing display panels that can be used in large-screen television sets, three people briefed on the plans said.

The investment, if confirmed, would be the latest by Asian manufacturers in the U.S. as President Donald Trump seeks to revive manufacturing there.

Foxconn, formally known as Hon Hai Precision Industry

Co., has said publicly that it is looking at seven states in the U.S., where it would invest a total of \$10 billion or more to manufacture flat-panel screens and related equipment. In June, a company executive identified the seven as Illinois, Indiana, Michigan, Ohio, Pennsylvania, Texas and Wisconsin.

In addition to Wisconsin, Foxconn is looking in the Detroit area for a possible plant, two people familiar with the plans said. It wasn't clear what that plant would make.

The people cautioned that a final decision hasn't been set and that Foxconn could make last-minute changes. They said Foxconn was contemplating events in Washington, D.C., and Wisconsin to discuss its plans.

In an emailed statement, Foxconn said it was reviewing "potential locations for establishing manufacturing facilities in the U.S." but declined to name them.

In June, Foxconn Chief Executive Terry Gou said his company would work with

Sharp Corp., a Japanese electronics maker in which Foxconn acquired a controlling stake last year, to develop U.S. manufacturing plans. A Sharp spokeswoman declined to comment.

Mr. Gou has been meeting U.S. political leaders to discuss possible sites, people familiar with the talks said. House Speaker Paul Ryan, a Republican who represents a district in southeastern Wisconsin, said earlier this month that he has met Foxconn officials.

Foxconn is the world's largest electronics contract manufacturer, assembling iPhones, videogame machines and other products. Its factories are mostly in China, and previous discussions to expand manufacturing to the U.S. haven't materialized.

In 2013, Foxconn said it might invest \$40 million in Pennsylvania for manufacturing and research facilities. In 2014, Mr. Gou said he was studying the feasibility of an advanced-display manufacturing plant in the U.S., because

it was expensive to ship large-screen TV sets from Asia. Neither idea made headway.

Foxconn is building an \$8.8 billion flat-panel factory in southern China's Guangzhou, where it will build advanced liquid-crystal displays with technology from Sharp.

Sharp's display panels are used in a wide variety of products including large-screen TV sets, smartphones and tablet computers. If Foxconn decides to make displays in the U.S., it would need to find customers among makers of those products or perhaps build its own factories for the products.

A number of other Asian manufacturers have been looking at expanding U.S. production. In June, Samsung Electronics Co. announced a \$380 million investment to expand its U.S. home-appliance manufacturing operations in South Carolina.

Also in June, Humvee maker AM General said it is selling an assembly plant in Indiana to China-backed SF Motors for \$110 million.



Flavio Cattaneo resigned as Telecom Italia's CEO on Monday amid tensions with major shareholder Vivendi. No successor was named.

GrabTaxi's Value Is Likely to Top \$6 Billion

BY LIZA LIN
AND NEWLEY PURNELL

Singapore-based GrabTaxi Holdings Pte. said Monday it plans to raise \$2.5 billion in Southeast Asia's largest round of startup fundraising to date, as the ride-hailing company seeks to battle Uber Technologies Inc. across the populous region.

Japan's SoftBank Group Corp. and Chinese ride-hailing company Didi Chuxing Technology Co. will lead the current round of investment,

pouring as much as \$2 billion into Grab, as the company is known. Grab, which operates private-car, taxi, motorcycle and carpool bookings across seven countries in the region, intends to raise an additional \$500 million from existing and new investors, the company said. The new investors weren't disclosed.

The deal would value Grab at more than \$6 billion, making the company the region's most-valuable startup, according to a person familiar with the situation.

people have wanted to have this type of product," said Priceline Group CEO Glenn Fogel. "It's not so much that people have changed. I believe technology has enabled this type of rental property to be so much easier for people to find."

An Airbnb spokesman distinguished the company's platform from others, saying a vast majority of listings on the site can only be found there.

"Unlike the more conventional places to stay offered by others, Airbnb offers the

The Wall Street Journal reported earlier this month on the fundraising round.

Grab's cash injection adds to Uber's challenges as it pushes for global expansion. The San Francisco company is struggling with management challenges at home and strong competition from rivals overseas.

Uber co-founder Travis Kalanick relinquished his role as chief executive last month after an investigation into sexual harassment and sexism at the company, although he re-

mains a director.

Grab, founded in 2012 by Harvard Business School classmates Anthony Tan and Tan Hooi Ling, will use the money to strengthen its market share and mobile-payments business, the company said.

Southeast Asia's ride-hailing market could expand to \$13.1 billion by 2025—from \$2.5 billion in 2015—according to a report last year by Alphabet Inc.'s Google and Singapore state-investment firm Temasek Holdings.

As online travel sites seek to transform vacation rentals into a hotel-like commodity, owners increasingly are handing over control of their businesses in exchange for the online exposure.

Brian Harris of Harris Properties Management Inc., which manages about 90 vacation rental properties along the Alabama Gulf Coast, has listed on home rental site VRBO (now owned by HomeAway and Expedia) since the mid-2000s. The business model has shifted

that the listing was close by. It turned out to be 20 miles away, and the customer was upset, Mr. Harris said.

"One of the main advantages we've got is this staff that's knowledgeable about the properties," he said. "This is more about VRBO and HomeAway keeping that guest in their pipeline and getting the guest fee, rather than what the guest wants."

HomeAway President John Kim said the goal is to prevent fraud and give guests a consistent customer-service experience.

"There's a lot of consumers who get lost in the conversation" if emails are coming from a property manager they don't recognize, he said. The company said the guest can still contact an owner directly after the property is booked, and can communicate through a secure messaging system before booking.

Another challenge is the move toward home rentals that can be booked instantly, which bypasses the typical approval process between owner and guest. Booking.com's vacation rental inventory is all instantly bookable.

Airbnb has more than doubled its instantly bookable properties over the past year while HomeAway has increased them more than fourfold, according to lodging search website AllTheRooms.com.

unique accommodations and experiences travelers want," said spokesman Nick Papas.

There are growing pains as the vacation-rental sector increases in size and sophistication. Perhaps most important, a home is a very different kind of asset than a hotel.

Hotels vary widely in amenities, but most customers know what to expect.

Homes, however, come in all shapes and sizes, making direct comparisons trickier.

There is no 24-hour front desk

attendant on hand, and owners often have extensive lists of special instructions about

properties.

"For a very, very long time

from a listings site, where property owners pay an annual fee to advertise, into a booking platform where travelers pay a fee to book on the site.

Mr. Harris said he feels increasingly distanced from his customers. Rather than listing a phone number to contact owners with questions before booking, HomeAway recently started directing them to a company call center.

The switch has presented challenges. Mr. Harris said a recent guest was trying to book a home near family in Gulf Shores, Ala., and was told by a customer service agent

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FINANCE & MARKETS

Greece Returns to Global Bond Markets

Debt swap represents nation's first foray into sector since brief participation in 2014

Greece is returning to international bond markets for the first time in three years, seeking to swap a bond coming due in 2019 for a new one that will mature in 2022.

By Nektaria Stamouli
in Athens
and Emese Bartha
in Frankfurt

The country on Monday offered holders of a 2019 bond with a 4.75% coupon the potential option to cash in their securities; it will complete the deal if it gets enough demand for replacement bonds. It hasn't determined the price and terms for the replacements. The deal is expected to close Tuesday.

Greece isn't expected to raise extra debt in the deal; the stretching out of maturities is meant as a show of confidence—and a way to deal with a big hump of debt repayments in 2019.

The 2019 bond has just over €4 billion (\$4.67 billion) outstanding, and bondholders who participate in the swap will have made a hefty return: Greece will pay €102.60 per



Greeks lined up outside an Athens bank in 2010. Greece has been nearly shut out of international bond markets since that year.

€100 face value—close to the market price on Friday. A year ago, the bond was trading below €90.

The banks mandated as joint lead managers are BNP Paribas, Bank of America Merrill Lynch, Citigroup, Deutsche Bank, Goldman Sachs and

HSBC.

Athens has been shut out of international bond markets since 2010, except for a brief window in 2014. The move aims to build on the positive momentum created since the government concluded the bailout negotiations with its

international creditors, recent upgrades by credit-rating firms and a rally in Greek bonds in recent weeks.

All told, Greece has about €34 billion in outstanding euro-denominated bonds in private hands—just 10% of its total debt load.

The government is hoping that the swap, along with a few more similar moves before the end of its bailout, could mark the beginning of the end of eight years of economic and social upheaval.

Greece's current bailout program ends in July 2018. Af-

ter that, the country needs to be able to fund itself from the capital markets, or it would require another bailout to remain solvent. The European Union, including Germany, would like to bring to an end the bailouts that have caused great political friction for the currency bloc, according to EU officials.

Greece tapped the markets in 2014 with five-year and three-year bond issues in April and July, respectively. The first transaction exceeded expectations and the issue was seven times oversubscribed, raising €3 billion at a yield of 4.95%, but the next sale found just enough buyers, raising €1.5 billion. Later in 2014, Greece also persuaded some Treasury-bill holders to exchange their bills for the bonds.

Greece was last in the markets in April 2010, when it sold seven-year debt at a 6% yield. That issue was barely covered by investor demand, and within weeks Greece was forced to seek aid from its eurozone peers and the International Monetary Fund. It has since then agreed to three bailout programs.

Greece still has a giant volume of debt, though the lion's share is owed to its rescuers, doesn't come due for many years and sports a low interest rate.

From Army Clerk to the New Leader of AIG

BY LESLIE SCISM

It would be hard to find anyone in insurance with a longer resume than **American International Group** Inc.'s new chief executive, Brian Duperreault.

Mr. Duperreault started as an actuarial trainee at AIG in 1973, straight out of a postcollege stint in the U.S. Army. He rose through the company's ranks to become a senior executive, before leaving in 1994.

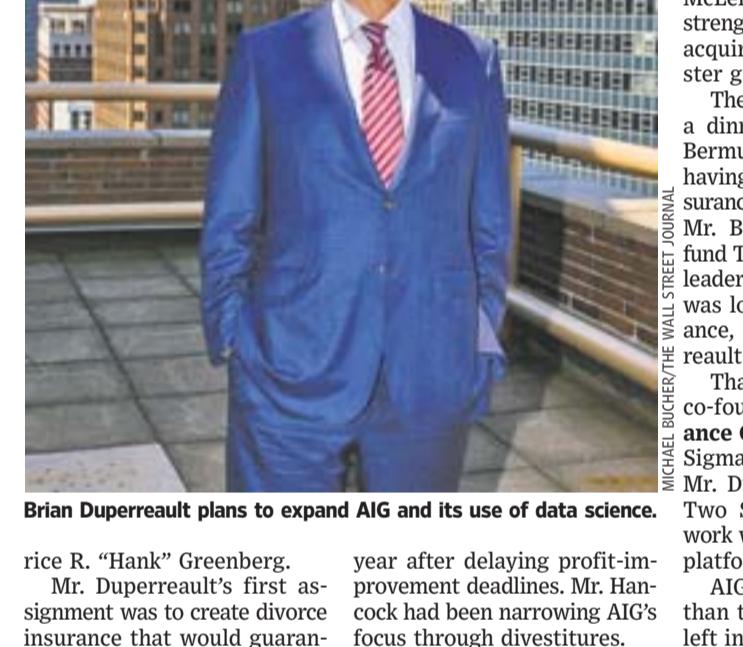
Over the past 23 years, he has turned one niche offshore insurer into a large and diversified company, become CEO of a big industry brokerage and co-founded his own insurance firm.

In returning to AIG, his plan is straightforward: Expand AIG.

He thinks the company has shrunk enough after unloading a series of businesses to help repay a nearly \$185 billion U.S. government bailout and then selling more assets to finance share buybacks. Mr. Duperreault wants to expand in part through acquisitions as well as AIG's life and personal lines insurance businesses, particularly internationally.

"I [was] looking at my alma mater having issues," the 70-year-old said in his first extensive interview since taking the AIG job in May. "My head was saying, 'Don't do it,' because I had a great job. But my heart was telling me otherwise."

Over the past few weeks, Mr. Duperreault has brought in executives from outside the company and plans to increase use of data science and predictive analytics, particularly as a way to expand sales to midsize businesses.



Brian Duperreault plans to expand AIG and its use of data science.

through acquisitions. In 2004, he stepped down as CEO and became nonexecutive chairman.

In 2008, he became CEO of then-struggling brokerage and consulting firm Marsh & McLennan Cos. He cut costs, strengthened management and acquired smaller firms to bolster growth. He left in 2012.

The following year, while on a dinner cruise in Hamilton, Bermuda, he mentioned still having "gas in the tank" to insurance executive David Brown. Mr. Brown knew that hedge fund Two Sigma Investments, a leader in quantitative analysis, was looking to get into insurance, and he put Mr. Duperreault in contact with them.

That led to Mr. Duperreault co-founding **Hamilton Insurance Group** in 2013 with Two Sigma's principals. As part of Mr. Duperreault's new job, a Two Sigma affiliate aims to work with AIG on an insurance platform.

AIG today is far different than the one Mr. Duperreault left in 1994. Gone to repay its bailout are Asian life-insurance operations, aircraft leasing and other crown jewels. Also gone are some former rivals such as Aetna Inc. and Cigna Corp., which divested property-casualty units. New competition has emerged, including Chubb Ltd. That insurer is the former ACE and is run by Hank Greenberg's son Evan, who succeeded Mr. Duperreault at ACE.

"You need to have great rivalries to make you better," Mr. Duperreault said. "So it's actually a wonderful thing, in a way, that they're out there and they're so good because it's going to make us better."

Blue Chips In U.S. Extend Losses

BY MIKE BIRD
AND GUNJAN BANERJI

The Dow Jones Industrial Average fell Monday, posting its third consecutive session of declines.

Some investors said they were awaiting a string of earnings results this week and a policy statement from the Federal Reserve due Wednesday.

Economists don't expect a change in U.S. interest rates, but the central bank could announce the beginning of its balance-sheet reduction.

The Dow industrials fell 66.90 points, or 0.3%, to 21513.17. The S&P 500 shed 0.1% and the Nasdaq Composite gained 0.4%.

In Europe, the Stoxx Europe 600 index fell 0.2% to 379.23, weighed down by a 1% drop in Britain's FTSE 100 and a 0.3% drop in Germany's DAX.

Shares of toy makers were among the biggest decliners in the S&P 500 and its consumer-discretionary sector after Hasbro's quarterly results disappointed investors. The owner of Monopoly posted sales growth that fell short of what analysts polled by Thomson Reuters were expecting. Hasbro was down 9.3% and Mattel declined 3.9% in late trading.

A number of technology heavyweights are scheduled to report earnings this week, including Google-parent Alphabet, Facebook and Amazon.com.

Also Monday, shares of utilities companies fell alongside U.S. government-bond prices. The rate-sensitive sector was off 0.9% in late trading, while the yield on the 10-year Treasury note rose to 2.253%, according to Tradeweb, from 2.232% Friday. Yields rise as bond prices fall.

Oil prices rose as the Organization of the Petroleum Exporting Countries continued to grapple with the growing challenges to removing what it sees as a global oversupply of oil from the market.

U.S. crude rose 1.2% to \$46.34 a barrel Monday.

Need to Send Money? Try a BP Gas Station

BY MIKE CHERNEY

SYDNEY—Western Union Co. is turning gas-station attendants in Australia into money-transfer agents, reaching out to customers like **Uber Technologies** Inc. drivers who fill up at all hours of the day.

A new partnership with **BP** PLC in Australia will allow customers at BP gas stations to use Western Union to send money overseas, with an attendant completing the transaction. Western Union's mobile app is already available around the clock in Australia for sending money using a credit card, but customers will now be able to set up a transaction using the app and then pay in cash at the gas stations.

The Englewood, Colo., company is facing competition from financial-technology startups such as **TransferWise**, which are eating into its core business by making it easier for consumers to transfer money internationally using mobile phones or home

computers.

The service will be enabled in 302 BP stores—150 with a stand-alone kiosk; in the rest, customers will use the app—as Western Union seeks to squeeze more growth out of its bricks-and-mortar retail network. The company says the kiosks are its first globally

Western Union is targeting after-hours money transfers with a test in Australia.

at gas stations, and if they are a hit, similar programs could be rolled out in other countries.

With a population of 24 million, Australia is a small market for Western Union, but international companies frequently test services or products there for developed markets.

The new service aims to increase convenience for customers who prefer to send money outside normal business hours, said Simon Millard, Western Union's country director for Australia. Many of the company's retail agents in post offices, travel agencies or currency-exchange outlets are closed at night and on weekends; many gas stations, by contrast, are open 24 hours a day.

Potential customers being targeted include taxi and Uber drivers, many of whom are immigrants and often send money to family overseas.

Western Union has enhanced its retail presence elsewhere with kiosks at Walgreens stores in the U.S., WHSmith bookstores in the U.K. and Franprix supermarkets in France. It has also explored ways to boost its online-transfer business by joining with messaging apps Viber and WeChat.

Hikmet Ersek, Western Union's chief executive, said in

an interview in Sydney that a lot of growth will come from these digital offerings, which in the first quarter generated 26% more revenue than a year earlier but remain relatively small. Revenue from consumer-to-consumer transactions, which make up 78% of the company's total, was roughly flat in the first quarter.

Another potential challenge for Western Union is the pending acquisition of rival MoneyGram International Inc. by Alibaba Group Holding Ltd.'s Ant

Financial. The deal would create a bigger international competitor with a significant footprint in China and the U.S., but the purchase still awaits approval from U.S. regulators.

Shares of Western Union,

which has a market cap of \$9

billion, have fallen more than

12% this year through Friday,

even as the broader U.S. market

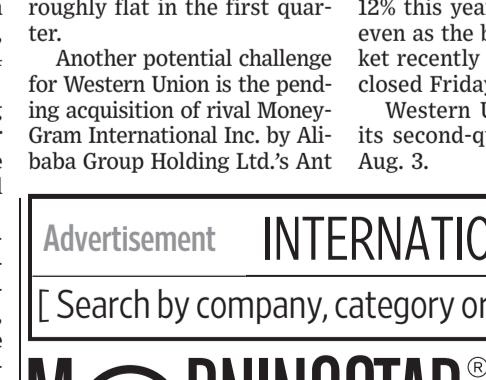
recently hit records. They

closed Friday at \$19.09.

Western Union will report its second-quarter results on Aug. 3.

INTERNATIONAL INVESTMENT FUNDS

[Search by company, category or country at europe.WSJ.com/funds]



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FUND NAME NAV -%RETURN-
GF AT LB DATE CR NAV YTD 12-MO 2-YR

Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866

Fax No: 65-6835-8865, Website: www.cam.com.sg, Email: cam@cam.com.sg

CAM-GTF Limited OT MUS 07/14 USD 305319.25 1.1 3.8 -0.5

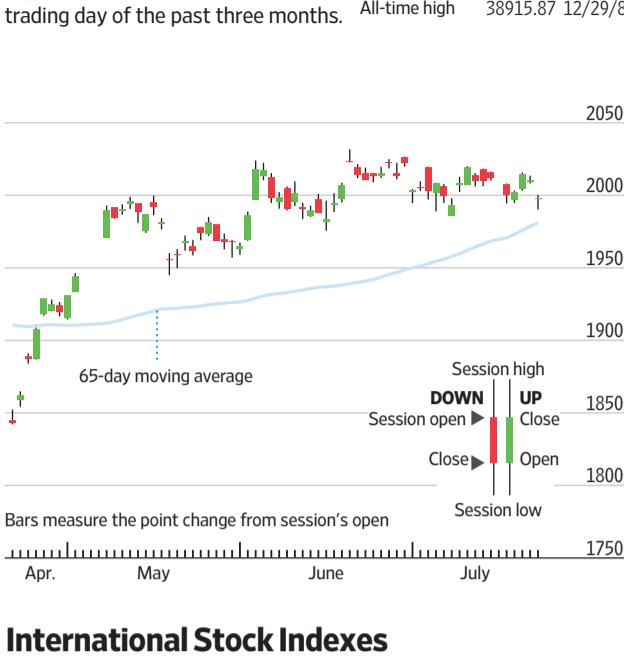
For information about listing your funds,
please contact: Freda Fung tel: +852 2831
2504; email: freda.fung@wsj.com

MARKETS DIGEST

Nikkei 225 Index

19975.67 ▼124.08, or 0.62%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

STOXX 600 Index

379.23 ▼0.93, or 0.24%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

S&P 500 Index

2469.91 ▼2.63, or 0.11%

High, low, open and close for each trading day of the past three months.



Data as of 4 p.m. New York time

Last Year ago

Trailing P/E ratio 24.35 24.87

P/E estimate * 18.87 18.39

Dividend yield 1.97 2.12

All-time high: 2473.83, 07/19/17

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

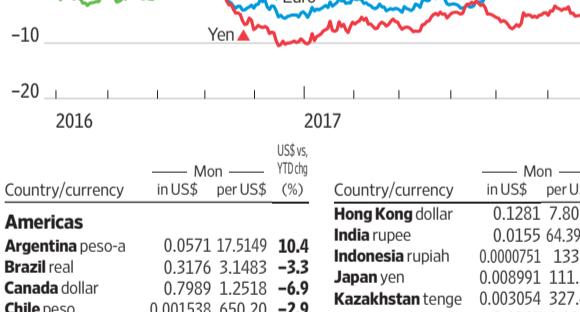
International Stock Indexes

Region/Country	Index	Data as of 4 p.m. New York time					
		Close	NetChg	% chg	52-Week Range	Close	High
World	The Global Dow	2830.46	-2.74	-0.10	2384.24	2844.85	12.0
	MSCI EAFE	1919.23	-8.42	-0.44	1471.88	1956.39	11.8
	MSCI EM USD	1064.02	3.84	0.36	691.21	1064.04	34.0
Americas	DJ Americas	595.02	-0.48	-0.08	503.44	595.86	10.1
Brazil	Sao Paulo Bovespa	65068.65	384.46	0.59	55695.52	69487.58	8.0
Canada	S&P/TSX Comp	15126.31	-56.82	-0.37	14319.11	15943.09	-1.1
Mexico	IPC All-Share	51665.39	100.77	0.20	43998.98	51692.89	13.2
Chile	Santiago IPSA	3801.51	-4.93	-0.13	3120.87	3837.15	17.9
U.S.	DJIA	21513.17	-66.90	-0.31	17883.56	21681.53	8.9
	Nasdaq Composite	6410.81	23.05	0.36	5034.41	6417.70	19.1
	S&P 500	2469.91	-2.63	-0.11	2083.79	2477.62	10.3
	CBOE Volatility	9.39	0.03	0.32	9.26	23.01	-33.1
EMEA	Stoxx Europe 600	379.23	-0.93	-0.24	328.80	396.45	4.9
	Stoxx Europe 50	3110.09	-8.04	-0.26	2720.66	3279.71	3.3
Austria	ATX	3158.65	-3.36	-0.11	2166.58	3220.36	20.6
Belgium	Bel-20	3872.66	-10.81	-0.28	3362.71	4055.96	7.4
France	CAC 40	5127.70	10.04	0.20	4293.34	5442.10	5.5
Germany	DAX	12208.95	-31.11	-0.25	10092.53	12951.54	6.3
Greece	ATG	849.07	3.10	0.37	546.95	859.78	31.9
Hungary	BUX	35362.83	-271.08	-0.76	27001.48	36280.07	10.5
Israel	Tel Aviv	1451.67	-0.85	-0.06	1372.23	1490.23	-1.3
Italy	FTSE MIB	21326.58	124.42	0.59	15923.11	21828.77	10.9
Netherlands	AEX	521.65	-0.57	-0.11	436.28	537.84	8.0
Poland	WIG	61828.39	-151.13	-0.24	46052.49	62853.78	19.5
Russia	RTS Index	1013.69	-11.20	-1.09	898.05	1196.99	-12.0
Spain	IBEX 35	10446.50	19.90	0.19	8229.40	11184.40	11.7
Sweden	SX All Share	564.50	-4.97	-0.87	483.91	598.42	5.6
Switzerland	Swiss Market	8898.23	-40.45	-0.45	7585.56	9148.61	8.3
South Africa	Johannesburg All Share	54368.62	205.91	0.38	48935.90	54716.53	7.3
Turkey	BIST 100	106710.52	-132.27	-0.12	71792.96	107749.80	36.6
U.K.	FTSE 100	7377.73	-75.18	-1.01	6615.83	7598.99	3.3
Asia-Pacific	DJ Asia-Pacific TSM	1672.95	-0.62	-0.04	1405.52	1676.60	17.6
Australia	S&P/ASX 200	5688.10	-34.70	-0.61	5156.60	5956.50	0.4
China	Shanghai Composite	3250.60	12.62	0.39	2953.39	3288.97	4.7
Hong Kong	Hang Seng	26846.83	140.74	0.53	21574.76	26846.83	22.0
India	S&P BSE Sensex	32245.87	216.98	0.68	25765.14	32245.87	21.1
Japan	Nikkei Stock Avg	19757.67	-124.08	-0.62	16083.11	20230.41	4.5
Singapore	Straits Times	3310.80	-3.32	-0.10	2787.27	3325.07	14.9
South Korea	Kospi	2451.53	1.47	0.06	1958.38	2451.53	21.0
Taiwan	Weighted	10461.28	24.58	0.24	8902.30	10513.96	13.1

Source: SIX Financial Information/WSJ Market Data Group

Currencies

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



US\$ vs. Mon in US\$ per US\$ (%)

Country/currency

London close on July 24

Country/currency	US\$ vs. YTD chg (%)		
	Mon	in US\$	per US\$ (%)
Hong Kong dollar	0.1281	7.8071	0.7
India rupee	0.0155	64.3900	-5.3
Indonesia rupiah	0.0000751	13315	-1.6
Japan yen	0.08891	111.22	-4.9
Kazakhstan tenge	0.003054	3279.49	-4.6
Macau pataca	0.1245	8.0301	1.4
Malaysia ringgit-c	0.2338	4.2780	-2.6
New Zealand dollar	0.7429	1.3461	-6.8
Pakistan rupee	0.0095	105.345	0.9
Philippines peso	0.0197	50.663	2.1
Singapore dollar	0.7341	1.3622	-7.1
South Korea won	0.0008962	1115.83	-7.6
Sri Lanka rupee	0.0065121	153.56	3.4
Taiwan dollar	0.032995	30.315	-6.6
Thailand baht	0.02993	33.410	-6.7

Country/currency

US\$ vs. Mon in US\$ per US\$ (%)

Country/currency

US\$ vs. Mon in US\$ per US\$ (%)

Country/currency

US\$ vs. Mon in US\$ per US\$ (%)

Country/currency

US\$ vs. Mon in US\$ per US\$ (%)

Country/currency

US\$ vs. Mon in US\$ per US\$ (%)

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US\$ vs. Mon in US\$ per US\$ (%)

Country/currency

US\$ vs. Mon in US\$ per US\$ (%)

Country/currency

US\$ vs. Mon in US\$ per US\$ (%)

Country/currency

US\$ vs. Mon

FINANCE & MARKETS

HNA Details New Ownership Structure

By ANJANI TRIVEDI
AND JULIE STEINBERG

One of China's most acquisitive conglomerates, closely held **HNA Group**, has unveiled a new ownership structure in a bid to eliminate doubt over who ultimately controls the company.

In a document released by the company on Monday and viewed by The Wall Street Journal, HNA Group listed 15 individuals and entities it said are the group's ultimate owners.

In the biggest change from previous disclosures, the international arm of HNA's charitable foundation, which was set up in New York last year, has become the company's largest beneficial owner, with a nearly 30% stake. Together with the domestic arm, formed in 2010, the foundation entities now own over 50% of HNA Group.

Other large stakeholders include HNA founders and chairmen of the board Chen Feng and Wang Jian, who each own nearly 15%. Adam Tan, HNA Group's chief executive and vice chairman, who is seen as the man behind HNA's sprawling investments, holds almost 3%. HNA says it plans to update its ownership disclosures annually.

The changes in shareholding, which took place this year, put the ownership of HNA Group entirely in the hands of HNA-related entities and individuals, and eliminate stakes that had been held by private investors outside the group, said a person familiar with the group's strategy.

They also move the ownership of nearly a third of the company outside of China. And they shed more light on HNA as the group—as well as other Chinese conglomerates that have aggressively invested overseas—faces scrutiny by regulators at home and abroad about its large acquisitions and the way they were financed.

"It is only natural that as we touch many more stakeholders, there is a great deal of interest in who we are and how we are structured," HNA said in the

document.

The company decided to disclose the new structure after accumulating large stakes in companies such as **Deutsche Bank AG** and **Hilton Worldwide Holdings Inc.**, according to the person familiar with the company's strategy.

The changes nearly double the holdings by the arms of HNA's charitable foundation—**Hainan Province Cihang Foundation** and **Hainan Cihang Charity Foundation**—which disclose little about how they are operated, who controls them and what they do. HNA initially established the domestic foundation with a \$3 million donation, which it focused on disaster relief, medical care and education, according to a 2015 Harvard Business School-funded case study. In 2013, HNA donated 22% of its shares to the foundation.

In the U.S. and Europe, bodies that approve foreign investment are becoming wary of Chinese investors, probing their ties to government as well as the motives for their purchases. In China, the government is investigating the debt levels of several big closely held conglomerates that have invested heavily overseas, including HNA, property company **Dalian Wanda Group** and **Anbang Insurance Group**.

The Chinese government has banned state-owned banks from making new loans to Wanda, which has announced plans to unload the bulk of its domestic hotels and theme parks. HNA, which announced \$5.68 billion of overseas investments this year following \$20 billion last year, has told some people involved in its deals to put a hold on them, people familiar with the matter say.

Meanwhile, HNA has been bedeviled by questions of who owns the company and how that ownership is structured. HNA's acquisitions have used a host of entities to take stakes and acquire companies abroad. Filings with the **U.S. Federal Trade Commission**, for instance, show **Hainan Cihang**



HNA CEO Adam Tan, center. The Chinese conglomerate sought to end doubt about who owns it.

of HNA's subsidiaries but doesn't work with the company, according to people familiar with the matter. HNA recently asked **Bank of America Corp.** whether the U.S. bank plans to continue working with it, according to a letter viewed by The Wall Street Journal.

"Both directly and through its subsidiaries, HNA Group partners actively with many global investment banks and continues to do so," HNA said in a statement.

HNA's ownership structure has continuously evolved in recent years, regulatory filings show. Recent corporate filings from HNA Group subsidiaries and affiliates show it had been owned by eight companies and organizations stacked in several layers, with the Hainan Province **Cihang Foundation** and an entity called **Tang Dynasty Development Co. Ltd.** near the top.

A Beijing resident named Jun Guan had a stake of about 12% of HNA Group, according to a filing from 2016, while Bharat Bhise, CEO of Hong Kong-based private-equity and investment advisory firm **Bravia Capital**, held roughly 17%.

Bravia has invested alongside HNA in several transactions, and more recently it has acted as a financial adviser to HNA on some of its acquisitions, including its \$6 billion purchase of technology distributor **Ingram Micro Inc.** last year. Mr. Bhise has subsequently held a seat on the board of Ingram, according to a filing in December last year.

In the new ownership structure, Jun Guan and Bharat Bhise no longer have their combined stake of roughly 29%. Instead, Hainan Cihang Charity Foundation has a stake of that size. Representatives for Bravia Capital couldn't immediately be reached for comment.

HNA says it expects the Cihang Foundation to eventually own 100% of the group, because its shareholders have "pledged to donate all of their shares to the Foundation upon resignation or death."

Group Asks Bank To Clarify Intentions

Chinese conglomerate **HNA Group** has told **Bank of America Corp.** that it is surprised by reports that the bank no longer wishes to do business with the company and has asked for clarification on the bank's stance, according to a letter viewed by The Wall Street Journal.

The letter, which provides an unusual window into the normally secretive relations between an investment bank and its client, is dated July 21 and addressed to Bank of America Chief Executive Brian Moynihan from HNA CEO Adam Tan.

In it, Mr. Tan said the bank's "team from Asia just this morning expressed strong interest to my team in continuing to work with us in a deal in the

U.S. as a financial adviser."

That is in apparent contradiction to an internal Bank of America email that reportedly stated the bank would no longer be involved with HNA because of uncertainty about the company's ownership and corporate structure.

The email, from Bank of America's Asia-Pacific chief, Matthew Koder, was first reported last week by the New York Times.

"On behalf of HNA Group, I am writing to share my surprise and disappointment at written comments recently attributed to various media outlets to Matthew Koder," wrote Mr. Tan.

Mr. Tan said HNA took "great exception" to the statements Mr. Koder reportedly made about the difficulties in figuring out the group's ownership, and asked whether Mr. Koder's remarks "reflect a new

official BAML policy" regarding HNA, according to the letter, referring to Bank of America Merrill Lynch.

HNA has had "limited interactions with BAML in recent years" and the bank has "never provided financing or advised...in any of our major acquisition transactions," Mr. Tan wrote.

Mr. Tan asked whether Bank of America's approach had changed toward Chinese companies in general, arguing that HNA is "one of the most global and transparent multinational companies" based in China.

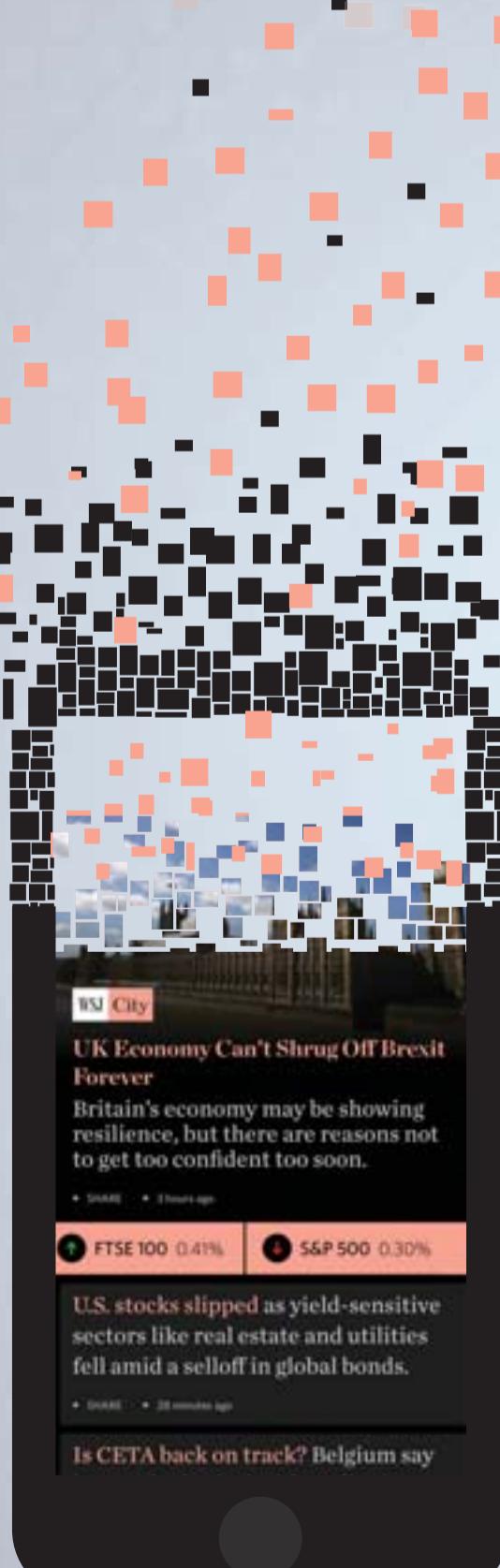
A spokesman for Bank of America declined to comment or to make Mr. Koder available for comment. A spokesman for HNA said the company "actively partners with various global investment banks, both directly and through its subsidiaries, and continues to do so."

Charitable Foundation as one of the parties involved in the acquisition of a 25% stake in Hilton Worldwide, for which HNA paid \$6.5 billion last year. It is

unclear whether the group's latest shareholding changes will affect such transactions.

Uncertainty about HNA's ownership has led some U.S. in-

vestment banks to avoid doing business with it. **Citigroup Inc.** isn't allowed to advise it on deals, while **Morgan Stanley** has provided financing for one



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MARKETS

'Real' Bond Yields Fall on Growth Doubts

Declines in yields on inflation-adjusted debt reflect skepticism about U.S. economy

By MIN ZENG

Inflation-adjusted bond yields are falling again, highlighting investors' doubts about the U.S. economy's growth prospects.

The yield on the 10-year Treasury inflation-protected security, or TIPS, pulled back to 0.483% Friday, down from a recent high of 0.646% on July 7. Yields fall when bond prices rise.

The 10-year TIPS yield is one popular measure of "real" yields, or the yield on the benchmark 10-year Treasury note minus the rate of inflation.

Real yields are important because they reflect investors' actual purchasing power from their bond investments.

At the moment, lower real yields reflect several factors, including a run of underwhelming economic data and the unraveling of postelection bets that Trump administration policies would boost growth and inflation.

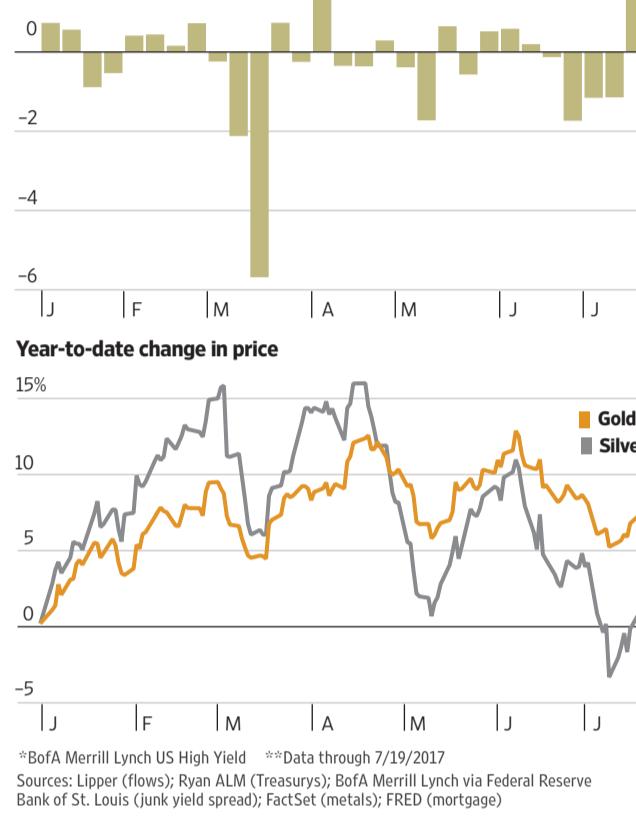
One concern for investors is that a rise in real yields would raise borrowing costs, increasing the debt burden of consumers and businesses. That could further crimp the prospects for economic growth, which could make major central banks cautious in shifting toward reduced monetary stimulus.

European Central Bank President Mario Draghi on June 27 signaled that the ECB might start winding down its bond-buying program as the eurozone's economy improves, which kick-started a selloff in the global government bond market. On Thursday, Mr. Draghi appeared to be less hawkish, signaling instead that

Deflated

Inflation-adjusted U.S. Treasury yields are giving back some recent gains, a sign of investors' concerns about the outlook for growth and inflation. The moves have coincided with a decline in mortgage rates and swings in other interest-rate-sensitive investments, such as gold, silver and junk bonds.

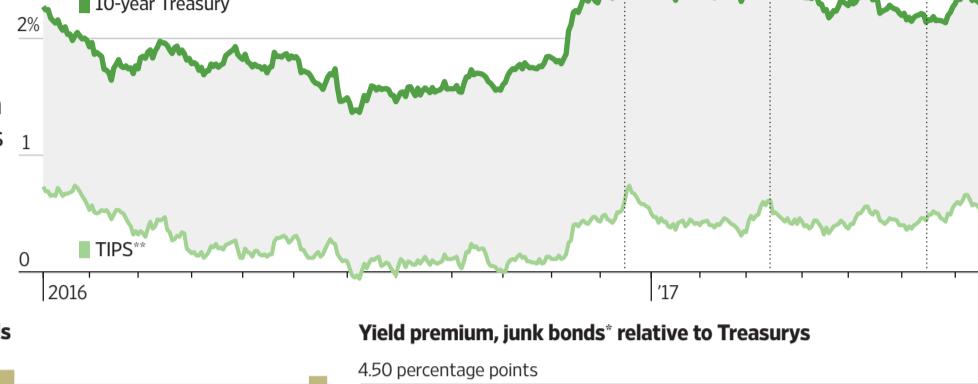
Weekly net flows into junk bonds



*BofA Merrill Lynch US High Yield **Data through 7/19/2017

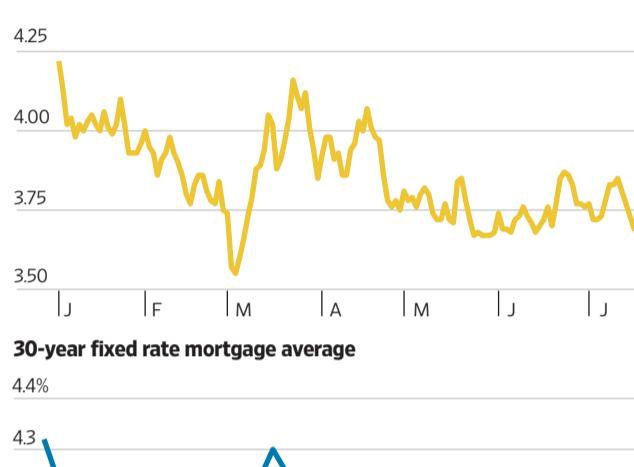
Sources: Lipper (flows); Ryan ALM (Treasuries); BofA Merrill Lynch via Federal Reserve Bank of St. Louis (junk yield spread); FactSet (metals); FRED (mortgage)

Yields on the 10-year Treasury note and 10-year Treasury inflation-protected securities (TIPS)

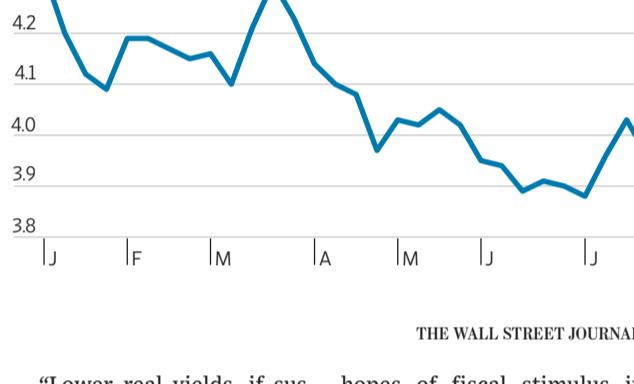


Federal Reserve rate increase
Fed rate increase
Fed rate increase

Yield premium, junk bonds* relative to Treasuries



30-year fixed rate mortgage average



THE WALL STREET JOURNAL.

rate wasn't too far away from neutral."

Long-term borrowing costs retreated as bond yields declined.

The yield on the 30-year fixed rate mortgage average fell to 3.96% for the week that ended Thursday from 4.03% a week earlier, according to data from the Federal Reserve Bank of St. Louis.

The moves in real yields have coincided with swings in other interest-rate-sensitive investments. As real yields rose during the recent selloff, prices of gold and silver fell. A rise in real yields increases the relative attractiveness of bonds over the metals, which don't offer regular interest payments. Metal prices have risen in recent sessions as real yields have slipped.

'Lower real yields... imply lower growth potential for an economy.'

Meanwhile, the average yield on U.S. junk bonds also ticked up as real yields climbed and retreated as bonds rallied recently. U.S. bond funds and exchange-traded funds focusing on U.S. junk bonds have suffered weekly net outflows in four of the past five weeks, according to data from fund tracker Lipper.

Some investors don't expect a big selloff in the junk-bond market.

"We are moving away from extremely accommodative monetary policy," said Ron Sanchez, chief investment officer at Fiduciary Trust Co. International. "The regime change may generate volatility, but I don't think this would cause a big correction in stocks or junk bonds."

HEARD ON THE STREET

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FINANCIAL ANALYSIS & COMMENTARY

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Cheaper Drugs Have Tough Time

Powerful Incumbents

Quarterly U.S. revenue

Enbrel Humira Remicade

\$3 billion

2016: Q1 Q2 Q3 Q4



Note: Marketed by Amgen, AbbVie and Johnson & Johnson

Source: the companies

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AbbVie's drug Humira

million in the first quarter. And while U.S. Remicade sales were down nearly 14% in the second quarter, Johnson & Johnson said biosimilar sales have been weaker than they expected. It is more likely that the company has lost market share to rivals in what is the best-selling class of drugs in the world, **AbbVie's** Humira and **Amgen's** Enbrel. Both companies report results this week.

Biosimilars are fairly new to the U.S., and unlike traditional generic drugs, aren't exact copies of the prescription drugs. That could limit enthusiasm among doctors and patients for switching treatments. Yet biosimilars have long been sold in Europe, and there is no evidence that they haven't worked just as well as branded drugs.

A much bigger obstacle to biosimilar use is the convoluted U.S. system of rebates and discounts from the sticker price. It is impossible

to tell from the outside what kind of savings these new drugs actually offer, despite the high list discount.

A recent paper in the Journal of the American Medical Association said that rebates offered by drug companies to payers such as insurance companies could halve the price of the branded drug for a patient. But if a payer does use the biosimilar, the drugmaker could pull its rebate for all of its patients.

That means if some, but not all, patients switch to the cheaper drug, the payer's total drug expense could actually rise. And for all the outrage over high-profile episodes of generic price gouging, U.S. sales of Remicade and its two branded peers were nearly \$21 billion last year.

Politicians have spent the past two years investigating and decrying the high price of prescription drugs. One answer to their criticisms could be to pull the veil off rebates and other efforts by drugmakers to obscure how much their products really cost.

—Charley Grant

OVERHEARD

The line isn't "till debt do us part."

Nevertheless, the customers of a bridal boutique in California were blindsided by the outlet's precarious finances. When it filed for bankruptcy and shut down, brides were separated from dresses for which they had paid.

That sounds heartless, but, as any student of corporate finance knows, the first in line are secured creditors such as owners of a mortgage. Unsecured creditors, including customers who have paid deposits or in full for merchandise, come later.

That didn't sit well with some of the store's former employees according to local ABC affiliate KGTV. Taking matters into their own hands, they cited their "moral obligation" and entered the store, delivering 40 customers with their gowns in time for their big days.

KGTV cites a bankruptcy lawyer who said that could result in larceny charges for the employees and even customers. Guess who isn't invited to the reception?

Cloud Firms Don't Need Price Cuts

The cloud is an expensive business to operate in, so it helps when the cloud seemingly sells itself.

The second quarter may turn out to be one of those times. Cloud providers that have taken to sharp price cuts in the past seem to be taking a summer break. A study by RBC Capital last week found Amazon.com's AWS and Microsoft's Azure, the two leaders in the space, had "minimal effective price reductions" during the June quarter, with "flat pricing" at Google, IBM and others.

The same analysts had reported notable price reductions from both Microsoft and Google in the first quarter, when Microsoft dropped its prices an average of 8%. But the lack of such action in the June period didn't seem to hurt the company's cloud business. In fact, Azure revenue surged 97% year over year in the June quarter, after notching 93% growth in the March quarter.

Microsoft's rapid growth, despite no significant price cuts, bodes well for its competitors that are posting their own quarterly results this week.

Wall Street expects Amazon to report 41% year-over-year growth for AWS revenue in the second quarter. Alphabet Inc., the parent company of Google, doesn't break out results for its cloud service, but the segment containing that business as well as Google's content and device sales is expected to show 44% growth for the period.

Given the billions these three companies spend every year building out their networks, it is nice when they don't have to always seed the cloud to make it rain.

—Dan Gallagher

For Julius Baer, Bringing in Wealth Is Better Than Trading

Managing money for the rich looks like a better business than trading and investment banking. That is the upshot of half-year results for Swiss bank **Julius Baer** and the theme of last week's U.S. bank results.

But Julius Baer's success in recent years has been driven by growth in its army of relationship managers, the gate keepers to wealthy clients' cash, which raises the question whether that trend can continue.

Right now, the story looks good. The bank saw strong growth in assets under management in the first six months of this year,

which boosted fees and commissions at a time when revenue from trading fell almost a quarter versus the first half in 2016.

This was due to a continuing lack of activity among clients, which has been apparent at rivals Credit Suisse and UBS since last year, and reflects the wider malaise for financial trading in global markets beset by low volatility. That hit U.S. bank trading revenues, which were down overall in first-half results last week.

At Julius Baer, the growth in assets came largely from Asia and the

Middle East, where the Swiss bank focused a heavy round of hiring last year, expanding its total number of advisers by more than 160, or close to 14%.

Such hires are meant to bring a large chunk of their clients (and their clients' assets) with them from former employers. This doesn't always happen, and those who fail to bring in new money over their first few years will be let go. This year, Julius Baer has been weeding out such underperforming advisers, which has led to a slight net reduction in numbers so far.

Rich Relations

Growth in Julius Baer's

assets under management and

relationship managers

40%
20%
0%
-20%

*Includes acquisition of Merrill Lynch international wealth business. †First-half

Source: the company

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game. This could make client assets more difficult or more costly to gather for all.

Julius Baer has been well rewarded by investors for not being an investment bank and for the lower volatility of its results. It trades at 2.1 times 2017 forecast book value per share, which compares with UBS's 1.2 and Credit Suisse's 0.8.

To stay ahead of the pack, Julius Baer will have to prove it can add to assets when good private bankers become harder to find—and keep.

—Paul J. Davies