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What's News

Business & Finance

China bought nearly 100,000 barrels of oil a day from the U.S. in the first five months of 2017 as an American glut has made the country's oil cheaper than Mideast rivals. **B1**

◆ QVC and HSN agreed to merge in an all-stock transaction valued at about \$2.1 billion as they seek to combat the rise of online shopping. **A1**

◆ The EU's antitrust watchdog accused GE, Canon, Merck KGaA and Sigma-Aldrich of breaching the bloc's merger rules. **B1**

◆ Global government bonds sold off as anxiety about less monetary policy support from central banks continued to drive investors to cut holdings. **B5**

◆ AGIC Capital is moving up the launch date of a new multibillion-dollar fund due to strong investor demand. **B7**

◆ European regulators and government officials are trying to lure London finance companies ahead of Brexit. **B1**

◆ SpaceX sent a large commercial communications satellite into orbit without a hitch. **B3**

◆ As the ECB wrestles with the problem of dialing back stimulus without upending markets, it could take a lesson from the BOJ. **B8**

◆ Nike is seeking new ways to sell merchandise, but some industry watchers worry about potential damage to the firm's cachet. **B2**

World-Wide

◆ Trump declared the West will prevail as it defends its civilization in a speech in Poland, calling North Korea's efforts to develop nuclear weapons extremely dangerous. **A1, A3**

◆ An examination of North Korea's global connections reveals that even as it becomes increasingly dependent on China, Pyongyang maintains ties with many nations. **A1**

◆ Days after Trump gave his Pentagon chief the authority to send troops to Afghanistan, the White House sent a classified memo that limits deployments. **A1**

◆ Ships chartered by two oil traders responsible for a significant share of Iran's fuel exports last year failed to transmit their location and the origin of their cargo. **A4**

◆ The EU's Brexit negotiator warned officials in London that the U.K. won't have "frictionless trade" with the bloc after it leaves. **A6**

◆ Government supporters in Venezuela attacked several opposition lawmakers, ahead of a contested effort to redraft the constitution. **A4**

◆ Senate Republican leaders are weighing the merits of a proposal to let insurers that sell plans that conform to the ACA's regulations also sell policies that don't. **A7**

◆ Turkish police detained 10 senior human-rights workers during a training conference outside Istanbul. **A4**

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Floods Force Mass Evacuation in Southern Japan



DELUGE: At least two people were killed as unprecedented torrential rain caused flooding in southern Japan. Hundreds of thousands of people were ordered or urged to flee; downpours were likely to continue through Friday. Destruction in the city of Asakura, above. **A4**

Global Ties Fuel Kim's Drive

Pyongyang's relations with 164 countries help it amass money and technical know-how

North Korea may be one of the world's most isolated countries, but the tightening sanctions regime it has lived under for the past two decades is anything but impermeable.

An examination of North

Korea's global connections reveals that even as it becomes increasingly dependent on China, Pyongyang maintains economic and diplomatic ties with many nations.

Those links—from commercial and banking relationships to scientific training, arms sales, monument-building and restaurants—have helped it amass

the money and technical know-how to develop nuclear weapons and missiles.

The nature and extent of

North Korea's global ties comes from current and formal officials, researchers, North Korean defectors, U.N. decisions, NGOs and an analysis of economic statistics.

In some cases, North Korea

leans on old allies, particularly those like Cuba from the former Communist bloc, or those like Syria that are similarly hostile to the U.S.

In others, notably in Africa, it has more transactional relationships to supply items such as cheap weaponry or military training. In the Middle East, it

Please see KOREA page A3

◆ Trump calls North Korea's acts dangerous..... A3

Trump Asks if West Has 'Will to Survive'

BY PETER NICHOLAS AND ANTON TROIANOVSKI

WARSAW—President Donald Trump on Thursday declared that the West will prevail as it defends its civilization, taking a defiant stance in a speech to thousands of Poles on his second trip to Europe as U.S. leader.

In Warsaw's Krasinski Square, scene of a Polish uprising against the Nazis in 1944, he singled out both Islamist extremism and the "steady creep of government bureaucracy."

"The fundamental question of our time is whether the West has the will to survive," Mr. Trump said. "Just as Poland cannot be broken, I declare today, for the world to hear, that the West will never, ever be broken....Our civilization will triumph."

Mr. Trump's speech also echoed a critique of the European Union often uttered by Poland's conservative governing party as well as by nationalist, anti-EU parties across the continent.

"The West became great not because of paperwork and regulations but because people were allowed to chase their dreams and pursue their destinies," Mr. Trump said. "America

Please see TRUMP page A6

◆ Merkel is tested..... A4
◆ EU envoy warns on Brexit... A4

White House Limits Pentagon on Afghan Troops

By DION NISSENBAUM

WASHINGTON—A few days after President Donald Trump gave his Pentagon chief the unilateral authority last month to send thousands of American troops to Afghanistan at his own discretion, the White House sent classified guidance that effectively limits the number of forces.

The memo, sent to a small group of administration officials from national security

adviser H.R. McMaster—said that the president would let Defense Secretary Jim Mattis send no more than 3,900 troops to Afghanistan without coming back to confer with the White House, according to people familiar with the document.

The conflicting messages reflect divisions that have surfaced in the Trump administration as it tries to develop a comprehensive new strategy for Afghanistan, amid con-

cerns about diving back into a 16-year-old conflict that has claimed more than 2,400 American lives and cost the U.S. \$2.4 trillion.

Mr. Mattis said he hopes to present a plan to the White House by mid-July that will give the U.S.-led coalition the forces it needs to blunt Taliban momentum.

The rise of Islamic State in Afghanistan and the Afghan army's inability to keep Taliban forces from gaining mo-

mentum have created more urgency in Washington on the need for a new strategy for a conflict U.S. officials say is at a dangerous stalemate.

But the strategic planning is tangled in disagreements between factions in the White House and across the administration who disagree on what the U.S. goals should be in Afghanistan, whether to jump-start peace talks with the Taliban, and how much pressure to put on Pakistan,

according to current and former U.S. officials.

Administration officials said Mr. Trump's move last month handing Mr. Mattis the authority to decide how many troops to send to Afghanistan was an outgrowth of the president's belief that the White House shouldn't micromanage wars.

Mr. Mattis announced Mr. Trump's decision in a statement on June 14, saying it "will enable our military to

Please see AFGHAN page A2

MEXICO'S VIOLENT DRUG WAR IS BACK

After a lull, killings are now on pace to rival peacetime record

By ROBBIE WHELAN

CHIHUAHUA, Mexico—On the morning of March 23, gunmen here fired eight shots into a cherry-red Renault Duster SUV, killing newspaper reporter Miroslava Breach as she waited outside her home to drive her 14-year-old son Carlos to school.

A hand-painted sign at the scene said the journalist—known for her investigations into ties between drug gangs and local political machines—was murdered "for having a loose tongue."

After a few years of declining violence un-

der Mexican President Enrique Peña Nieto, the drug war has come roaring back to life.

Ms. Breach was one of 11,155 people murdered in Mexico in the first five months of 2017, according to government statistics. The pace of murders—about one every 20 minutes—represents a 31% jump from a year earlier, and, by year-end, could rival 2011's 27,213 homicides for the worst body count in Mexico's peacetime history.

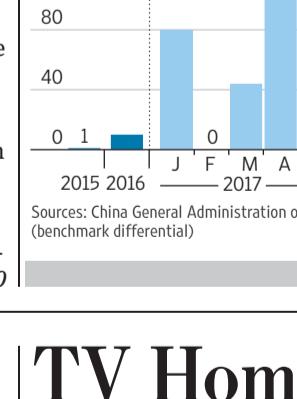
"The momentum of reducing violence in recent years has clearly broken down," said Earl Anthony Wayne, who served as U.S. am-

Please see MEXICO page A10

U.S. Oil Producers Find New Market: China

China's crude imports from the U.S. surged in recent months as U.S. prices fell sharply compared with Mideast rivals. **B1**

Average imports of U.S. crude by China, in thousands of barrels a day



Sources: China General Administration of Customs (imports); Argus Media (benchmark differential)

THE WALL STREET JOURNAL.

Differential between Dubai-priced benchmark crude and U.S.-benchmark WTI

\$1
0
-1
-2
-3
-4

2016 2017

In TV Ratings Game, Networks Try To Dissguys Bad Newz From Nielsen

* * *

They misspell shows to fool the firm into ignoring poor ratings; 'NBC Nitely News'

By JOE FLINT

Boosting TV ratings is easy for networks that don't mind playing dumb.

In a game largely sanctioned by TV-ratings firm Nielsen, television networks try to hide their shows' poor performances on any given night by forgetting how to spell.

That explains the appearance of "NBC Nitely News," which apparently aired on the

INSIDE



MY VERY OWN VERSAILLES

MANSION, W7

TV Home-Shopping Rivals to Join Forces

By SUZANNE KAPNER

Two longtime rivals, QVC and the Home Shopping Network, agreed to merge as two businesses built around selling over television seek to combat the rise of online shopping.

The companies said Thursday that they agreed to combine in an all-stock transaction valued at about \$2.1 billion. QVC, which is controlled by John Malone's Liberty Interactive Corp., already owns a 38% stake in HSN.

HSN shareholders will receive 1.65 shares of QVC's Series A stock for each share of

HSN. Based on Wednesday's closing prices, the companies said the offer values each share of HSN at \$40.36, or a 29% premium.

Following the merger, Liberty Interactive plans to spin off its cable operations into an independent company and rename itself QVC Group. The business will include the flash-sale website Zulily, which QVC bought for \$2.4 billion in 2015, and HSN's Cornerstone division, which includes home retailer Ballard Designs, among other brands.

The combined company will Please see QVC page A2

China: RMB28.00; Hong Kong: HK\$23.00;
Indonesia: Rp25,000 (incl PPN);
Japan: Yen620 (incl JCT); Korea: Won4,000;
Malaysia: RM750; Singapore: \$55.00 (incl GST)
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WORLD NEWS

Discontent Grows Among Israel's Bedouin



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

WADI NA'AM, Israel—This sprawling village of tin huts and tents, home to 5,000 people within sight of skyscrapers of the southern Israeli city of Be'er Sheva, officially doesn't exist.

Neither do some 45 other "unrecognized" villages scattered in the area, which is home to nearly half of the 240,000 Bedouins of Israel's Negev

Desert. With the exception of state schools, they receive almost no government services: no public transport, no electricity, no sewage treatment, no water.

The Israeli government says places like Wadi Na'am are illegal squats on state land, and demolitions are frequent. Israel wants to relocate residents to purpose-built Bedouin towns nearby. The Negev Bedouin, who are Muslim Arabs and hold Israeli citizenship, insist that they have

customary rights to their ancestral grounds. Family leaders say they would rather remain in their huts than move to the overcrowded townships.

"We were here first. But the state wants to cram as many of our people as possible into as little land as possible," said Attia el-Assam, the chairman of the council of unrecognized Bedouin villages in the Negev. "The majority of the Bedouin want to be part of the state, but it's the state that keeps pushing them away."

As disaffection roils Negev's fast-growing Bedouin community, this conflict—combined with the spread of more conservative Islam amid high unemployment and crime—is creating new tensions in Israel's southern underbelly. Already, a Bedouin teacher and a policeman were killed when police moved to demolish buildings in the unrecognized village of Umm Hiran in January.

"If this goes on like this, there will be an intifada in the Negev," said Youssef al-Ziyaddin, one of the leaders of Wadi Na'am.

The Negev Bedouin account for roughly one-third of the Negev's current population. They speak an Arabic dialect different from that of Palestinians further north, and are related by tribal links with



A Bedouin woman yelled at Israeli policemen after the destruction in January of houses in Umm Hiran.

the Bedouin of nearby Jordan, Saudi Arabia and Egypt's Sinai peninsula.

In Sinai, similar grievances over neglect and discrimination by the Egyptian government have spurred an insurgency that has since been hijacked by Islamic State—and that the Egyptian military has been unable to eradicate.

A similar scenario could play out in southern Israel, cautioned Talab Abu Arar, the only Negev Bedouin in the Israeli parliament and a former mayor of the Bedouin town of Arara.

"The negligence of the Egyptian governments, their failure to provide full rights to the Bedouin, have pushed the

Bedouins there toward violence," Mr. Abu Arar said. "I have repeatedly warned the government here: the continuation of your policy of unjustly treating the Bedouin will also cause instability, making the Bedouins rise up."

There are plenty of guns to go around in the area. Violent crime and drug trafficking are rife, in part because of neglect by Israeli police, Mr. Abu Arar added. "As long as we use the guns to kill each other, they don't care. They would only care if the guns were to be used against Jews," he said.

Ayoob Kara, an Israeli cabinet minister who is working on the country's Bedouin pol-

icy, said that it is Arab nationalist politicians like Mr. Abu Arar who are primarily responsible for the rising tensions in the region.

"Their interest is not to find a solution," Mr. Kara said. "They use democracy to create conflict because if there is conflict between the Bedouin and Israel, they receive support" from voters.

As for the unrecognized villages, Mr. Kara said that the Bedouin have no legal claim to the land, and should relocate to housing that the government will provide to their communities elsewhere.

"They know very well they are criminal, they know the

truth," Mr. Kara said. "All the time they are moving, and for them every five people is a village. It's a problem. We are now in a different world, we need centers, cities, to give them services."

During Israel's war of independence, nearly 90% of the Bedouin then living in the Negev had to flee, mostly to Jordan. Only about 10,000 were allowed to remain, mostly from clans deemed loyal by Israeli military commanders. They were permitted to live only in an area around Be'er Sheva known as the Siyaj. Most of the Negev was declared a restricted military zone.

Until about two decades ago, it was still common for Negev Bedouin families to send their sons as volunteers in the Israeli army—something that rarely happened in the Muslim Arab communities elsewhere in Israel. These days, military service has become rare for the Bedouins of the Negev, too. That's particularly so in unrecognized villages such as Wadi Na'am, where permanent-looking structures are routinely bulldozed by Israeli police.

"One of our villagers had reached the rank of officer, and then even his own house was demolished. He couldn't protect it," said Mr. Ziyaddin. "Nobody here is going to the army anymore these days. Not one."

Diplomacy Is a Day at the Beach for Modi, Netanyahu



WARM TIES: Indian Prime Minister Narendra Modi, left, and Israeli counterpart Benjamin Netanyahu capped Mr. Modi's visit with a walk on the beach. The leaders have pledged increased cooperation.

AFGHAN

Continued from Page One
have greater agility to conduct operations."

The subsequent memo limiting troop levels came as a surprise to some administration officials.

Dana White, the Pentagon's chief spokeswoman, said she couldn't discuss details of any

classified memos, but suggested the number isn't as important as the broader strategy.

"A number doesn't really tell you anything," she said. "It requires a greater context, and if you are sending sons and daughters to Afghanistan, you owe it to them to lay out what's the way forward, not just a number."

The Pentagon has been weighing options to send between 2,000 and 5,000 U.S.

troops to help the more than 8,400 American forces currently in Afghanistan, many of whom are focused on advising and training Afghan forces.

To help the Afghan security forces seize the advantage, the U.S. is expected to send American troops closer to the fighting and carry out more airstrikes, according to U.S. officials.

Defense officials said the White House memo wasn't likely to hamstring Pentagon planning.

QVC

Continued from Page One
have annual revenue of about \$14 billion, half of which comes from e-commerce. Together, the company will be the third-largest e-commerce company in North America, behind Amazon.com Inc. and Wal-Mart Stores Inc., according to eMarketer.

While the home-shopping channels don't face the same pressure to stock and run hundreds of stores as traditional brick-and-mortar retailers, they still face competition for consumer dollars from Amazon and other e-commerce sites. After seven years of gains, QVC's sales have slowed in recent quarters.

HSN also has battled declining sales. The company's revenue fell 3% in the past fiscal year to \$3.6 billion. In April, the company said its longtime CEO, Mindy Grossman, was leaving the St. Petersburg, Fla.-based company to run Weight Watchers International Inc.

Since her departure, the company has been run by three executives, who form the Office of the Chief Executive.

QVC Chief Executive Mike George said the combined companies will have greater scale to invest in emerging technologies. About two-thirds of QVC products are exclusive to the company, and its customers make about 25 purchases a year, he said. Together they will operate five U.S. cable television channels.

Mr. George said in an interview that QVC and HSN are different from typical e-commerce firms, which tend to be more transactional. "Our customers engage with us most days over TV or digital platforms," he said. "They form a connection with the hosts of our shows."

QVC, whose main offices are in West Chester, Pa., plans to take \$50 million to \$70 million in restructuring charges spread out over the next three years. It expects to see cost savings of \$75 million to \$110 million annually from the deal in three to five years.

HSN's headquarters will remain in St. Petersburg, and



A QVC studio. QVC's parent plans to buy HSN's remaining stake.

Mr. George said HSN would continue to operate as an independent brand.

HSN launched the idea of home shopping in 1977, when it began airing programming that showcased inventors, entrepreneurs and designers plugging their wares. Its best-known personalities include Miracle Mop inventor Joy Mangano, celebrity chef Wolfgang Puck and Jennifer Flavin-Stallone, a former model who is married to the actor Sylvester Stallone.

Mr. George said HSN has had success in the areas of electronics, fitness and health, while QVC, which was founded in 1986, is stronger in fashion and beauty. Among the beauty labels it helped to launch are Philosophy, BareMinerals and Josie Maran.

Together, they sell 4,200 brands and have about 23 million active customers. The business model counts on getting just enough viewers who may be tuning in throughout the day or unwinding at night to make impulsive purchases.

QVC says about 87% of its U.S. customers are women and the average age ranges between 35 and 64.

Cord-cutting, or the cancel-

ing of home cable packages, also poses a risk. But QVC says consumers who are opting out of pay-TV packages—generally younger and lower-income shoppers—are not its core audience. The company also says it is increasingly reaching customers by offering its channels on tablets and smartphone apps, on streaming devices and even through Facebook Live broadcasts.

"We see a role for engaging live video experiences," Mr. George said.

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There are now around 8,400 American forces in Afghanistan. Above, Marines in Helmand province.

The name of Ganeden Inc., which sells probiotics, was misspelled as Ganaden in one reference in a Life & Arts article Wednesday about foods that contain probiotics. The article also contained an incomplete quotation from Food and Drug Administration spokeswoman Lindsay Meyer. She said that the FDA "encourages dietary supplements manufacturers who have ques-

tions about their products to meet with the agency."

Wall Street analysts expect Wynn Resorts Ltd.'s earnings per share to grow by more than 40% from the end of 2016 to the end of 2017, according to FactSet. A Finance & Markets article Thursday about U.S. travel stocks incorrectly said the forecast was for average earnings per share from 2017 to 2018.

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

WORLD NEWS

Trump Calls North Korea Acts Dangerous

President says he is considering 'severe things' over this month's missile launch

By PETER NICHOLAS

WARSAW—President Donald Trump said he is considering "some pretty severe things" in response to North Korea's continued efforts to develop nuclear weapons that can reach the U.S.

At a joint news conference with his Polish counterpart on Thursday, Andrzej Duda, Mr. Trump said that North Korean leaders were "behaving in a very, very dangerous manner and something will have to be done about it." He didn't say what steps he might take or if he is contemplating military action.

On the eve of Independence Day in the U.S., North Korea test-fired an intercontinental ballistic missile, an advance that could render the U.S. vulnerable to a nuclear attack.

Military reprisal by the U.S. carries risks, and Mr. Trump has sought other avenues to choke off North Korea's nuclear program—notably, persuading China to use its influence to rein in Pyongyang.

Mr. Trump arrived in Poland late Wednesday for a series of meetings before heading to a Group of 20 summit meeting in Germany. He was set to meet in Hamburg with his Chinese counterpart Xi Jinping, a fo-



Soldiers were assembled in Kim Il Sung Square in Pyongyang on Thursday to celebrate North Korea's intercontinental ballistic missile test.

sanctions and military actions, sparking a clash between U.S. and Russia diplomats.

Russia's deputy U.N. Ambassador Vladimir Safronkov forcefully rejected military action or further economic sanctions on North Korea and said both options were "inadmissible" and "not acceptable."

"We are against any statement or action that might lead to escalation. We call on all states to act with restraint rather than war mongering," Mr. Safronkov said.

North Korea has bedeviled the Security Council since 2006, when the country conducted a nuclear test and the council passed a resolution mandating it to abandon its military and nuclear program. North Korea has done the opposite, expanding both programs.

Ms. Haley also said the U.S. would target countries that continued to have trade partnerships with North Korea. She singled out China for constituting 90% of North Korea's trade. She said she had spoken to Mr. Trump on Wednesday about various options, including targeting trade with North Korea.

Enrico Carisch, a North Korea sanctions adviser to U.N. Security Council members, said the council faces a difficult balancing act in punishing North Korea but also offering it enough incentive and reward to enter negotiations.

—Farnaz Fassihi
at the United Nations contributed to this article

rum where he is expected to make the case for more aggressive Chinese intervention.

After warning of "severe" actions against North Korea, Mr. Trump hastened to add: "That doesn't mean we're going to do them."

"I think we will just take a look at what happens over the coming weeks and months with

respect to North Korea," Mr. Trump added.

The remarks came a day after the United Nations Security Council held an emergency meeting at which the U.S. said it would introduce new sanctions against North Korea for launching the missile. The new resolution would focus on tightening and expanding existing

U.N. sanctions, diplomats said.

U.S. Ambassador Nikki Haley also said the Trump administration would be willing to use military force if punitive restrictions failed to deter North Korea from its plans to perfect a weapon that can hit the U.S.

Diplomats said a draft U.S. resolution or a proposed statement by the council hadn't yet

been put forth. Ms. Haley

didn't offer details of the planned U.S. resolution, but said it would seek to cut off North Korea from major sources of currency, restrict oil flows, constrain maritime activity, and target senior officials in North Korea.

Russia and China united against the U.S. on further

North Korean diplomats is to help develop and maintain cash flows for the regime, according to former embassy officials. North Korea missions typically have to be self-financed to maximize revenue for the state, these people say.

In recent months, under pressure from the Trump administration, there are signs more countries have begun to clamp down on North Korea. In February, Bulgaria had Pyongyang send home two diplomats in its embassy in Sofia, in line with U.N. Security Council resolutions passed in September calling on countries to reduce the number of North Korean diplomats abroad.

Italy this year moved four North Koreans studying at the International Center for Theoretical Physics in Trieste to switch to less-sensitive majors in line with a Security Council resolution calling for member nations not to provide education that could aid Pyongyang's weapons program.

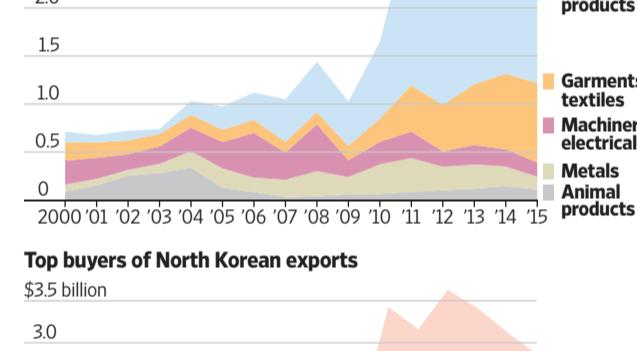
In March, Senegal said it suspended issuing visas for artisans from North Korea's Mansudae Art Studio, a state-run organization that has erected monumental sculptures across Africa.

More than 50,000 North Korean workers are employed abroad, according to the Asan Institute for Policy Studies, a Seoul-based think tank, many in construction or factory jobs. For these workers, wages are paid directly to North Korean officials, raising hundreds of millions of dollars a

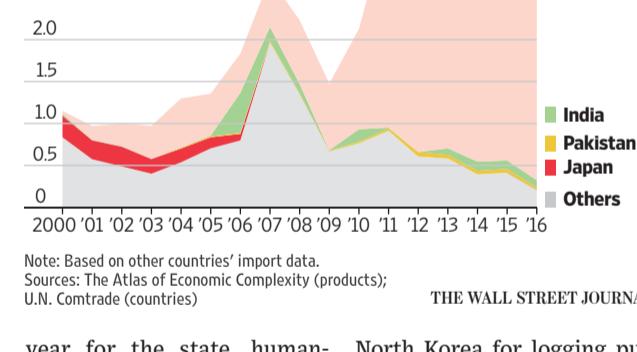
From North Korea, Despite Sanctions

Pyongyang maintains economic ties to the outside world.

The country's top five exports by product type



Top buyers of North Korean exports



year for the state, human-rights groups say.

These ties are under scrutiny as Pyongyang's success at launching a missile that could reach Alaska is escalating the crisis over its weapons program. This week's missile test took place on the back of a Chinese truck imported to

North Korea for logging purposes, according to analysts.

U.N. sanctions are primarily intended to block North Korea's illegitimate trade and revenue streams that have a suspected link to its weapons programs. The U.N. doesn't target all of Pyongyang's business activities abroad, such as the

toms figures compiled by Harvard University's Atlas of Economic Complexity.

Since U.N. sanctions on

North Korea were tightened in

2009, Japan and other countries have curtailed commercial ties with Pyongyang, leaving China as by far its biggest trade partner.

For the past five years, China has accounted for more than 80% of North Korea's imports and exports, providing an economic lifeline even as political relations between Beijing and Pyongyang have deteriorated.

During that period, China has imported mostly industrial raw materials from North Korea, especially coal, but also seafood and clothing such as men's suits and overcoats.

In recent days, President Donald Trump has expressed frustration with China for expanding trade with North Korea despite U.S. appeals to exert more pressure.

China says it enforces U.N. sanctions and since February it has banned imports of North Korean coal—one of Pyongyang's main sources of hard currency.

However, U.N. sanctions still allow trade that isn't deemed to benefit North Korea's nuclear and missile programs, and China's customs figures show that its exports to North Korea have increased this year. Crucially, China continues to be North Korea's biggest source of crude oil, according to diplomats and experts on the region.

KOREA

Continued from Page One supplies laborers for construction work and pockets almost all their earnings.

Sanctions against North Korea haven't been as broad as those applied to Iran over its nuclear program, nor as rigidly enforced.

David S. Cohen, undersecretary of the Treasury for terrorism and financial intelligence during the Obama administration, wrote in an op-ed in April that "North Korea has gotten off relatively easy, especially as compared with Iran."

Trying to crack down on North Korean business activities is like a game of Whac-A-Mole. North Korean defectors have detailed how the regime uses front companies to conceal its commercial activities in foreign countries, or adopts business names that obscure their identity by avoiding using North Korea's full name, thereby benefiting from confusion over whether the entity is North or South Korean.

Pyongyang maintains diplomatic ties with 164 countries and has embassies in 47, according to the National Committee on North Korea, a Washington-based nongovernmental organization, and the Honolulu-based East-West Center.

Most North Koreans abroad are involved in providing funds for the state, defectors say. One of the primary roles of

North Korean workers are employed abroad, according to the Asan Institute for Policy Studies, a Seoul-based think tank, many in construction or factory jobs. For these workers, wages are paid directly to North Korean officials, raising hundreds of millions of dollars a

year for the state, human-

rights groups say.

These ties are under scrutiny as Pyongyang's success at launching a missile that could reach Alaska is escalating the crisis over its weapons program. This week's missile test took place on the back of a Chinese truck imported to

North Korea for logging purposes, according to analysts.

U.N. sanctions are primarily

intended to block North Korea's illegitimate trade and revenue streams that have a suspected link to its weapons programs. The U.N. doesn't target all of Pyongyang's business activities abroad, such as the

chain of restaurants it operates in Asia and the Middle East, or its dispatch of laborers.

U.S. sanctions go further in

trying to disrupt North Korea's trade and revenue, including a recent move to block access to the U.S. financial system for a bank in China on which Pyongyang relied. The U.S. has sanctioned North Korean leader Kim Jong Un, a move that would freeze any of his assets in America.

U.S. Secretary of State Rex Tillerson on Tuesday called on the global community to stop doing business with the North Korean regime.

This week, Sen. Cory Gardner (R., Colo.), chairman of the Senate Foreign Relations Committee's subpanel on East Asia, said he was drafting legislation that he says would create a "global embargo" on North Korea.

"We need to shut off North Korea's access to oil, to trade, to currency, to financial institutions," he said in an interview Thursday, calling for "Iran-style" sanctions. "They are far from being 'sanctioned out.' They are certainly isolated, but they have to recognize they ain't seen nothing yet."

China has had close ties to North Korea since the 1950s when it sent troops to fight U.S.-led forces backing the South in the Korean War.

In 2001, China accounted for around 18% of North Korea's exports and 20% of its imports, ranking behind Japan on both measures, according to cus-

toms figures compiled by Harvard University's Atlas of Economic Complexity.

Since U.N. sanctions on

North Korea were tightened in

2009, Japan and other countries have curtailed commercial ties with Pyongyang, leaving China as by far its biggest trade partner.

For the past five years, China has accounted for more than 80% of North Korea's imports and exports, providing an economic lifeline even as political relations between Beijing and Pyongyang have deteriorated.

During that period, China has imported mostly industrial raw materials from North Korea, especially coal, but also seafood and clothing such as men's suits and overcoats.

In recent days, President Donald Trump has expressed frustration with China for expanding trade with North Korea despite U.S. appeals to exert more pressure.

China says it enforces U.N. sanctions and since February it has banned imports of North Korean coal—one of Pyongyang's main sources of hard currency.

However, U.N. sanctions still allow trade that isn't deemed to benefit North Korea's nuclear and missile programs, and China's customs figures show that its exports to North Korea have increased this year. Crucially, China continues to be North Korea's biggest source of crude oil, according to diplomats and experts on the region.

Missile Launch Leaves Only Tough Choices for U.S.

By PAUL SONNE

lions of people on the Korean Peninsula.

"The secretary of defense and the commander of U.S. Forces Korea have both stressed the high degree of risk involved in the use of force," said Patrick Cronin, senior director in the Asia-Pacific security program at the Center for a New American Security. "And that's because Kim Jong Un has never experienced a military attack, however limited, on his soil, and there is a risk that he would see any use of force as the opening salvo in an attempted regime change in which he would have nothing to lose."

North Korea over the years has created one of the world's most militarized societies, with an active-duty military of some 1.19 million people, according to the International Institute for Strategic Studies.

North Korea also possesses tens of thousands of special operations commandos, which Pyongyang could insert covertly into South Korea by submarine and plane to sabo-

tage critical infrastructure, cripple the economy and stymie a military offensive, according to a U.S. military official. North Korea could also respond with cyberwarfare capabilities, chemical weapons and bombings, analysts said.

There is also likely to be

against North Korea, but said he believes the issue should be resolved peacefully.

Meanwhile, the window for any military strike that would seriously damage the North Korean nuclear program may be closing.

"You have reached the point where it's less and less clear that you will have any opportunities in the future," said Anthony Cordesman, a defense expert at the Center for Strategic and International Studies.

Another question facing the U.S. is whether it is better to risk war with North Korea or to accept Pyongyang as a nuclear power and concentrate on deterring the regime from using its nuclear arsenal.

"We can continue to effectively deter the use of those weapons," Mr. Cronin said. "The problem is the American body politic is not ready to accept a nuclear-armed North Korea that can strike U.S. soil. We haven't had to make that judgment yet but we are right on the cusp of having to make that."



The U.S. and South Korea fired missiles during a joint military drill on Wednesday.

SOUTH KOREAN DEFENSE MINISTRY/GTY IMAGES

WORLD NEWS



A platform at an oil facility on Iran's Kharg Island in March. U.S. sanctions target oil payments.

Failure to disclose locations, origins raise concern about possible sanctions violations

BY SARAH MCFARLANE
AND BENOIT FAUCON

Ships chartered by two oil traders responsible for a significant share of Iran's fuel exports last year failed to transmit their location and the origin of their cargo—red flags for governments seeking evidence of evasion of sanctions on Tehran.

The ships' radio-signal tracking systems were often not in use and occasionally indicated the ships had sailed from countries other than Iran, a Wall Street Journal investigation found.

The U.S. government is analyzing ship movements in the Persian Gulf for any attempts to circumvent bans on funding Iran's weapons programs or clearing payments for Iranian oil through the U.S. financial system, a U.S. official said.

U.S. officials said they weren't familiar with the particular shipments identified by the Journal.

This scrutiny comes amid uncertainty in the U.S. about the future of the 2015 multinational agreement in which Iran pledged to scale back its nuclear program in return for the lifting of most international sanctions.

While the nuclear agreement lifted many obstacles to doing business with Iran, the U.S. maintains sanctions that make it difficult to trade Iranian oil.

In the second half of last year, 47 of 55 ships carrying Iranian oil products from Iran to the United Arab Emirates for two U.A.E.-registered companies didn't emit signals from the system that transmits their position and course, for part or all of their journey, according to an analysis of the two firms' shipments that was completed for The Wall Street Journal by Windward Ltd.

Ships that sail without the radio signal transmitted by its automatic identification system

can still be tracked by companies such as Windward, an Israeli firm that uses satellite imaging to map routes.

The 47 shipments by the two U.A.E.-registered traders, Silk Road Petroleum FZE and Petrochemix General Trading LLC, accounted for 17% of Iran's fuel-oil and gas-oil exports during the six-month period, according to records compiled by the oil-product traders.

The records, based on information from state-run National Iranian Oil Co. that shipping agents combine with their own information and provide to traders, listed the vessels' cargo as fuel oil or gas oil. Iranian authorities didn't return calls and emails seeking comment about the shipments.

A shipowner, the ship's master—the person responsible for the navigation of the vessel—or the trader who chartered the vessel could give an instruction to shut off the AIS.

Oil traders typically monitor the movements of their cargoes and would be in a position to know if the AIS isn't

Ebb and Flow

Sanctions on Iran hit the country's oil industry hard, but the sector rebounded with a nuclear deal implemented in January 2016.

Iranian crude oil production



Source: International Energy Agency

THE WALL STREET JOURNAL.

Turkey Detains Rights Workers

BY MARGARET COKER

Turkish police have detained 10 senior human-rights workers, including the head of Amnesty International's Turkey chapter and two Europeans, during a training conference outside Istanbul, the head of the international organization said.

Police on the tourist island of Byukada interrupted a training session on digital security being led by the German and Swedish nationals at a hotel late Wednesday, Amnesty said. The current whereabouts of the human-rights workers are unknown, the group said.

Turkish police didn't immediately reply to requests for comment about the reasons for the detentions or the location of the eight Turkish nationals and two Europeans.

Turkey is currently under a state of emergency that gives authorities extraordinary powers to detain suspects without access to a lawyer for extended periods. The state of emergency also bans most public political gatherings and compels groups to inform police of private meetings of all kinds organized in hotels or conference centers.

Among the detained are Idil Eser, the director of Amnesty International Turkey, as well as the owner of the hotel, according to Amnesty. The identities of the two Europeans leading the training haven't been released.

The news of the detentions comes as President Recep Tayyip Erdogan prepares to meet European leaders at the Group of 20 meetings in Hamburg, Germany, where he is expected to face criticism for what many allies and Turkish opposition leaders see as a crackdown on all civil liberties since last summer's failed military coup.

Salil Shetty, Amnesty International's secretary-general, said he is "profoundly disturbed and outraged" about the detentions, which he said were "blatantly without cause." He called on world leaders in Hamburg to call for the group's immediate and unconditional release.

"World leaders currently sitting in Hamburg have been remarkably tolerant of Turkey's human-rights meltdown. With President Erdogan now in their midst, this would be a good time to speak out firmly and call for the release of all human-rights defenders currently behind bars," Mr. Shetty said.

Around 50,000 people are facing charges related to the failed coup, and more than 140,000 others have been purged from the civil service since July 15, 2016.

Ships Carrying Iran Fuel Go Dark

transmitting location, shipping and sanctions experts said.

Of Silk Road Petroleum's 46 shipments in the period, 40 emitted no tracking signals. The company didn't respond to requests for comment emailed to an address in the directory of the U.A.E.'s Hamriyah Free Zone Authority, where the company is registered. The email address was recently removed from the directory.

In the nine Petrochemix shipments in the second half of 2016, seven ships emitted no AIS radio signals at some point. A co-owner of Petrochemix said Petrochemix had no relations or business with Iranian companies, and that any AIS shut-off was a matter for vessel owners. Petrochemix chartered tankers owned by seven shippers in the period.

Blue Ocean Shipping Lines, an owner of one of the vessels chartered by both companies for a total of nine shipments, said its ship's AIS was broken at the time.

Shipping guidelines advise ships to use tracking sys-

tems to avoid collisions between vessels or locate them if they need to be rescued, though there is no penalty for not using the systems.

The main legitimate reason to switch off a ship's tracking system would be to evade pirates, said Andrew Bardot, chief executive of IGP&I, an association of marine liability insurers.

A U.S. Treasury official declined to comment on the shipments identified by the Journal.

Apart from tracking cargo, the AIS system is used to provide location information to insurance companies, banks and others. But it can be manipulated to indicate a ship is somewhere it isn't, by manually entering incorrect coordinates or ports. Radio signals issued by as many as 16 of the 47 ships indicated their Iranian cargo began the journey in a different country, though satellite imagery showed them to have been loaded in Iran, according to Windward. That suggests the signals may have been used to transmit false location information, Windward said.

Venezuelan Opposition Lawmakers Assaulted

BY KEJAL VYAS
AND ANATOLY KURMANAEV



National Assembly deputies stood bloodied in Caracas after government supporters attacked them on Wednesday.

CARACAS—Government supporters armed with pipes and sticks burst into Venezuela's congress on Wednesday and severely beat several opposition lawmakers, as the nation's political crisis grows more inflamed ahead of a contested effort to redraft the constitution.

The violence started after dozens of backers of the president stormed the opposition-controlled National Assembly in downtown Caracas ahead of a legislative session to mark Venezuela's independence day.

Some 300 congressional workers and journalists sought protection by barricading themselves for several hours inside the assembly, where lawmakers also were organizing an unofficial July 16 ballot to counter President Nicolás Maduro's plan to rewrite the constitution, which his critics say is a last-

ditch effort by the unpopular leader to forgo elections.

"The dictatorship's attack cannot go against a people decided on regaining freedom," opposition lawmaker Armando Armas said in a post on social media after he was left blood-

ied by protesters, according to witnesses.

The attack drew swift international censure. "My absolute condemnation of the violent assault on Venezuelan parliament," Spanish Prime Minister Mariano Rajoy said in a mes-

sage posted on his Twitter profile.

The U.S. State Department called the attack "an assault on the democratic principles cherished by the men and women who struggled for Venezuela's independence 206 years ago."

Venezuela's government said in an emailed statement it would investigate the attack.

A 58-year-old lawmaker, Américo De Grazia, was taken away in an ambulance after receiving injuries to the head, according to lawmakers. His son Federico told local media the politician was in stable condition. Photographs showed a seemingly unconscious Mr. De Grazia covered in blood on the lawn on the National Assembly.

Another congressman, José Guerra, posted photos on social media of what appeared to be a bullet hole in a window of the building. "Fortunately, no one

was hit," he said in the post.

Scuffles inside the legislature aren't uncommon in Venezuela, which has bounced from one political crisis to another in recent years. But violence has increased with almost daily street demonstrations calling for Mr. Maduro's ouster.

In the past three months, at least 91 people have been killed amid fears the nation could descend into civil war.

Mr. Maduro has stepped up heated rhetoric in recent weeks, implying his government would cling to power by any means necessary. "We would never give up, and what couldn't be done with votes, we would do with weapons," he said at a rally last week.

Mr. Maduro's ruling Socialist Party lost control of congress in late 2015 amid a crippling economic crisis. Since then, the president has sought to neutralize the assembly by stripping it of basic powers.

JAPAN

Heavy Floods Leave Hundreds Stranded

Troops worked to rescue hundreds of people stranded by flooding in southern Japan. At least two people were found dead and nearly 20 were still unaccounted for in flooding that wrecked homes, roads and rice terraces.

Heavy rain warnings were in effect for much of the southern main island of Kyushu after Typhoon Nannadol swept across Japan this week.

Authorities in Fukuoka on Kyushu island said six people were injured, two of them seriously. One man was found dead after he was covered by a mudslide. Four others were missing and feared dead in the city after being swept away or buried under mudslides.

In neighboring Oita prefecture, a 43-year-old man dug up from a mudslide was pronounced dead, according to the Oita prefecture. Public broadcaster NHK said he was a rescue worker.

Four people were missing in Fukuoka, while 15 others were still unaccounted for in neighboring Oita, according to prefectural disaster management websites.

—Associated Press



Heavy flooding in southern Japan, as seen in Asakura City, Fukuoka prefecture, on Thursday, has displaced thousands of people.

HONG KONG

Activists Plead Guilty In Democracy Protests

A group of activists pleaded guilty to charges related to the city's large-scale pro-democracy protests in 2014, marking a symbolic low for a movement that attracted global attention by challenging Chinese authority, but has waned under legal pres-

sure from Beijing.

The defendants included Joshua Wong, 20 years old, who became the face of a 79-day student protest seeking universal suffrage in the former British colony, which retains limited autonomy within China. He admitted to defying a judge's order to clear one of the protest sites.

In the years since the demonstrations, city authorities have aggressively prosecuted activists, in-

cluding a sense among many Hong Kongers that resisting Beijing's will is futile, political analysts say.

—John Lyons

RUSSIA

Moscow Court Sentences Hacker

A Moscow court sentenced to two years in prison the alleged ringleader of a hacking group

that rattled Russia's political establishment, Russia's official court-reporting agency said.

The sentencing of Vladimir Anikeev by the Moscow City Court followed his conviction for "unlawful access to computer information" as part of a larger conspiracy case, said the agency, RAPS.

Mr. Anikeev was described by the official Rossiiskaya Gazeta newspaper as the ringleader of Shaltai Boltai, a group that

claimed credit for hacking the computers, tablets and smartphones of senior Russian officials.

Rossiiskaya Gazeta reported that he reached a plea deal with prosecutors in the case. Khazret Bizhoyev, a lawyer for Mr. Anikeev, said his client was "pleased" with the sentence and hadn't decided whether to appeal, as he would soon be eligible for parole.

Shaltai Boltai earned notoriety for breaking into a least one of Russian Prime Minister Dmitry Medvedev's electronic devices and taking control of his Twitter account in 2014.

—Nathan Hodge

ZAMBIA

President Seeks Emergency Powers

President Edgar Lungu called for a national state of emergency, as the political crisis in one of Africa's most stable and mineral-rich democracies deepens. He said he would seek parliamentary approval for sweeping emergency powers, after months of politically motivated violence following the jailing of opposition leader Hakainde Hichilema for treason. The legislation would give Mr. Lungu the power to censor the media and impose broad restrictions on freedom of assembly and movement.

—Nicholas Bariyo



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WORLD NEWS

A Patient Merkel Is Tested

German chancellor who prizes calm diplomacy meets three mercurial world leaders at G-20

BY ANTON TROIANOVSKI

WARSAW—The U.S. president has accused her of ruining Germany. The Turkish president says she harbors terrorists. The Russian president, her spy agencies warn, may be about to interfere in her re-election campaign. German Chancellor Angela Merkel meets all three of them.

In Hamburg, her birthplace, the 62-year-old pastor's daughter hosts the Group of 20 summit thrust into a role no German chancellor has had to navigate in the postwar era. The leader of a country that generally disdains international confrontation is now the foil to three of the world's most polarizing heads of state.

Three countries that Germany had prized as partners have, in different ways and to varying degrees, become antagonists.

"The world is turbulent," Ms. Merkel said in a speech to parliament last week. "It has become less united."

Germany, with its export-oriented businesses and its bloody past, long shied away from global power struggles or military engagements and instead sought to build deep ties with a variety of states. Like no other country, German officials often say, Europe's largest economy relies on a harmonious, rules-based world order.

But at the two-day gathering in Hamburg, which officially begins Friday, global unity that has been years in the making will become personalized. Ms. Merkel will be in the middle of it, and her patient, deliberate style of diplomacy will be put to the test.

U.S. President Donald Trump, whom she was to meet Thursday evening, castigated Ms. Merkel for her refugee policy during the campaign, is threatening to slap tariffs on German steel exports and has undermined one of Ms. Merkel's top priorities by exiting the Paris climate accord.

Turkish President Recep Tayyip Erdogan said this week that "Germany is committing suicide" by not allowing him to deliver a speech to his countrymen on the sidelines of



Chancellor Angela Merkel's diplomatic style emphasizes the relentless presentation of facts.

the summit. Ms. Merkel is to join French President Emmanuel Macron to face Russian President Vladimir Putin, whose annexation of Crimea three years ago now looks like the opening act in Europe's era of geopolitical instability.

German lawmaker Cem Özdemir of the opposition Greens, recently referred to Messrs. Trump, Putin, and Erdogan as "the new authoritarian axis of testosterone." But Ms. Merkel plays down the personal contrasts.

"Even if likability perhaps doesn't come on a silver platter, I have the responsibility to take care of things and to try to understand the person, the partner, across from me," she said in an interview with women's magazine Brigitte last week.

In dealing with difficult counterparts, people who have worked with her say, Ms. Merkel, a trained physicist, can be relentless in presenting her demands and the facts to back up her point of view. She is also willing to listen through sometimes angry monologues and to seek compromises to inch toward a solution, they say. The approach means that even adversarial leaders are willing to engage with her, analysts say, though it opens her up to criticism for being soft.

"She knows exactly what

she wants, but because of her relatively quiet and mediating manner, it doesn't come across as very threatening," said Claudia Major at the German Institute for International and Security Affairs. "Much of Germany's increased power, or responsibility, in recent years was extremely well framed by Merkel's calm and measured demeanor."

That was her approach as she led the West's response to the Ukraine crisis, holding dozens of phone calls and meetings with Mr. Putin in which she repeatedly confronted him with evidence of Russian intervention in Ukraine while taking in his frustration over an alleged Western plot against Russia.

Her government is now girding for possible Russian interference ahead of the Sept. 24 national election, and German intelligence officials say that the same suspected Russian hackers who stole Democrats' emails in the U.S. campaign broke into the German parliament's network in 2015.

"I don't count myself as a fearful person," Ms. Merkel said when asked about Russian hacking in a news conference alongside Mr. Putin in May.

Amid growing tensions with Mr. Erdogan, Ms. Merkel is also banking on repetition—stating over and over, for in-

stance, that an imprisoned Turkish-German journalist, Deniz Yücel, needs to be set free because Turkey's terror charges against him are without merit.

"The fact that Ms. Merkel placed the saving of a terror suspect on the agenda was something I found very, very peculiar," Mr. Erdogan told Germany's Die Zeit newspaper in an interview published this week.

She tried to lay out facts to convince Mr. Trump of the merits of open markets when she met him in March, bringing German CEOs to the White House to underline her country's investment in the U.S. But she has sounded increasingly disappointed with Mr. Trump's moves. In the Brigitte interview, she cited a Wall Street Journal op-ed article by two Trump aides as evidence that Mr. Trump sees globalization as a zero-sum game, not a "win-win" opportunity.

"President Trump was certainly elected by many who are skeptical of globalization, and he feels he has a duty to those voters," she told Die Zeit. Asked whether she could have imagined a year ago a G-20 meeting with Messrs. Putin, Trump, and Erdogan, she responded: "We have to accept these constellations as they are."

Japan, EU Agree On Trade Deal

Japan and the European Union agreed on terms of a new trade deal, hours before U.S. President Donald Trump was expected to clash with them and other world officials over how global trade works.

By Laurence Norman
and Emre Peker in
Brussels and Alastair
Gale in Tokyo

Thursday's announcement is a fresh sign of major global powers responding to Mr. Trump's "America First" policies. If approved, the pact would represent a significant opening of the once heavily protected Japanese market. Japan is seeking to pursue new export opportunities following Mr. Trump's withdrawal from the pending Trans-Pacific Partnership trade deal, which now has 11 countries.

Mr. Trump arrived on Thursday in Hamburg, Germany, for a meeting of the Group of 20 major economies, where differing views on trade are likely to loom large.

With €125 billion (\$142 billion) of exports and imports in 2016, an EU-Japan trade deal would be one of the most significant the bloc has reached. Officials have said it could eventually knock an annual €1 billion off customs duties.

Negotiations have taken four years and significant hurdles remain. Still, leaders on both sides hailed the deal, which they hope will take effect in two years, as a blow to

protectionism.

"Some are saying the time of isolationism and disintegration is coming again, we are demonstrating that this is not the case," European Council President Donald Tusk said at a media conference.

Negotiators must still agree how to resolve disputes that arise after the pact is launched and create a mechanism for protecting investments. Months of work are needed to complete detailed legal texts and ratify any deal in Europe and Japan.

Meanwhile, domestic opposition is rising against the pact, which addresses tariffs and nontariff barriers to trade, such as regulations.

However, negotiators recently resolved some of the thorniest issues, revolving around the auto and dairy industries, helped by top-level political encouragement.

Not all details of the deal are completed and public yet, but Japanese auto makers stand to gain from the eventual elimination of import tariffs ranging from 10% to 22%, although a clause is built in to allow tariffs to snap back if Japan restores nontariff barriers to European exports. Tokyo would harmonize its regulatory standards with the EU.

Japanese Prime Minister Shinzo Abe called the deal "a major pillar in our economic growth under Abenomics," referring to his domestic economic platform. European companies are expected to see a significant boost in agricultural and food product sales.



EU Commission President Jean-Claude Juncker, left, Japan's Shinzo Abe, center, and European Council President Donald Tusk.

EU Envoy Says No Chance Of Keeping 'Frictionless Trade'

BY VALENTINA POP

BRUSSELS—The European Union's Brexit negotiator Michel Barnier gave a stark warning to officials in London that the U.K. won't have "frictionless trade" with the bloc after it leaves.

In an unusually blunt and detailed public discussion with trade unions and business groups here, Mr. Barnier said that he isn't sure that the EU position is "fully understood across the Channel."

"I have heard some people in the U.K. argue that one can leave the single market and build a customs union to achieve 'frictionless trade'—that is not possible," Mr. Barnier said.

A spokesman for Prime Minister Theresa May said Thursday the U.K. is seeking a free-trade and customs deal with the EU that "allows for trade that is as frictionless as possible," adding that such a pact would be in the interests of both the U.K. and the EU.

Mr. Barnier said that his British counterpart, David Davis, confirmed during their first round of talks last month that the U.K. wants to leave both the single market and the customs union. "I have to work with the U.K. government as it is today and based on what it's telling me," he said.

Divisions within the U.K. government have emerged in recent weeks on this issue, with Mr. Barnier saying that "we are prepared for all situations," in case the British stance changes. A next round of talks is scheduled for July 17 in Brussels.

Mr. Barnier also made it clear that there will be no spe-

cial deal for the British financial sector to keep its so-called passporting arrangement under which thousands of U.K.-based banks are operating in other EU countries.

"On financial services, things are clear: The U.K. leaves the EU and the single market and therefore all financial institutions will lose the financial passporting, automatically, mechanically. There is no discussion and no negotiation on this topic," Mr. Barnier said.

Britain's top financial regulator, Financial Conduct Authority chief Andrew Bailey, in a speech in London on Thursday called for "a strong coordination of regulatory institu-

The diplomat said he's not sure the EU stance is 'fully understood across the Channel.'

tions" in the U.K. and EU after Brexit to preserve free trade in financial services. His stance was echoed by John McFarlane, chairman of British lender Barclays PLC, who said that granting the EU some oversight of London-based financial activity relating to the EU and its common currency after the U.K.'s withdrawal was reasonable.

During his public debate Thursday, Mr. Barnier warned that the U.K.'s future relationship would have to address concerns about "regulatory competition," meaning that standards and regulations ranging from environmental protection to consumer and

social rights could be watered down in the U.K. to gain a competitive advantage over the EU.

Mr. Barnier said national and regional parliaments on the Continent would scrutinize the agreement underpinning the bloc's future relationship with the U.K. and recalled that a regional parliament in Belgium held up the EU's free-trade deal with Canada due to similar concerns.

Mr. Barnier also sought to dispel Mrs. May's idea that "no deal is better than a bad deal," which has been recently repeated by her ministers.

He explained that in the absence of a Brexit deal, trade between the EU and the U.K. would be based on World Trade Organization rules.

"There would be customs duties of almost 10% on vehicle imports, an average of 19% for alcoholic beverages, and an average of 12% on lamb and fish, for which the vast majority of British exports go to the EU," Mr. Barnier said.

"In practice, 'no deal' would worsen the 'lose-lose' situation which is bound to result from Brexit. And the U.K. would have more to lose than its partners," he said.

"That is why we want an agreement. To my British partners I say: A fair deal is far better than no deal," Mr. Barnier said.

He also pushed back against the Brexit stance of Britain's main opposition Labour Party, which has said it wants to exit from the single market but retain all of the benefits of membership. Mr. Barnier said that is not possible.

—Laurence Norman
and Jason Douglas
contributed to this article.



President Trump addressed thousands in Warsaw's Krasinski Square. White House officials said the speech was meant to deliver a message that the U.S. stands with allies living in Russia's shadow.

TRUMP

Continued from Page One
cans, Poles, and nations of Europe value individual freedom and sovereignty."

White House officials had painted Mr. Trump's speech as one meant to deliver a message that the U.S. stands with allies living in Russia's shadow. It came just before he headed to Hamburg, Germany for a meeting of the Group of 20 large economies, where he is set to meet Russian President Vladimir Putin for the first time since Mr. Trump's election victory in November.

Mr. Trump said that America's words and actions demonstrated that the country stood firmly behind the mutual defense commitment of the North Atlantic Treaty Organization, a core tenet of the alliance that holds that an attack on one is an attack on all. In May, Mr. Trump had withheld public support for the provision, leaving European diplomats distressed.

Friday's meeting with Mr. Putin takes place against a backdrop of the intensifying federal investigation into Russian meddling. Special Prosecutor Robert Mueller is also probing whether Trump

campaign aides colluded with Russian operatives to boost Mr. Trump's prospects and damage Democratic rival Hillary Clinton.

At an earlier news conference with Polish President Andrzej Duda, Mr. Trump also fielded questions about whether he accepts the U.S. intelligence community's verdict that Russia interfered in the 2016 election in a bid to help him defeat Mrs. Clinton.

Mr. Trump has in the past voiced skepticism about Russia's involvement. He said once again that others might have been culpable, apart from Russia.

"I think it was Russia and I think it could have been other people and other countries," Mr. Trump said. "A lot of people interfered. I think it's been happening for a long time."

Mr. Trump also said the U.S. intelligence community has made mistakes in the past and its judgment is open to question. As he has done in the past when discussing Russian hacking, he mentioned the U.S. invasion of Iraq in 2003. Intelligence assessments claiming that Iraq possessed weapons of mass destruction turned out to be inaccurate.

"I remember listening about Iraq," Mr. Trump said.

He added: "Nobody really knows. Nobody really knows for sure."

Many congressmen want Mr. Trump to confront Mr. Putin about what intelligence officials say is conclusive proof that Russia hacked Democratic computer systems in a bid to influence the election.

The White House hasn't confirmed whether Mr. Trump will bring it up.

Mr. Trump also took a swipe at his predecessor, Barack Obama. Invoking news reports that Mr. Obama was told about Russian hacking last August, Mr. Trump said the former president took no action because of the mistaken belief that Mrs. Clinton would win anyway.

After touching down in Germany for the two-day G-20 summit he will hold a bilateral meeting with the nation's chancellor, Angela Merkel.

The session is expected to be tense, with the chancellor having made plain her unhappiness over Mr. Trump's withdrawal from the Paris climate accord. No apology is likely, though Mr. Trump is open to a new or revamped climate agreement if he concludes it is in America's interests, White House officials said.

tions" in the U.K. and EU after Brexit to preserve free trade in financial services. His stance was echoed by John McFarlane, chairman of British lender Barclays PLC, who said that granting the EU some oversight of London-based financial activity relating to the EU and its common currency after the U.K.'s withdrawal was reasonable.

During his public debate Thursday, Mr. Barnier warned that the U.K.'s future relationship would have to address concerns about "regulatory competition," meaning that standards and regulations ranging from environmental protection to consumer and

U.S. NEWS

Fed Readies Timing of Portfolio Tapering

By NICK TIMIRAO

WASHINGTON—Federal Reserve officials in June readied plans to start slowly shrinking the central bank's large portfolio of bonds and other assets in the next few months, and the debate since then over when to launch the plan has increasingly pointed to September.

Several officials said the Fed had sufficiently prepared markets to initiate the tapering "within a couple of months," according to the minutes of the central bank's June meeting released on Wednesday. Some others said waiting longer could give them more time to figure out why inflation has slowed and that moving sooner might wrongly signal they were moving more aggressively to raise interest rates.

Taken together, the minutes of the June meeting and subsequent comments from Fed officials show a growing likelihood that the Fed will initiate its balance sheet runoff plan in September. That sequence would give officials more time to see if the inflation slowdown is temporary before raising rates, and it would allow officials to proceed well before any transition to a new Fed leader if Chairwoman

Janet Yellen isn't reappointed before her term ends Feb. 3.

The Fed's internal debate over the policy path has been complicated by two puzzles. Inflation has weakened, justifying some officials' call for a slower pace of rate increases.

But financial conditions have eased despite recent rate increases—with stock markets running to new highs, long-term yields declining and the dollar weakening. This has strengthened the resolve of those who want to stick with the Fed's current rate path, which projects another quarter-percentage move this year and four more next year.

At the June meeting, officials discussed reasons why financial conditions haven't tightened, including strong corporate-earnings growth and growing risk tolerance among investors. Some officials raised concerns that stock prices looked high and that subdued market volatility could lead to "a buildup of risks to financial stability," the minutes said.

"The policy implication says, 'Look we've been raising rates. We haven't overly tightened financial conditions, so we can afford to continue here,'" said Roberto Perli, an analyst at research firm Cornerstone Macro



Fed Chairwoman Janet Yellen will testify before Congress next week.

LP. "It is a green light to continue, more than anything."

Officials raised rates to a range between 1% and 1.25% at the June meeting, their third quarter-point rate increase in as many quarters, and they penciled in one more increase this year. They also reached consensus on how they would gradually reduce the Fed's \$4.5 trillion asset portfolio, also known as its balance sheet, which could

lead long-term rates to rise.

Because the Fed is prepared to gradually shrink those holdings in a slow, predictable manner, by allowing some assets to mature without reinvestment, officials last month said they expected launching the runoff would have a limited impact on markets, according to the account published Wednesday.

From a market standpoint, the Fed has "done everything to

make the end of reinvestment as palatable as humanly possible," said Jim Vogel, market strategist at FTN Financial.

The next Fed policy meeting is July 25-26. Ms. Yellen will have an opportunity to elaborate publicly on her outlook when she delivers semiannual testimony before Congress next Wednesday and Thursday.

The minutes showed officials also face divisions over how the portfolio runoff plans could alter the path of interest rates going forward. At the June meeting, officials' median forecasts showed four more quarter-point rate increases in 2018.

The central bank's discussion around the balance sheet picked up this year because Fed officials have grown more comfortable with the economic outlook. Officials stopped adding to the balance sheet in 2014, but they have been reinvesting the proceeds of maturing assets to keep the Fed's holdings steady.

Under the plans announced last month, the Fed will allow its holdings to decline gradually by allowing a predetermined amount of bonds to mature every month without using the proceeds to buy more bonds.

It would start by allowing up to \$6 billion in Treasury securities and \$4 billion in mortgage

bonds to roll off without reinvestment, and let those amounts rise each quarter. The plan's pace would ultimately rise to a maximum of \$30 billion a month for Treasurys and \$20 billion a month for mortgages.

Fed officials have said they want the balance-sheet wind-down to run quietly in the background, meaning they are unlikely to adjust it from one meeting to the next, barring a shock to the economy.

Officials raised rates last month despite some concern over declines in inflation gauges, which Ms. Yellen and others have largely attributed to one-off factors such as big discounts on wireless phone plans. The Fed's preferred inflation gauge briefly surpassed the central bank's 2% target in February but posted greater-than-expected drops since then, rising just 1.4% on the year ended in May.

Officials will receive two more monthly inflation readings before their September meeting and are likely to study those reports closely to confirm their latest forecasts. They could face greater doubt or division on their policy path if current trends continue— inflation remains soft, the unemployment rate falls further and asset prices continue their rise.

GOP Scrambles To Enlist Senate Candidates

By NATALIE ANDREWS

Republican leaders consider next year's midterm elections a ripe opportunity to strengthen their party's majority in the Senate, but GOP lawmakers are turning down challenges in states in which President Donald Trump defeated Democrat Hillary Clinton.

Rep. Ann Wagner, a Republican who represents the Second Congressional District in Missouri, said Monday she won't challenge her state's senior U.S. senator, Claire McCaskill, a Democrat who is running for re-election in 2018. Mr. Trump won Missouri by 19 points last year.

Ms. Wagner's decision follows similar choices by other lawmakers elsewhere. In Wisconsin, Rep. Sean Duffy, a Republican, has decided not to challenge first-term Sen. Tammy Baldwin, a Democrat; in Ohio, Rep. Pat Tiberi, a Republican, is passing on trying to unseat Sen. Sherrod Brown, a Democrat.

Republicans currently hold 52 seats in the Senate, and the party is defending eight of those seats next year. Democrats have 23 seats up for re-election in 2018, along with the two independent senators who caucus with them. Of the Democratic seats, 10 are in states that Mr. Trump, a Republican, won in 2016, five of those by double digits.

Still, midterms are often referendums on the president and Mr. Trump currently has a 37% approval rating, according to Gallup. And history shows the midterm elections more often than not go poorly for the party that controls the White House.

"It's hard to knock off an incumbent in a good year. In a not-great year, those odds drop even further," said Josh Huder, a senior fellow at Georgetown University's Government Affairs Institute.

The prospect has left many potentially vulnerable Democratic incumbents without serious challengers. In North Dakota, a state where Mr. Trump won 63% of the vote, Sen. Heidi Heitkamp, a Democrat, has no challenger from the GOP.

While the polls suggest Democrats face significant obstacles picking up seats in the Senate, they have done better in recruiting candidates. Rep. Jacky Rosen (D., Nev.), a polished political veteran, is planning to challenge the state's senior senator, Dean Heller, a Republican.

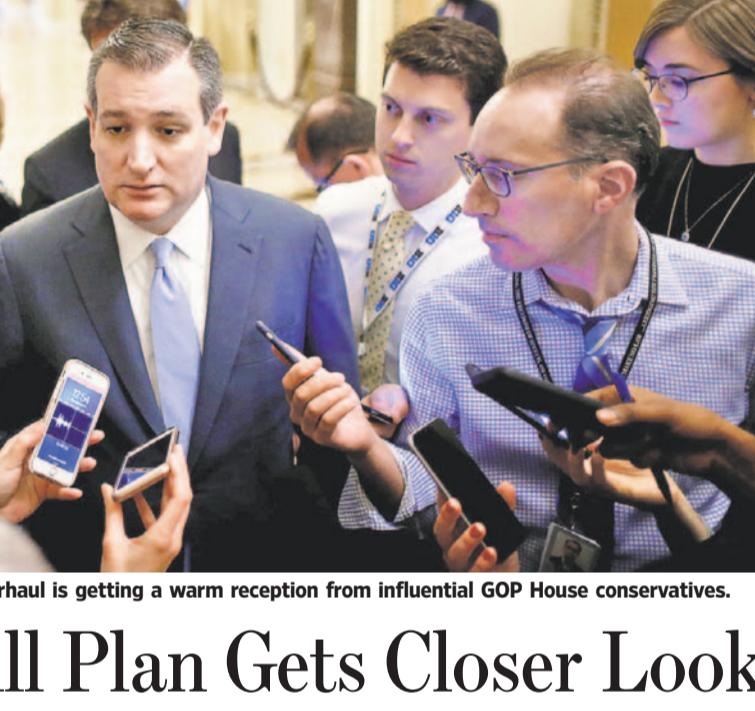
A Public Policy Polling survey released last month showed Mr. Heller winning 39% of the vote against a Democratic candidate.

Democrats are also hoping to unseat first-term GOP Sen. Jeff Flake of Arizona. Mr. Flake has challenges from both the left and the right.

The National Republican Senatorial Committee declined to comment on the status of its candidate recruitment.

Austin Stukins, executive director of the Missouri Republican Party, said the race to challenge Ms. McCaskill is still early. There are "a lot of great conservatives who are looking at the race," he said.

Among the challenges facing the GOP recruiters is that the environment in Washington appears toxic, and Congress, which has struggled for years to pass major legislation, is viewed by some as an unproductive and unfulfilling job, said GOP strategist Chuck Warren, who has consulted for Sens. Orrin Hatch of Utah and Lindsey Graham of South Carolina. "You go back there and all it is, is a food fight," Mr. Warren said. "Nothing is getting done. Why would you want to sacrifice your money, your family's time, to go back to a food fight?"



Sen. Ted Cruz's proposal to salvage the health-law overhaul is getting a warm reception from influential GOP House conservatives.

Cruz's Health-Bill Plan Gets Closer Look

By STEPHANIE ARMOUR
AND KRISTINA PETERSON

Senate Republican leaders, in a bid to salvage their health overhaul, are weighing the merits of a proposal by Sen. Ted Cruz (R., Texas) to let insurers that sell plans that conform to the Affordable Care Act's regulations also sell policies that don't.

The idea, also backed by Sen. Mike Lee (R., Utah), would allow insurers to offer cheaper, less-comprehensive policies, likely to be bought by healthier people. Those policies could charge higher prices to those with pre-existing medical conditions and possibly deny them coverage altogether.

Senate Majority Leader Mitch McConnell (R., Ky.) asked the nonpartisan Congressional Budget Office to analyze the Cruz provision's impact on the federal budget and on insurance coverage, according to Senate GOP aides—a sign Senate leaders are genuinely contemplating it.

The action unfolded as Mr. McConnell continued to reach out to various senators while

Congress is on recess. Mr. McConnell was forced to delay a vote before the recess amid defections from both conservatives and centrists. He is working to assemble a revised version the Senate can consider shortly after it returns to Washington.

The majority leader still wants a bill to modify and replace the ACA, despite calls from President Donald Trump to pursue a full repeal first and work on a replacement later. Tweaks to the original Senate bill are likely to include more funding for opioid addiction treatment and possibly beefed-up funding for tax credits that help low-income people buy insurance.

The Cruz proposal likely would lower premiums for some consumers, a priority of Senate conservatives, and could help bring some of them on board. Sens. Cruz and Lee are among four conservative senators who rejected the initial version of Mr. McConnell's bill, saying it did too little to uproot the ACA and lower premiums.

The Cruz idea also is get-

ting a warm reception from influential GOP House conservatives, including Reps. Jim Jordan of Ohio and Mark Meadows of North Carolina. "It's a good amendment," Mr. Jordan said in a brief interview. "If that goes in, that's a great move."

Still, Mr. McConnell's challenge has always been that moves aimed at enticing conservatives could alienate centrists, and vice versa. The Cruz proposal puts GOP Senators who pledged to preserve protections for people with pre-existing conditions in a precarious position.

Health analysts said the amendment would cause premiums for that demographic to jump, resurrecting a thorny political issue that drew national attention this year when House Republicans added a similar measure to their bill, known as the MacArthur amendment.

Mr. Cruz's office, asked for comment Wednesday, referred to an interview he gave a Dallas-based radio station. "We've got to lower premiums, and the way you lower premiums

is you give the consumers freedom to choose the health insurance plan that they want without the government mandates," Mr. Cruz told WBAP.

The measure started gaining traction in the Senate last week when Mr. McConnell scrapped a planned vote because nine GOP senators said they couldn't support the legislation. Mr. McConnell can only lose two GOP votes for the bill to pass, with Vice President Mike Pence breaking any tie, since no Democrats are likely to support the Republican effort.

A vote on a revamped Senate GOP health bill could be held in mid- or late July, said people familiar with the matter. The House would have to approve any bill the Senate passes for it to become law, and conservative House Republicans who almost foiled the party's effort to pass a bill in May also say the Cruz provisions could be essential to getting their support.

The White House also has backed Mr. Cruz's proposal.

—Michelle Hackman contributed to this article.

U.S. WATCH

COLLEGE ENROLLMENT

Politics Shapes Picks Of Foreign Students

International students accepted to U.S. schools are planning to enroll at a similar rate as last year in most areas except the southern part of the country, especially Texas, according to data from 165 U.S. colleges and universities.

The enrollment numbers help dispel fears that President Donald Trump's anti-immigrant rhetoric would scare international students away. "I think people just seem to be more cautious these days" about the political climate in the U.S., said Allan Goodman, president of the Institute for International Education, a nonprofit that advocates for

international education, which conducted the survey of schools. "I think you have to weigh that against the fact there is such enormous good will in the world toward America."

The rate of international students accepted to a U.S. school that plan on enrolling held steady in the West and Northeast and declined by 5 percentage points each in the South and Midwest. In Texas, one of four states that enroll the most international students, the rate, known as yield, fell by 9 percentage points.

Dr. Goodman believes the declines are rooted in perception of religious and racial intolerance and in some cases, gun policies.

—Doug Belkin and Newley Purnell

ECONOMY

Trade Deficit Narrowed in May

The U.S. trade deficit narrowed in May as exports rose to their highest level in more than two years.

The foreign-trade gap in goods and services narrowed 2.3% from the prior month to a seasonally adjusted \$46.51 billion in May, the Commerce Department said Thursday. Economists surveyed by The Wall Street Journal had expected a smaller trade deficit of \$46.2 billion for the month.

Imports fell 0.1% in May to \$238.54 billion, and exports rose 0.4% from April. Total exports were \$192.03 billion in May, the

strongest month for overseas sales since April 2015.

"The survey evidence suggests that annual export growth will accelerate from here, reflecting the strength of the global economy and the slight depreciation of the U.S. dollar since the beginning of the year," said Michael Pearce, U.S. economist at Capital Economics, in a note to clients.

Data on international trade can be volatile from month to month, and the figures weren't adjusted for inflation. The deficit had jumped in April and even after narrowing in May it was larger than at any point last year. Both imports and exports have risen this year, reflecting a stronger world economy driving an upswing in global trade flows.

—Ben Leubsdorf



Rep. Ann Wagner (R, Mo.), above, said she won't challenge Sen. Claire McCaskill, a Democrat who is running for re-election in 2018.

Special Advertising Feature



Constant Innovation Is Key to Kellogg-HKUST EMBA Program Remaining No. 1 EMBA Globally

By Mary Devereux

Achieving the No. 1 spot in the world's ranking of Executive MBA programs is an amazing accolade by anyone's standards. Remaining No. 1 is even harder. But that's exactly what the Kellogg-HKUST EMBA program has achieved seven out of the last ten years in The Financial Times surveys. And, now, to add to the schools' glow, the joint EMBA program has placed top in the first-ever Global EMBA Rankings announced by Quacquarelli Symonds (QS) in 2017.

"The combined faculty of the School of Business and Management at the Hong Kong University of Science and Technology (HKUST) and Northwestern University's Kellogg School of Management represents some of the top business educators and researchers in the world," says Professor Kar Yan Tam, Dean of the HKUST Business School. "We're constantly looking at contemporary trends and new thinking in business management - be they through technological innovation, FinTech and the eroding position of the middleman, new leadership philosophies or innovative management models."

WHERE THE ACTION IS

"We also have a key advantage here in Hong Kong, as we sit at the crossroads of Asia and China and have experts who can teach the impact of geopolitical forces taking place on our own doorstep."

Professor Sally Blount, Dean of the Kellogg School of Management at Northwestern University agrees. "The combined strength of our HKUST and Kellogg faculty brings incredible breadth and depth to the classroom. Our students enjoy a clear advantage: deep knowledge and experience in global leadership challenges and practices combined with rich, local expertise."

CAREER LENGTH AND ACHIEVEMENT AN ADVANTAGE WHEN APPLYING FOR AN EMBA

This global perspective is just as much of a draw for potential students as the program's stellar reputation. The EMBA program attracts a wide array of students from across the globe and from a variety of industries.

"THIS GLOBAL PERSPECTIVE IS JUST AS MUCH OF A DRAW FOR POTENTIAL STUDENTS AS THE PROGRAM'S STELLAR REPUTATION."

"We typically accept students who have at least 10 years' work experience," says Professor Tam. "The average age of this year's graduating class is 40, with over 16 years' work experience. Our 50 students come from 18 different cities, and represent 18 different nationalities."

The achievement and work experience of students are a key factor in what makes an EMBA program different and valuable to a company's future development.

"Their perspective is different," continues Professor Tam. "Instead of focusing on their individual and immediate future, EMBA students are looking at what is important for their entire career, and how they can help their company achieve success."

TURNING LEARNING INTO PRACTICAL USE FROM DAY ONE

The lessons an EMBA student learns from the program do not suddenly take effect the moment they graduate. Kellogg-HKUST EMBA students practice what they learn from the very first week of study.

"OUR EMBA STUDENTS PRACTICE WHAT THEY LEARN FROM THE VERY FIRST WEEK OF STUDY."

Graduating student Oliver Jarrett, Director - HER-2 Oncology, Rheumatology & Anaemia, for pharmaceutical giant Roche in Hong Kong, says: "I was putting learnings into action by the end of the first module, which was on statistics. Despite being familiar with statistics, I had never used multiple regressions or decision trees effectively. Not only did I start using these immediately, but I was able to train my

teams on them too. We now have a much better understanding of what drives monthly volatility in some product sales, and have developed a better tender management process.

"I was also surprised to see how many pharmaceutical and health care case studies we used in my studies. It highlighted to me just how many challenges there are in my industry."

Fellow student Nora Lin, Director of Customer Care, South China, for global logistics and shipping company in Maersk Hong Kong, says: "The international transport and logistics industry has been impacted by supply and demand imbalance for years. The operation management module shed light on how cost and capacity management could be critical to survival and success. And my learning on consumer behavior and big data addressed exactly my questions on how and where Maersk can transform in the digitized future and bring value to our customers."

Ms. Lin knew firsthand the advantage of a Kellogg-HKUST EMBA. Two of her colleagues, Silvia Ding (Class of 2014) and Bich Nguyen (Class of 2016) are also graduates of the program. "Silvia and Bich are among the most influential and successful female business leaders within Maersk Group," she says. "I was inspired by their choice of an EMBA with Kellogg-HKUST and encouraged by their positive experience with the program."

Since graduation, Silvia Ding progressed from Managing Director, South China to Vice President, Head of Greater China. She continues to progress her career into the company's headquarters in Copenhagen, Denmark and is now Senior Vice President for Maersk Line. Similarly, Bich Nguyen has been promoted from General Director of Vietnam to Southeast Asia Trade and Marketing Director based in Singapore.

GLOBAL TRAVEL TO SEEK KNOWLEDGE

Students engage on an 18-month curriculum, covering a broad range of managerial, financial, economic and marketing skills. During the course, they participate in live-in weeks and weekends at HKUST and Kellogg, and can take global electives at seven campuses in Chicago, Vallenar, Tel Aviv, Hong Kong, Toronto, Miami, and Beijing.

"DURING THE COURSE, THEY PARTICIPATE IN LIVE-IN WEEKS AND WEEKENDS AT HKUST AND KELLOGG, AND CAN TAKE GLOBAL ELECTIVES AT SEVEN CAMPUSES."

The classroom discussions and group studies are among the highlights for many EMBA students. "Global diversity and experience is very important to us," says Professor Tam. "We want our students to bring their unique experience to the program so the faculty and students can learn from each other. Most importantly, we want to talk about real business issues and how the solutions may vary depending on industry, the culture or the geography. It's exciting, because the outcomes are seldom the same."

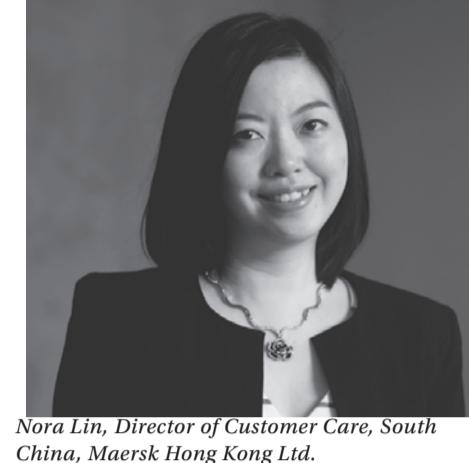
BUILDING LIFE-LONG FRIENDSHIP AND A HAND-PICKED TEAM OF EXPERTS

Undertaking an EMBA is not for the fainthearted. However, the intense schedule is just part of the trade-off that sees students able to earn more and move ahead without interrupting their careers.

The international network that students gain is perhaps one of the most treasured benefits of an EMBA. There are few places where a diverse group of peers can converge and form life-long friendships and, in some cases, business partnerships.

"I now have excellent friends that I know I can call on personally or professionally," says Mr. Jarrett. "With such a broad range of industry, functional, geographic, market and cultural experience I know that no matter what challenge life throws at me I have a group of absolute experts I can call on for guidance."

Students have access both to HKUST and Kellogg's alumni network. "Our EMBA



Nora Lin, Director of Customer Care, South China, Maersk Hong Kong Ltd.



Oliver Jarrett, Director - HER-2 Oncology, Rheumatology & Anaemia, Roche Hong Kong Ltd.

"THERE ARE FEW PLACES WHERE A DIVERSE GROUP OF PEERS CAN CONVERGE AND FORM LIFE-LONG FRIENDSHIPS AND, IN SOME CASES, BUSINESS PARTNERSHIPS."

students are fully engaged with an alumni network of 60,000 that spans the globe," says Professor Blount.

Ms. Lin and Mr. Jarrett will join other graduates at the program's 20th anniversary celebrations in July 2018. A range of

activities are planned, including a global conference joined by world business leaders and government officials; a gala dinner; and a host of individual alumni events, as the School welcomes thousands of its former students back home.

First Among Equals

It's long been a tradition for each Kellogg-HKUST EMBA graduating class to choose the Professor of the Year, and the winner for 2017 is Professor Karl Schmedders, Professor of the Kellogg School of Management at Northwestern University.

Proud and delighted to receive this year's award, Professor Schmedders jokes: "By teaching statistics and decision science, I have a great advantage relative to my colleagues who teach popular courses in strategy, finance or marketing. Students have very low expectations when they enter the classroom; in fact, they fear the worst. So, it's almost impossible for me to disappoint! And when I then show the class really cool business cases and how data analysis can guide decision-making, they suddenly begin to enjoy and appreciate the module."

I teach students how to take advantage of data to support the decisions they have to make. A key message of my module is that data analysis cannot make a choice for you, but it can support you when you face critical business decisions.

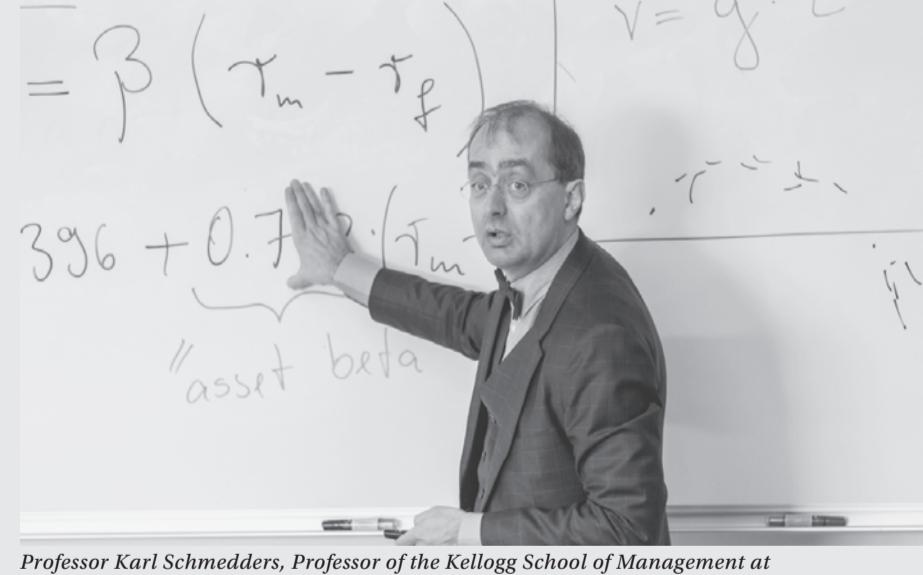
A TRACK RECORD OF WINNING TEACHING AWARDS

Professor Schmedders is no stranger to teaching awards - he is on Kellogg's Faculty Honor Roll every quarter; received its Lawrence G. Lavengood Outstanding Professor of the Year; and the prestigious Medal of Honor from WHU - Otto Beisheim School of Management.

"I have been lucky to work with a diverse range of students from very different backgrounds. This experience has helped me become a better and more understanding teacher. I like to think that my students benefit from that experience in their studies.

"WINNING TEACHING AWARDS WILL NEVER BECOME NORMAL OR BORING FOR ME."

"Every award provides motivation for me to continue to improve my teaching and stay up to date. These awards make me feel humble and grateful. Sometime students do not believe when I say that winning teaching awards will never become normal or boring for me."



Professor Karl Schmedders, Professor of the Kellogg School of Management at Northwestern University



Professor Sally Blount, Dean of the Kellogg School of Management at Northwestern University



Professor Kar Yan Tam, Dean of the HKUST Business School

Mary Devereux is a freelance writer and editor based in Hong Kong.

The Wall Street Journal news organization was not involved in the creation of this content

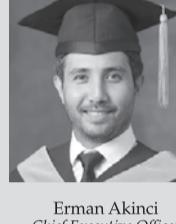
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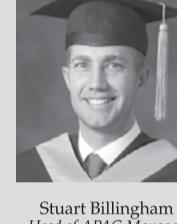
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Chief Executive Officer
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Stuart Billingham
Head of APAC Managed
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Jeff Brunton
Senior Investment Director
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Fiona Cai
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Jonathan Chiu
Vice President
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(Hong Kong) Ltd.



Rebecca Choi
Chief Administrative
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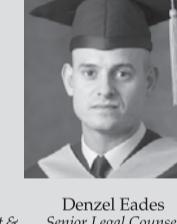
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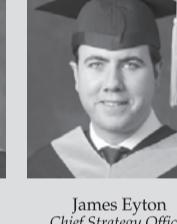
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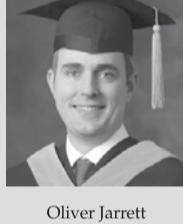
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The Kellogg-HKUST Executive MBA Program is an 18-month, part-time program designed for senior executives who have already attained positions of leadership within their organizations. Program graduates are equipped with top-notch management skills to meet the greater challenge ahead from a global and integrative perspective.

The Program capitalizes on the combined strengths of the renowned Kellogg School of Management and the HKUST Business School.

Upon successful completion of the Program, participants will be awarded an MBA degree jointly conferred by the two universities and will become alumni of both.

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Source: *Financial Times* (2007-2016)

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Source: *Quacquarelli Symonds* (2017)

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IN DEPTH

MEXICO

Continued from Page One

bassador to Mexico from 2011 to 2015. "It's hardly in the interest of the U.S. to have this violence going on near our borders, both for the effect it could have on U.S. citizens in those areas and for the effect it could have on commerce."

Many of the causes of the resurgence are long standing, including the growing market for opioids in the U.S. and a bloody competition among rival trafficking groups touched off by the death or arrest of senior leaders.

There is also a counterintuitive dynamic at work, say scholars of the drug trade: In recent months, voters have thrown out of office allegedly corrupt state and local leaders of President Peña Nieto's ruling Institutional Revolutionary Party, or PRI. That, in turn, has led to the breakdown of unofficial alliances between drug gangs and politicians—what some are calling a *pax mafiosa*—that had kept the killings in check.

"The local and state governments of the PRI controlled the violence and crime using informal rules," said Jorge Chabat, a professor who focuses on security issues and international relations at Mexico City's nonpartisan CIDE research center. "They would say, 'You can traffic drugs, as long as you don't kill too many people.'"

Mexico's earlier peak in violence started in 2006, when rival cartels began turf wars that eventually claimed more than 100,000 lives. Then-President Felipe Calderón of the National Action Party, or PAN, deployed the armed forces against powerful drug lords who had grown influential enough to challenge government power and control large swaths of the country.

The troops managed to cut some cartels down to size, but homicides continued to rise, and the military drew accusations of human-rights abuses, including the killing of innocent civilians and summary execution of suspected gang associates.

Six years later, Mr. Peña Nieto's PRI returned to power by branding itself as the party of efficiency. Rather than emphasizing drugs—and risking the parade of horrific headlines

that swamped his predecessor—Mr. Peña Nieto focused instead on revamping education policy and the energy and telecommunications industries.

At a dinner with reporters during the 2012 campaign, Aurelio Nuño, who would go on to become Mr. Peña Nieto's chief of staff and education minister, said that the new government would "change the narrative."

One of Mr. Peña Nieto's first acts as president was to eliminate Mexico's Public Security Ministry, an agency founded in 2000 by a PAN president to create a more professional federal police force to crack down on drug-related crime. Mr. Peña Nieto folded its responsibilities into the Interior Ministry.

The PRI has been plagued by corruption scandals since Mr. Peña Nieto took office. Nearly a dozen former PRI governors in Mexico are under investigation, serving time or being prosecuted for corruption, and three fled the country to escape prosecution. Two have since been captured in recent months. All deny the charges against them.

In late March, Edgar Veytia, the top prosecutor in the Pacific coast state of Nayarit and a close ally of its PRI governor, was arrested at the U.S. border on drug-trafficking charges. He has pleaded not guilty.

Alejandro Hope, a prominent Mexico City security expert, predicted in an April newspaper column that murders could approach a record 30,000 by the end of 2017, based on the fact that initial numbers tend to be revised upward by Mexican government statisticians.

Mr. Peña Nieto "thought that Mexico did not have a structural problem that needed to be tackled," Mr. Hope said. "They tried to change the narrative," he said. "But they didn't try to change the reality."

In a lengthy response to a list of questions from The Wall Street Journal, Mr. Peña Nieto's office acknowledged an uptick in murders beginning in 2015 that has continued into this year, and said the government has implemented a new, long-term anticrime strategy as one of its top priorities. It said the new program includes a broad overhaul of Mexico's justice system and moves to strengthen national-security institutions.

It blamed Mexico's local law



Above, a man holds a portrait of slain Mexican journalist Miroslava Breach, one of 11,155 people murdered in Mexico in the first five months of 2017. Below, state police officers stop a suspected member of the Los Aztecas gang in a neighborhood in Ciudad Juárez.

enforcement for failing to do its job. "The lack of professional, trustworthy and efficient institutions at the local level has opened up spaces for organized crime to operate with impunity," the statement said.

Here in Chihuahua—Mexico's largest state by area, which borders Texas and New Mexico—the killing of Ms. Breach took place in an atmosphere of mounting violence and political intrigue.

In October, voters elected Javier Corral, a former journalist who had been friends with Ms. Breach for more than 25 years, as Chihuahua's new governor. Chihuahua was one of seven states where PAN governors swept to victory last year, including some of the country's most violent, such as Tamaulipas, Veracruz and Quintana Roo.

Late last year, Chihuahua's former governor, César Duarte, fled to El Paso, Texas, not long before an arrest order was issued in Mexico alleging that he had embezzled hundreds of millions of dollars from the state. The new governor has declared Mr. Duarte a fugitive from justice. Mr. Duarte's attorney didn't return calls seeking comment.

Chihuahua has long been a coveted territory for drug traffickers. The state's largest city, Ciudad Juárez, was ground zero for cartel violence during the last drug war, suffering one of the highest murder rates in the world.

Joaquín "El Chapo" Guzmán, leader of the Sinaloa Cartel, sent gunmen to try to take over the city's drug trade from the powerful Juárez Cartel and its armed wing, known as La Línea. Mr. Guzmán recruited two street gangs, the Artistic Assassins and the Mexicles, to help. More than 9,000 people were killed there between 2007 and 2011.

Today, Mr. Guzmán is in jail in Manhattan, facing federal drug charges. In Ciudad Juárez, the atmosphere is tense. On Monday, the army deployed soldiers to carry out regular patrols of the city alongside state and local police for the first time in five



whole territory," Mr. Corral said.

A spokesman for the PRI's state committee in Chihuahua didn't respond to multiple requests for comment.

César Peniche, a former federal security official appointed by Mr. Corral to be the state's top prosecutor, has pledged to rebuild his office and solve Ms. Breach's murder. Police say they have identified two suspects but have yet to make any arrests.

In March, a human head, believed by law-enforcement officials to belong to one of the bodyguards of Mr. Quintana, the purported La Línea capo, was found in a cooler by the side of the road in the city of Álvaro Obregón.

A day later, police killed another purported cartel gunman, a rival of El 80, believed to be responsible for the decapitation. On a recent Saturday night, gunmen killed six people and injured 22 in a bar in the semirural town of Ciudad Cuauhtémoc.

In late May, state police officer Jesús Pérez was on patrol in Ciudad Juárez with a reporter and photographer from The Wall Street Journal when a distress call blared out from shortwave radio: Gunmen had attacked a state police command post in the rural town of Villa Ahumada, about 90 minutes' drive away.

The gunmen strafed the local police post with hundreds of .50 caliber rounds using a military-grade machine gun, killing one officer and critically injuring three more, before fleeing to the countryside.

A spokesman for the state prosecutor's office identified the suspected gunmen as members of La Línea, and later said that the shooting was retaliation for an investigation the state police were carrying out into cattle theft and extortion by organized crime groups in the area. Days later, two local police commanders were arrested on suspicion of collaborating with the attackers.

—José de Córdoba and Dudley Althaus in Mexico City contributed to this article.

years, after a paroxysm of violence killed 29 people over the course of five days.

Across the state, violence has become more diffuse and unpredictable as smaller gangs compete for influence and control of the drug trade, according to the state attorney general's office, the governor's office and security experts.

"No one person has established himself as the outright leader of La Línea or the Juárez Cartel," said Will R. Glaspy, a special agent in charge of the U.S. Drug Enforcement Admin-

istrations' El Paso division.

Ms. Breach often wrote about the growing links between politics and the drug trade in the area where she grew up, in the rugged hills of the Sierra de Chihuahua.

In March of last year, Ms. Breach wrote a series of articles about alleged family connections between organized crime and candidates for local political office. In one article, she revealed that the mother-in-law of Carlos Arturo Quintana, an alleged gang leader also known as "El 80," had registered with the PRI as a primary candidate to be municipal president of the town of Bachíniva.

Breach's murder was Mr. Corral, the new governor. In an interview, Mr. Corral said that before he took office the state prosecutor's office had been "totally dismantled" and thousands of open criminal investigations filed away and forgotten, including crimes of murder, rape and kidnapping.

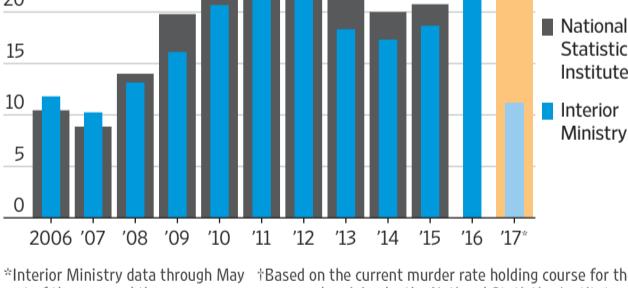
Mr. Corral said the previous state administration under the PRI made deals with drug gangs to relocate some of them to rural areas, where they were allowed to operate.

"They were sent to the Sierra de Chihuahua, and they began to take control of the towns, the local police forces, and they became bosses of the

deadly trend

By some calculations, 2017 is likely to be Mexico's bloodiest year in recent history. The Interior Ministry, which reports numbers monthly, shows a spike in murders. The National Statistics Institute, which reports yearly and is considered more accurate, typically shows a higher total.

30 thousand



*Interior Ministry data through May. †Based on the current murder rate holding course for the rest of the year and the average upward revision by the National Statistics Institute.

Sources: Interior Ministry; National Statistics Institute; Alejandro Hope, security analyst in Mexico City (2017 estimate)

THE WALL STREET JOURNAL.

tant. "It's a practice that happens with a wink and a nod."

Nielsen projects viewer ratings based on a panel of more than 40,000 homes and 100,000 people. Higher ratings help networks sell commercial time at higher rates. The network misspellings fudge that calculation, and some advertisers say the trick is getting overused.

"Networks never used to do this," said Billie Gold, director of programming at ad giant Dentsu Inc. Now, she said, it has become the norm.

Nielsen has long had a so-called tilting rule that allows

ha' moment."

Faced with complaints that title typos have grown from a trickle to a torrent, Nielsen plans to hold a meeting about it next week for TV industry representatives.

"If we find a network working in contrast to this agreed-upon policy, we address the issue in a direct fashion as a way to maintain fairness and balance for all of our clients and the industry as a whole," Nielsen said.

TV news executives say that the higher numbers gathered from show misspellings are used only for publicity purposes, and that accurate ratings for the missing broadcasts are readily available to advertisers.

Ms. Gold and other ad executives say they are frustrated with the detective work required to kick the tires on network viewer ratings. She said her clients are surprised by the difference between the number of eyeballs the networks claim and Ms. Gold's tally, which accounts for the altered titles.

"When people ask us why our estimates are so much lower than what they see," she said. "We explain the situation, and they have their 'ah-

TV networks to fiddle with programs for special circumstances. For years, tilting was used sparingly, reserved primarily for Christmas and Thanksgiving or if a show was pre-empted in parts of the U.S. for a live sports event.

Misspelling isn't the only network trick. CBS boasted that its legal drama "Bull" was the most-watched new show of the just-finished TV season. Typically, a show's viewership is calculated using the ratings of both first-run and repeated episodes, which are labeled

"R" or "repeat."

When CBS submitted its schedule to Nielsen, however, it labeled reruns of "Bull" as an "encore." The ratings service categorized it as a different show and didn't factor the rerun into the show's season average.

"That's bull," cracked Brad Adgate, a longtime ad executive who studies TV ratings. For advertisers, the network sleight-of-hand is a pain in the neck, he said: "You have to pay a little more attention if you want to do an analysis."

A CBS spokesman declined to comment.

Another ratings game involves the calculated placement of national TV commercials. NBC's "Saturday Night Live" typically loads all of its national commercials in the first hour of the 90-minute show. Since Nielsen counts viewers of a show only through the last network commercial break, the ratings service ignores SNL's last half-hour, when viewers generally turn away.

Sometimes networks sneak in a second airing of a show and add the additional viewers to tally of the original telecast and hope no one notices.

NBC in 2015 persuaded almost a dozen of its local TV station affiliates to rerun "Nightly News" after 2 a.m. At the time, NBC said, it was focused "on ways to reach our audience when and how they want to be reached."

A rival network thought otherwise and alerted NBC advertisers to the practice. After learning of the stunt, many advertisers cried foul. They told NBC whoever was watching the newscast at that hour wasn't the kind of consumer they wanted to reach. NBC said it quickly discontinued the practice.



NBC News said it broke no rules with the retitling of a May broadcast as 'NBC Nitely News.'

NIELSEN

Continued from Page One
Tonight," NBC news narrowed the gap.

Walt Disney Co.'s ABC declined to comment. The network, though, groused last month when NBC News intentionally misspelled an entire week of "Nightly News" broadcasts. Altogether, NBC, which is ranked second behind ABC in ratings, has played the misspell card 14 times since the start of the 2016-17 television season last fall.

NBC News said it broke no rules. "As is standard industry practice, our broadcast is retitled when there are pre-emptions and inconsistencies or irregularities in the schedule, which can include holiday weekends and special sporting events," a show spokesman said.

The network need not feel defensive. ABC took its own ratings mulligan seven times during the 2016-17 season with "World News Tonight." CBS misspelled "The CBS Evening News" as the "CBS Evening News" 12 times this season.

"It's a little bit of gamesmanship," said Bill Carroll, a veteran TV industry consul-

BOOKS

'The human heart has hidden treasures, / In secret kept, in silence sealed.' —Charlotte Brontë

Loving Mr. Rochester

Why did Charlotte Brontë go to such great lengths to conceal her authorship of a romantic masterpiece?

The Secret History Of Jane Eyre

By John Pfondresher
Norton, 254 pages, \$26.95

BY ELIZABETH LOWRY

THE STORY OF how Charlotte Brontë, the shy and (in her own words) "plain and small" clergyman's daughter from Haworth in Yorkshire, came to write a proto-feminist romance that became one of the 19th century's best sellers, is as gripping as any in her novels. When "Jane Eyre" appeared in 1847, nothing quite like it had been published in English before. Its tale of a young orphan who survives every kind of deprivation to achieve independence and a passionate marriage to the man of her choice so impressed its first reader—the literary adviser at publisher Smith, Elder & Co.—that he stayed up till dawn finishing it. The novel had it all: moral seriousness, sex, an irresistible gothic intensity. But who was the author? The title page called it "An Autobiography, edited by Currer Bell." Was the androgynous-sounding Bell male or female? And in what sense was it autobiography?

The mystery of Bell's identity caused a literary stir before Brontë reluctantly unmasked herself nine months later. What the public did not know, until Elizabeth Gaskell brought out the first, posthumous biography of Charlotte in 1857, was that there were strong affinities between the life of the retiring author and her work. In his astute study "The Secret History of Jane Eyre," John Pfondresher argues the uncanny emotional authority of the novel comes in part from its refashioning of experiences that Brontë had found traumatic, and that her fiction processes as art.

In her lifetime Brontë was careful to distance herself from her *succès de scandale*, insisting her heroine was not a self-portrait (she was so angry with Thackeray for introducing her as "Jane Eyre" at a London lecture that she stormed his house the next day to give him a piece of her mind). Yet Charlotte, like Jane, was a governess, and like her, she was physically little or "stunted"—the legacy, she claimed, of a spell between the ages of 8 and 9 at a boarding school that systematically starved its pupils. The school appears in "Jane Eyre" as Lowood: The founder, William Carus Wilson, is recast as the sadistic "black pillar," Mr. Brocklehurst; Charlotte's adored elder sister Maria, who died as a result of this maltreatment,



ALAMY

PARSON'S DAUGHTER A portrait of Charlotte Brontë hanging in her former home in Haworth, Yorkshire.

as Jane's martyred friend Helen Burns. By writing "Jane Eyre" the novelist got the last word.

Then there is the problematic figure of Mr. Rochester, the Byronic married man with whom Jane falls in love, not knowing he has a mad wife in the attic. Mr. Pfondresher is excellent both on Rochester's entitlement—he tries to trick Jane into bigamy, after all—and those aspects of his character drawn from the three men Charlotte admired most: her irascible father, Patrick; her hedonistic brother, Branwell (who was fired after having an affair with his employer's wife while working as tutor to a Yorkshire family); and the imperious "Master" who taught her French at the Belgian pen-

sionnat she attended in 1842 and 1843, Constantin Heger.

Mr. Pfondresher argues that in her father, Charlotte "had observed Rochester's physical vigor, determined will, passionate temper, and defiant courage." Controlling and subject to bursts of what Gaskell termed "volcanic wrath" (like Rochester, who is quick to anger), the Rev. Brontë was in the habit of carrying a loaded pistol, which he fired from his bedroom window every morning. When he grew older and began to suffer from cataaracts, Charlotte nursed him, as Jane does Rochester: It was while tending Patrick after an operation, which required her to sit in a darkened room for hours, that Brontë began to write

"Jane Eyre." He was her first model of a dominant man, whose concerns always took center stage.

Just as complex was Charlotte's relationship with Branwell, who started out, as Mr. Pfondresher puts it, as "her mental equal" and constant companion but became, through the abuse of alcohol and opium, the "self-destroying family humiliation." Mr. Pfondresher is surely right in thinking that Jane Eyre's teasing exchanges with Rochester—who shares Branwell's sensual weakness—are based on Charlotte's "early adolescent love for" and habit of sparring with her childhood rival.

But the most obvious real-life source for Rochester is Heger. For in

1913, half a century after Gaskell's biography was published, letters from Brontë to her former professor emerged. They showed that Charlotte had been unrequitedly in love with this "ferocious" man (again, the adjective is her own), who corrected her mistakes mercilessly, encouraged her writing as no one ever had, and above all, she felt, understood her, just as the saturnine Rochester sees straight into the heart of Jane. Alas, Reader, she didn't marry him: Heger (like Rochester) already had a wife.

In creating her Byronic Rochester, Brontë drew on aspects of her father, brother and former tutor.

Mr. Pfondresher suggests Rochester is all of these male figures rolled into one, but rehabilitated and—after the death of Bertha Rochester during a fire—rendered miraculously available: In "Jane Eyre," Brontë's erotic frustrations are redeemed.

In life, things weren't quite so neat: Alarmed by the volcano he'd stirred up, Heger stopped replying to his former pupil's desperate pleas, Branwell killed himself with drink and drugs, and Charlotte settled for her father's worthy but unglamorous assistant.

Anyone new to "Jane Eyre" will find this a wildly readable introduction to novel and author, even though none of the revelations in it are new.

Mr. Pfondresher's originality lies in the way he uses links between Charlotte Brontë's life and her major work to probe the wider question of literary authenticity. Gaskell recalls that Brontë was acutely conscious, while writing "Jane Eyre," that she was drawing on actual emotion to animate fictional scenes. It is undoubtedly this lived dimension that lends the novel its peculiarly "real" quality—or what Brontë called the effect of "Nature and Truth."

If Brontë's "Jane Eyre" is autobiographical, it is so in the sense that it gives, as Mr. Pfondresher writes, equal weight to "the truth of her experience and the emotionally dominant claims of her imagination." Charlotte Brontë "is" Jane Eyre in the same way that Sylvia Plath "is" Esther Greenwood in "The Bell Jar," or James Joyce "is" Stephen Dedalus in "A Portrait of the Artist as a Young Man." They are; and of course they aren't.

Ms. Lowry is the author of "The Bellini Madonna."

Yesterday in Tahrir Square

The City Always Wins

By Omar Robert Hamilton
MCD, 312 pages, \$26

BY TOBY LICHTIG

IN TERMS OF damage wrought—lives lost, atrocities committed, social fabric torn—the aftermath of the Arab Spring has been easier on Egypt than it has been on Syria, Yemen, Libya or Iraq. And yet there is something especially painful about the failure of revolution in this most populous and wealthy of the insurgent Arab states, because one feels it all could have ended more happily.

For a brief period Egypt looked as if it was going to emulate Tunisia and haul itself into a new era of (relative) liberalism and democratic stability. But since the deposition of President Hosni Mubarak, the revolution has gone full circle: The current regime, under the former army general Abdel Fattah Al Sisi, is arguably more repressive than its recent predecessors.

Omar Robert Hamilton's explosive debut novel, "The City Always Wins," explains how Egypt got this way, and it does so with a combination of intensity and empathy rare in political fiction. There is no room for distanced irony here, nor is the novel an earnest polemic. Instead the view is admirably clear-sighted, evenhanded, at times kaleidoscopic. This is less a howl of rage than a sober accounting. Which is not to say it isn't angry. Or that it lacks pace.

The novel opens in October 2011, eight months after Mr. Mubarak has been ejected, and shunts us through the next three years of political tur-

moil, via the triumph and then ousting of the Muslim Brotherhood, on the journey back to the status quo. The focus is on two young revolutionaries: Mariam, an intense young Egyptian woman whose parents are doctors, and Khalil, an American of Palestinian heritage who has come to Cairo in search of a cause. They are secular, leftwing, technologically astute. Mariam lives and breathes revolution; it permeates every aspect of her life. Khalil is equally intoxicated by the prospect of change, though he later becomes disillusioned.

A powerful, panoramic novel of Cairo evokes the brave, young hope of the Arab Spring uprising.

They meet during the wave of post-Mubarak protests as Egypt prepares to transition to democracy, "the two of them running . . . into the dark doorway of a building hanging heavy with foliage." They become lovers and set up a radio station. But what might at first seem to be a passionate love story forged in the heat of revolution turns out to be something else entirely: Politics in this novel subsumes everything. Even when their relationship begins to crumble, it seems a paltry thing. Which of course it is.

But there are pros and cons to the authorial strategy of forgoing the personal for the bigger picture. "The City Always Wins" is not an easy book to warm to. It can leave the reader skittering across the surface of events. There is, however, an authenticity to

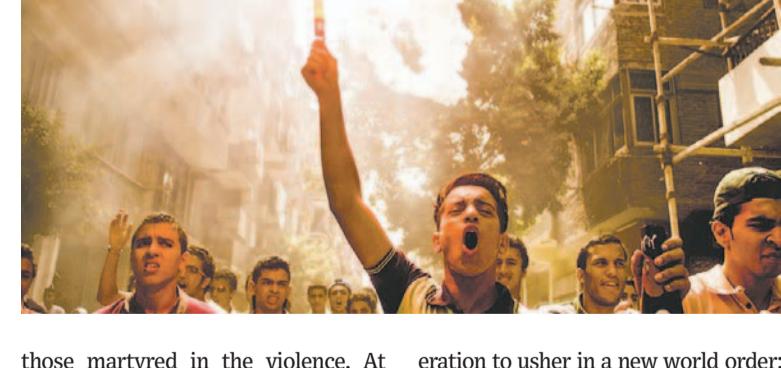
its wide-angle approach, a kind of revolutionary verisimilitude; and what the novel lacks in intimacy it more than atones for in its urgency.

Mr. Hamilton employs a range of modes to tell his frantic story. We see things in the close third person from both Mariam and Khalil's point of view, and later in Khalil's own narration; we dip into the minds of minor characters—protesters, doctors, parents of

warms to this theme, contemplating

"the jazz that is beauty in the destruction of the past."

But the city has a dismal energy of its own: It "doesn't show mercy or respect. It races on around us and our silent island of dread." Toward the end, with Egypt back under military rule, Khalil launches into a memorable tirade against "history's one long looping nightmare" and the failure of his gen-



GETTY IMAGES

those martyred in the violence. At times the text disintegrates into a cacophony of different voices, at others it is formed of text messages, tweets, newspaper headlines, cinema schedules, passages from Eric Hobsbawm, dialogue from telephone calls made in the midst of clashes with police ("Hello. Hello? We need help. They're beating her!"). The effect is impressive rather than distracting. On occasion the writing really sings.

The book is in part a paean to Cairo, "this city of infinite interminglings and unending metaphor. Cairo is jazz: all contrapuntal influences jostling for attention." The prose dips into neo-modernist freestyle as it

Muslim Brotherhood in Egypt's first free elections. The result is a disaster for the young modernizers, who squabble among themselves about who to blame. The elections were a trap; democracy is on sale. Is it better to fight for power or to embrace disruption? "You need discipline to win a war. You need chaos to win an insurgency."

The second section ("Yesterday") follows—via more demonstrations, arrests and custodial sadism—the Brotherhood's tightening grip on power, its hardline new constitution and ultimate deposition by the army in a semi-popular coup. In the final section ("Yesterday"), Mr. Sisi is Egypt's new strongman and protector, his image everywhere. The liberal revolution is in tatters and "the airwaves have been cleansed." Supporters of the Brotherhood are crushed; so are the modernizers. One, a young film student, is horrifically tortured in prison. He later dies.

"The City Always Wins" powerfully transmits the hope and despair of Egypt's Tahrir Square generation, and the bravery and willingness of its members to keep fighting in the face of insurmountable obstacles. Mr. Hamilton plunges us into an important moment in recent history and makes us think about it anew. While the novel's political message is clear, its tone is never hectoring, and its journalistic attention to detail never didactic. It is not always pleasurable to read but is always worth the trouble. It may even grow to be an important book—one of the defining novels of the Arab Spring.

Mr. Lichtig is the fiction and politics editor at the Times Literary Supplement.

BOOKS

'O harp and altar, of the fury fused, / (How could mere toil align thy choir strings!) —Hart Crane

East River Love Song

Chief Engineer

By Erica Wagner

Bloomsbury, 364 pages, \$28

BY ALLEN C. GUELZO

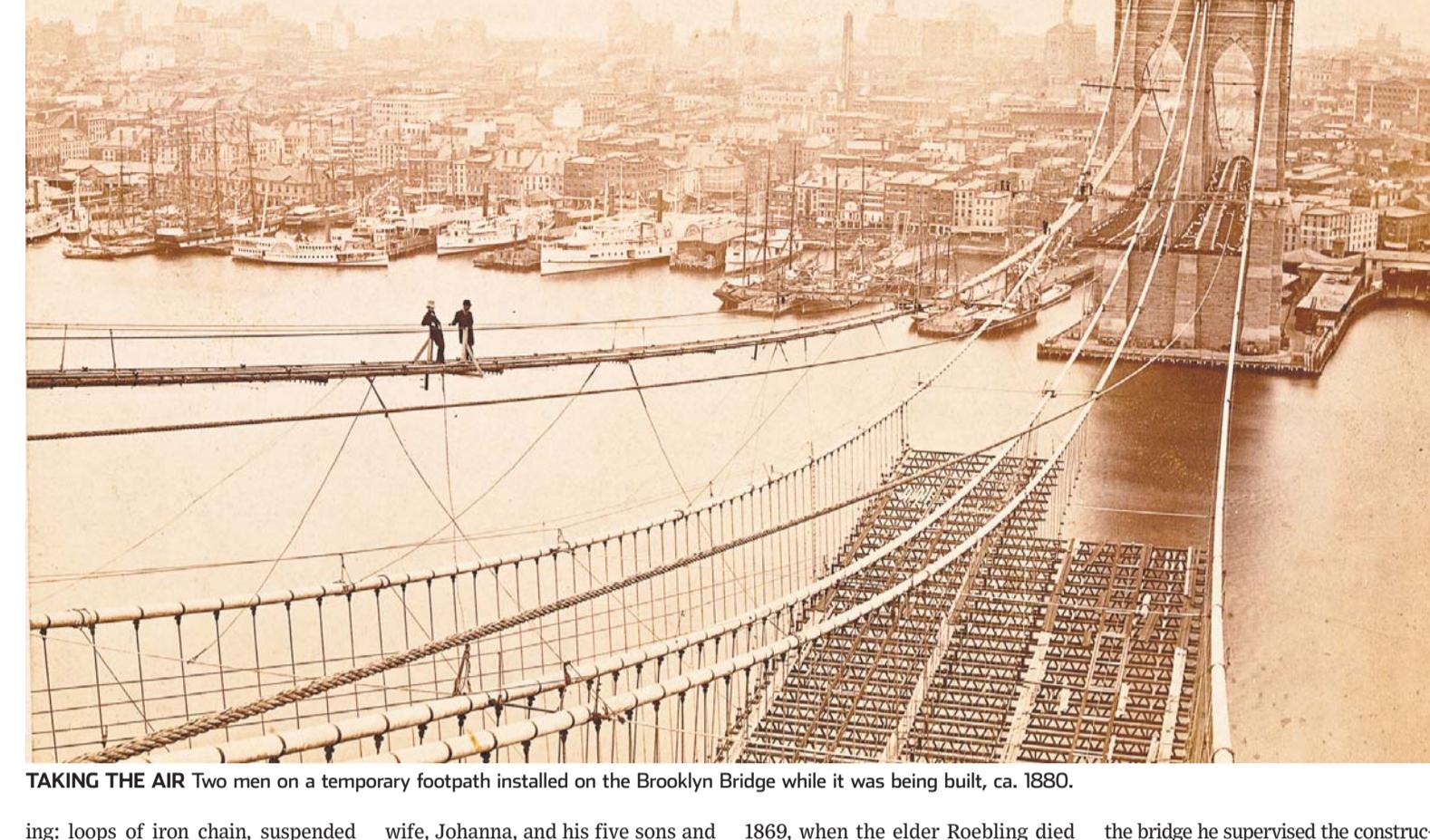
THE THREE great symbols of American inventiveness in the decades after the Civil War—the light bulb, the elevator and the Brooklyn Bridge—were dependent on wire. Thomas Edison's incandescent bulb is the most ubiquitous example, the wire being tungsten filament. But modern American cities would have been impossible without Elisha Otis's elevator and the wire cables that raised and lowered it, while anyone with a nodding acquaintance with the New York skyline will be familiar with the looping wire suspensions of the majestic Brooklyn Bridge.

In the late 19th century, the wire for elevators and suspension bridges was usually the handiwork of John Roebling & Sons in Trenton, N.J. In the case of the Brooklyn Bridge, the firm did more than supply the wire: It designed the bridge itself. And yet the Roeblings—John and his son Washington—are now as invisible to Americans as Edison and Otis are conspicuous. With "Chief Engineer," Erica Wagner seeks to rescue the Roeblings from oblivion.

A former literary editor for the Times of London and a biographer of the poets Sylvia Plath and Ted Hughes, Ms. Wagner is not perhaps the most obvious candidate for this task, but she is Manhattan-born, and in her teens, she tells us, she had one of those epiphanies that the Brooklyn Bridge inspires. She wrapped her fingers "around one of the vertical suspender cables" and felt the vibration convey a sense of the bridge as "a living thing." Curiosity took her to David McCullough's "The Great Bridge," his marvelous 1972 account of its construction, and from there, eventually, into libraries and archives until the bridge became for her "symbolic of the desire for connection."

Although Ms. Wagner's subject is officially the younger Roebling, the book is really two biographies in one, if only because Washington Roebling could never disentangle himself from his father, either psychologically or in the public mind.

John Augustus Roebling was born in 1806 in central Germany; at age 19, he went to study at the Berlin Building Academy and soon began work for the Prussian government. While traveling, he fell in love, as only an engineer can, with the suspension bridge over the Regnitz River in Bavaria. It displayed a design that, thanks to advances in technology, was then emerging.



MUSEUM OF THE CITY OF NEW YORK

TAKING THE AIR Two men on a temporary footpath installed on the Brooklyn Bridge while it was being built, ca. 1880.

ing: loops of iron chain, suspended from towers, bearing the weight of the roadway beneath. Roebling soon began work on his own designs for suspension bridges but had little prospect of persuading the Prussian bureaucracy to adopt them, and in 1831 he emigrated to the U.S.

It was in the U.S. that Roebling encountered a new variation on the suspension bridge, one that substituted iron-wire cable for chain links. The use of iron wire reminded him of the cables he had seen used in the Harz Mountains to run coal cars. The cables had been produced by twisting lengths of wrought-iron wire around one another to make strands, as Ms. Wagner explains, with the strands in turn "twisted together to make a rope."

Roebling did not have the chance to put the idea to work until 1845, when he was hired to rebuild the Monongahela Bridge at Pittsburgh, an eight-span bridge that was eventually hung from wire rope twisted on-site. It was a triumph, free from the swaying and the vibrations that had afflicted earlier suspension constructions, and the wire rope made John Roebling famous. In 1849, he opened a factory in Trenton, which did \$40,000 in business in its first year (more than \$1 million in today's dollars).

Such success did not, however, earn him respite from his demons. Roebling was a household tyrant who cowed and beat his long-suffering

wife, Johanna, and his five sons and daughter, whose "ingenuities were bent to one purpose, to keep out of his sight," Ms. Wagner writes. The wonder is that any of them grew into anything like psychological maturity. But they did, especially the oldest son, Washington.

It never seems to have entered Washington Roebling's head that he should be anything but an engineer. The education he got at the Rensselaer Polytechnic Institute in Troy, N.Y., was exactly the rigorous training that his father prized, and his graduation thesis was written, predictably, on the construction of a suspension aqueduct.

The outbreak of the Civil War interrupted Washington Roebling's plans for bridges and aqueducts. After the firing on Fort Sumter, his father had demanded: "You clear out this minute!" His family's reputation allowed him, in time, to secure a staff position in the Army of the Potomac. He left the Army in January 1865 and went back to work for his father, completing the great Covington-Cincinnati suspension bridge over the Ohio River.

Even as he did so, New York was beckoning to the Roeblings. As early as 1857, John Roebling had sketched out a plan for a vast suspension bridge to link Manhattan and Brooklyn; a decade later, the New York Bridge Co. hired him to design and build it. Washington Roebling was by then his father's right hand, and in

1869, when the elder Roebling died suddenly after a freak accident at a Brooklyn ferry slip, the mantle of chief engineer fell onto Washington's shoulders.

Although the preliminary designs for the two great towers of the Brooklyn Bridge were drawn by John Roebling, it was Washington Roebling who created the water-tight,

The father who designed the bridge, the son who built it—and the wire rope that made it all possible.

compressed-air caissons that formed their river-bed foundations. It was Washington Roebling who drafted the 44-page memorandum describing the manufacture of the suspension cables—four enormous cables able to bear 10,730 tons. It was he who kept politicians from diverting or corrupting the project. In May 1883, when the bridge was ready for its opening, the first vehicle to cross it was a carriage driven by Washington Roebling's wife, Emily.

Washington Roebling never set foot on the bridge while it was being built. While supervising the early underwater digging, he was injured by uncontrolled shifts in air compression. So between 1873 and the opening of

the bridge he supervised the construction from his home in Brooklyn. He would gradually recover—in fact, he would live to the ripe old age of 89—but he would never build another bridge. Or need to, since the assets of John Roebling & Sons reached over \$10 million by 1899. The firm supplied the wire rope for the Panama Canal, the Wright Brothers' Flyer and Lindbergh's Spirit of St. Louis, and the copper wire that carried electricity to Edison's bulbs.

Ms. Wagner's writing is graceful, even evocative, conveying a mellow admiration of Washington Roebling that suits the man. Her research is limited almost entirely to the personal papers and memoirs of the Roeblings. It might have been useful to learn more about how Washington Roebling's wartime service connected to his postwar influence as a bridge builder. And learning how the Brooklyn Bridge compared with other bridge-building projects of the era would have situated it in the larger picture of American technological entrepreneurship.

But such missing elements detract little from what is a welcome tribute to the persistence, precision and humanity of Washington Roebling and a love-song for the mighty New York bridge he built with the help of his pioneering, if irascible, father.

Mr. Guelzo is the author of "Gettysburg: The Last Invasion."

The World's Hottest Gadget

The One Device

By Brian Merchant

Little, Brown, 407 pages, \$28

BY FRANK ROSE

WHAT DOES a Silicon Valley artificial-intelligence pioneer have in common with Bolivian tin miners equipped with pickaxes and dynamite? With Chilean men and boys extracting lithium from underground brine pools? With Chinese workers in assembly plants that management has ringed with netting to deter suicides? With a wildly successful yet conscience-stricken videogame designer in Hanoi? As reported by Brian Merchant in "The One Device: The Secret History of the iPhone," all these people and many more were players in the making of what may be the hottest gadget in human history.

It's a remarkable tale, one that takes us well beyond the predictable panorama of late-night coding sessions and choreographed Apple product launches (though we see those as well). Instead, Mr. Merchant goes deep into the guts of the device that has made Apple the most valuable publicly traded company on the planet.

The author, an editor at the online publication Motherboard, is nothing if not obsessive. This is a man who really, really wanted to get inside his iPhone. Apple doesn't make it easy—like many of the company's devices, it is sealed shut with tamper-resistant screws—and Mr. Merchant wasn't satisfied with spreading its innards out on a workbench in any case. He

took the thing to a lab and had it pulverized to find out what it's made of: lots of aluminum, carbon, iron and oxygen (from various oxides); some silicon, copper and cobalt; much smaller amounts of more than 20 other elements; and traces of rare-earth minerals like cerium and yttrium.

His next question, naturally, was where all this stuff comes from. The short answer: nowhere nice. Blood

Apple's iPhone—a 21st-century American icon—could not exist without the labors of Bolivian miners and Chinese factory workers.

diamonds? Try blood cobalt, produced for the most part by child and slave labor for the benefit of Congolese warlords.

Mr. Merchant resists the temptation to check out the situation firsthand, or dip his toes in the toxic lake in Inner Mongolia that is a by-product of China's drive for rare-earth mineral extraction. But he does head to a leading source of tin: Potosí, Bolivia, a town high in the Andes that is overshadowed by a mountain that has been mined continuously since the mid-1500s. At that time it supplied silver that helped make Spain the foremost power in Europe; now it supplies tin used to solder circuit boards.

For the miners, death is everywhere: Their average life expectancy

is 40 years. And for journalists? Mr. Merchant, 33, ventures into a pitch-black mineshaft with a guide, but he and a colleague freak out and start scrambling for daylight before 20 minutes have passed.

Mr. Merchant likewise loses his nerve after sneaking past the guards and into the vast factory complex in Shenzhen, China, where iPhones and

other devices are assembled. He's understandably more comfortable interviewing former Apple engineers (current employees were largely off-limits, since Apple declined to cooperate) and other tech prodigies about how, over a period of years, the device came to be devised.

To his credit, Mr. Merchant doesn't buy the myth of Steve Jobs as the lone genius. He highlights the men who actually made it happen, often working without Jobs's involvement or even knowledge. (And it was indeed men: There are only two women of any prominence in the story, one of them a transsexual.)

talked into something. But not until November 2004, when the iPod was being threatened by music-playing MP3 phones in Europe, did he agree to start building what would become the iPhone.

There are intriguing parallels with the development of the iPod music player in 2001 and the Macintosh personal computer in the early 1980s. None of Apple's three signature products (Mac, iPod, iPhone) was exactly original, but each represented a quantum jump over existing products. And each flirted with failure at first, mainly thanks to Jobs's penchant for closed systems.

When Jobs introduced the Mac in 1984, it was incompatible with other computers and ran hardly any software; after his dismissal in 1985, Apple veered in the other direction, licensing it to clone-makers in a move that proved disastrous. The iPod struggled for years before Jobs's executives persuaded him to make it compatible with Windows computers. The iPhone didn't take off until he finally agreed to open its app store to outside developers—to people like Dong Nguyen, whose Flappy Bird game proved so addictive that he succumbed to guilt pangs and pulled it.

Each of Apple's three inventions became successful only after the company struck a balance between open and closed—between accommodating a wide range of people and keeping them in a carefully controlled environment.

The iPhone came out 10 years after Jobs returned to Apple. Another decade on, it has made Apple more successful than anyone could have imagined. But for Mr. Merchant, this is not a business story. His focus is on the human side of the device—on the people who overcame engineering challenges to design it, who mine the metals that go into it, who put it together at a rate of one every 60 seconds.

"The One Device" is not without problems: Its prose is uneven, its organization highly idiosyncratic. But the story it tells is compelling, even addictive—almost as addictive as the iPhone itself.

Mr. Rose is the author of "West of Eden: The End of Innocence at Apple Computer" and, more recently, "The Art of Immersion."



GETTY IMAGES

BOOKS

'Leviathan, thou noble ship, / Thou mighty monarch of the seas, / May thy stalwart form and force / War's desolating horrors ease.' —Adele M. Marshall

'Over There' by Ocean Liner

The Great Rescue

By Peter Hernon

Harper, 350 pages, \$27.99

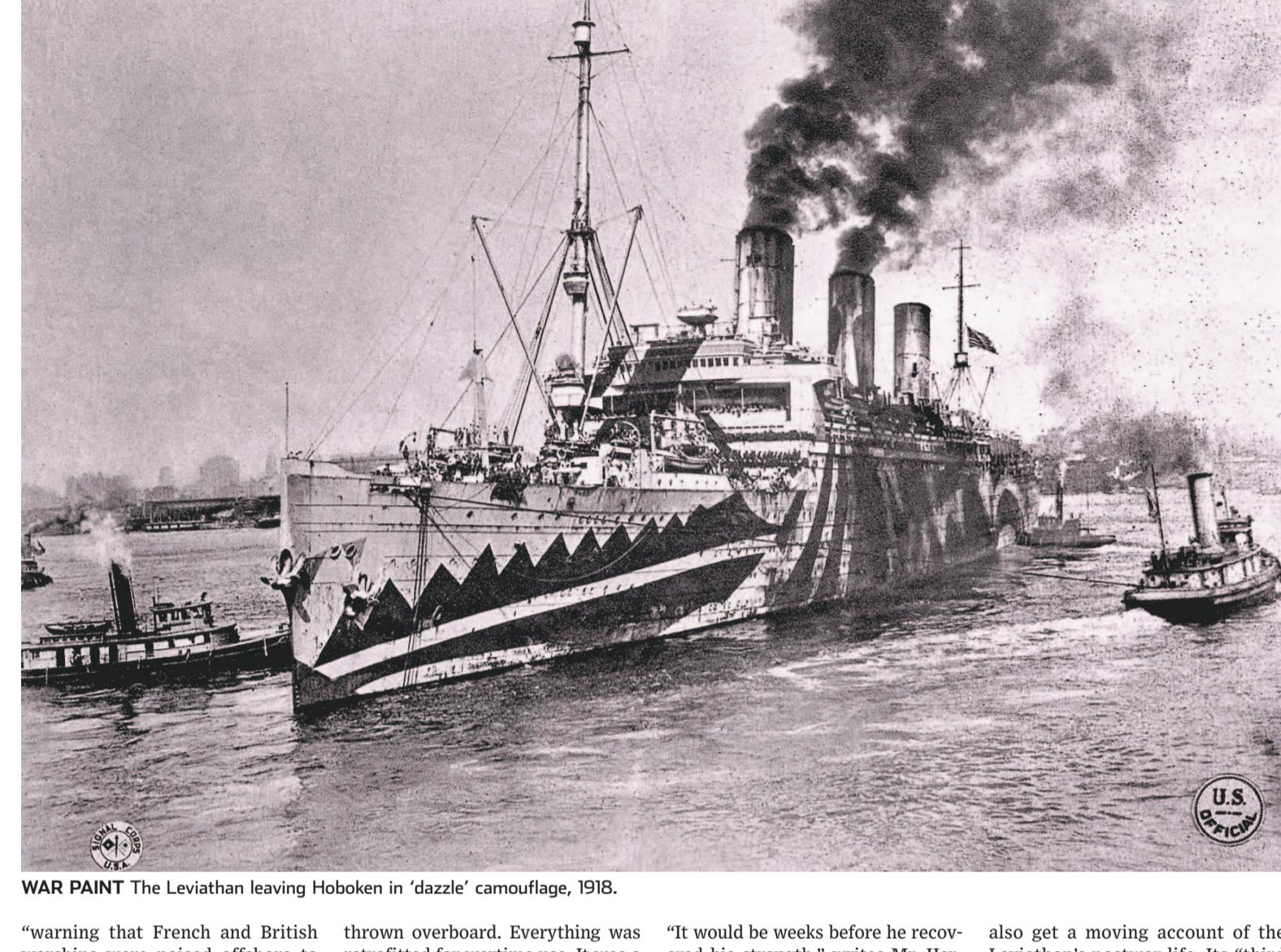
BY MARTIN RUBIN

WINSTON CHURCHILL is reputed to have said that the Queen Mary and the Queen Elizabeth, the world's largest ocean liners in the 1930s and 1940s, had shortened World War II by a year because of the vast number of servicemen they carried across the Atlantic—and at such speed that German U-boats were unable to fire on them with any success. Many historians have highlighted the contribution of merchant shipping generally in that war. Less attention has focused on the similar role it played in World War I.

In "The Great Rescue," Peter Hernon, the author of several works of history and a former newspaper reporter, helps to redress this imbalance with his enthralling account of the USS Leviathan, an ocean liner that carried more than 10,000 doughboys at a time to fight in France in 1917-18. Although the Leviathan had been one of the fastest liners crossing the Atlantic before the war, its impressive speed did not give it invulnerability. Some of the most exciting passages of "The Great Rescue" recount the vigilance and countermeasures of the Leviathan's crew when faced with submarines out to sink it and drown its human cargo.

Ironically, the Leviathan's prewar crossings had been as the SS Vaterland, a German-flagged liner. As Mr. Hernon writes, "the world had never seen a luxury ship built on the scale of the *Vaterland*." It was magnificently decorated and appointed in first class, with gilt latticework and a bronze statue of Marie Antoinette. It offered an à la carte Ritz-Carlton restaurant for passengers who disdained the lavish menus in the dining saloon. Even the steerage passengers, whose \$29.50 tickets were "a major money maker for the owners," had "attentive waiters in uniform," Mr. Hernon says. For immigrant passengers seeking a new life in the New World, "steerage must have seemed heaven sent."

The Vaterland had only completed the first half of its fourth round-trip voyage when it arrived in New York Harbor on July 30, 1914. The planned turnaround was overtaken by events: "A cable from Germany ordered the ship to remain in New York," Mr. Hernon writes,



U.S.
OFFICIAL
IMAGES

WAR PAINT The Leviathan leaving Hoboken in 'dazzle' camouflage, 1918.

"warning that French and British warships were poised offshore to seize her if she tried to sail."

As it happens, many other German passenger ships were moored in U.S. ports at the time, including other German ocean liners. The imposed hiatus meant that the liners remained safely out of danger for the nearly three years of American neutrality—and out of the way of official concern.

All that changed when the U.S. declared war on Germany on April 6, 1917. Indeed, an American destroyer, Mr. Hernon reports, was sent "to make sure the captains of the interned superliner and eight other German passenger ships tied up at the Hoboken piers wouldn't be tempted to make a run for open water."

The day before the declaration of war, the U.S. had already seized the Vaterland, and so began its transformation into the Leviathan. The ship, Mr. Hernon reports, was stripped of its fine woodwork; its expensive wines were carted away; its chairs

thrown overboard. Everything was retrofitted for wartime use. It was a long process, complicated by a lack of blueprints and the need for vigilance against German saboteurs.

Mr. Hernon describes what passage was like for the thousands of servicemen packed into the no longer luxurious ship, who found themselves in "football-field-size spaces . . . crammed with 'standees,' iron-frame bunks with canvas bottoms, stacked four high." The ship's celebrated wartime passenger names ranged from Gen. John J. Pershing, soon to lead the American Expeditionary Force, to a "newly minted sailor named Humphrey Bogart," nearly four decades later to be, in "The African Queen," the Hollywood skipper of a very different kind of World War I vessel.

In September 1918, the Leviathan ferried Assistant Secretary of the Navy Franklin Delano Roosevelt back from a visit to the European theater, where he had contracted flu in the epidemic then sweeping the world.

"It would be weeks before he recovered his strength," writes Mr. Hernon, "and by then his marriage would be in shambles." His wife, Eleanor, had discovered in her husband's baggage a stack of love letters

USS Leviathan, which carried 10,000 doughboys at a time, was built as a German luxury liner.

written to him by Lucy Mercer, her social secretary. "It was a life-altering moment," Mr. Hernon writes, "as she realized her husband had been having an affair."

Mr. Hernon offers brief accounts of the postwar lives of some of the notable figures who traveled on the Leviathan—a young war correspondent named Damon Runyon went on, of course, to write the stories collected as "Guys and Dolls." We

also get a moving account of the Leviathan's postwar life. Its "third and final act" began in 1923, Mr. Hernon says, when it set sail for France as "America's largest and fastest luxury liner."

It was again an opulent vessel, launching "just in time to catch a wave": the amusements of the Roaring Twenties. But the Leviathan could not offer liquor during Prohibition, unlike its British and French competitors, and "few crossings made money," Mr. Hernon notes, despite carrying yet more high-profile passengers, like the (teetotal) Queen Marie of Romania.

The Leviathan was sold for a pittance in 1938 and broken up for scrap—just a couple of years before it would undoubtedly have been ready, once again, to render service as a troop ship transporting soldiers across the Atlantic for yet another war.

Mr. Rubin is a writer in Pasadena, Calif.

Terror's Tailwind

The Forgotten Flight

By Stuart H. Newberger

Oneworld, 320 pages, \$30

BY MELANIE KIRKPATRICK

THE WORD "LOCKERBIE" entered the global vocabulary on Dec. 21, 1988, when Pan Am Flight 103, en route from London to New York, blew up over the Scottish village of that name. All 243 passengers and 16 crew members died, along with 11 people on the ground. Ten months later, on Sept. 19, 1989, another plane exploded, this time over the Sahara Desert; 170 people perished on UTA's Flight 772, traveling to Paris from N'Djamena, the capital of Chad.

Stuart Newberger dubs Flight 772 "the forgotten flight." Unlike Pan Am 103, the French airliner crashed thousands of miles away from television cameras and the families of the victims. While Lockerbie and terrorism soon became synonymous world-wide, "UTA 772 might just as well have crashed on the moon," he writes. Postcrash investigations found that both planes had been destroyed by suitcase bombs planted by Libyan agents acting on the orders of the dictator Moammar Gadhafi.

Mr. Newberger is well-placed to tell the story of Flight 772. He was the lawyer for the families of the seven Americans who died aboard the plane as they sued Libya for damages in U.S. federal court. "The Forgotten Flight" is an exhaustive examination of the events leading up to the crime and a detailed record of the families' struggle to hold Libya accountable.

Much of the evidence introduced in the U.S. trial was gathered by

France, given the French ownership of UTA (now part of Air France). The probe was led by Jean-Louis Bruguière, a magistrate judge who had earned the nickname Le Sheriff for his toughness and tenacity. He and his team traveled the world in pursuit of the facts about what happened aboard Flight 772. An early clue came from a Congolese prostitute who said that, a few days before the crash, a Libyan client had told her not to travel on the doomed flight.

Among the debris scattered over miles of desert, a tiny piece of a circuit board was found that linked the bombing to Libya. The lawsuits began.

It was, however, the discovery of a tiny piece of green circuit board—"miraculously recovered from the tons of debris scattered over miles of barren desert," Mr. Newberger writes—that provided the evidentiary link to Libya.

The trail was tortuous: The circuit board had been manufactured in Taiwan for a German company that used it in a remote-controlled timer sold to a Libyan firm connected to Libya's intelligence officials.

When "The Forgotten Flight" recounts the French investigation, it moves along quickly and resembles a spy thriller. The only flaw in the narrative is the author's irritating habit of lapsing into pidgin English when relating his conversations with Le Sheriff and others. Zee editor of Meester New-ber-jay's manuscript

ought to have excised these cartoonish passages.

The rest of the story, though well told, is not as gripping as the hunt for evidence. Mr. Newberger describes the twists and turns of the legal case brought by the Flight 772 families and reviews other terrorism cases heard in the U.S. and

the families of the victims and to the American owner of the plane, which UTA had leased.

Also in 2008 Congress passed new legislation, signed by President George W. Bush, restoring sovereign immunity for Libya as part of a plan by the U.S. government to restore normal relations with that country



AGENCE FRANCE PRESSE/GETTY IMAGES

PICKING UP THE PIECES Wreckage from UTA Flight 772.

abroad. The book's final chapters take up sovereign immunity—the legal doctrine that protects countries and their diplomats from lawsuits in U.S. courts unless specific legislation lifts it.

Such legislation was passed in

1996, when Congress and President Bill Clinton eliminated sovereign immunity for countries that sponsored terrorism, making it possible for the Flight 772 families to sue Libya.

In 2007 a U.S. federal judge found Libya responsible for the Flight 772 bombing and in 2008 ordered the Libyan government to pay the unprecedented sum of \$7 billion to

and bring it into an antiterrorist coalition. Mr. Newberger's judicial victory became moot. Not long after, the U.S. State Department began negotiating with Libya, which, in 2009, paid \$1.5 billion to the U.S. Treasury to compensate all victims of Libyan acts of terrorism. The Flight 772 families each received about \$10 million. Their claims weren't fully resolved until 2013.

Mr. Newberger's disappointment at this turn of events is understandable. He is upset that the families did not receive a larger settlement and that the process was taken out of the hands of the court, whose

judgment, he writes, had provided the families "a significant level of closure on their own personal journeys of pain and loss."

Even so, he is over the top in his denunciation of the U.S. deal with Gadhafi. He sees it as a betrayal of the rule of law, an insult to the victims' families and a "reward" to a murderous despot. Among his most preposterous statements is one in which he says that the judge's original ruling had been "pushed aside, subject only to the whims of the President."

He never explains why persuading Libya to give up its nuclear program and join the fight against al Qaeda—objectives that the president had determined were in the national interest—amounted to mere "whims." The families deserved to be compensated and their loved ones remembered, but not at the cost of Americans' larger interest in reining in a terrorist state.

Near the end of "The Forgotten Flight," Mr. Newberger quotes riveting passages from the transcript of the Flight 772 trial. Experts are describing the flight's final moments—the shards of metal flying through the cabin, the fire, the plane breaking up. Says one: "There's a pretty good chance . . . probably better than even, that a lot of passengers were conscious until they hit the ground."

Twenty-eight years after Libyan terrorists killed 170 people over a remote desert, Mr. Newberger's well-researched book ensures that UTA Flight 772 will no longer be forgotten.

Ms. Kirkpatrick, a former deputy editor of the Journal's editorial page, is the author of "Thanksgiving: The Holiday at the Heart of the American Experience."

OPINION

REVIEW & OUTLOOK

The Japan-EU Trade Warning

Japanese and European Union leaders on Thursday announced an agreement in principle to remove tariffs on 99% of goods as well as other barriers to trade. While it will be phased in over many years and some obstacles remain, the deal overcomes Japan's reluctance to open its market to food products as well as Europe's resistance to a free market for Japanese cars. Some have dubbed the deal "cars for cheese," but its effects will be more far-reaching than bilateral trade.

In particular it contains a message for Donald Trump, who pulled the U.S. out of the Trans-Pacific Partnership deal with Japan and 10 other Pacific nations and has halted negotiations with Europe on the Transatlantic Trade and Investment Partnership. Trade will go on around the world whether or not the U.S. decides to participate. Had the U.S. remained in the Pacific pact, American farmers and other exporters could have enjoyed the increased sales to Japan that are now on offer to Europeans.

Meanwhile, the Trump Administration is considering punitive tariffs on imported steel and other products under an obscure provision of a 1962 law. This could lead to tit-for-tat sanctions against American exporters, tie up the U.S. in cases at the World Trade Organization and make it more difficult to secure the opening of foreign markets to American goods.

If the U.S. continues on this protectionist path while the rest of the world pursues far-reaching trade deals, the effects are predictable. American exporters will have to pay more for their materials and face higher barriers abroad than their competitors. Consumers will pay higher prices. This will cost American jobs and reduce incomes.

The Trump Administration says it still

U.S. protectionism will hurt U.S. companies as countries cut other deals.

plans to pursue bilateral trade deals, which is in keeping with the President's transactional view of diplomacy. But this may prove difficult if the U.S. is simultaneously raising tariffs and defending WTO cases brought by its trading partners.

The U.S. will pay a steeper price if trade blocs such as TPP proceed without America and forge links with other regions. While other countries' firms will benefit from new multilateral rules, American companies will be required to navigate what Columbia University economist Jagdish Bhagwati has called a "spaghetti bowl" of rules under bilateral agreements.

For instance, a preferential tariff on a particular product may only be available if the exporter can show that a certain percentage of the content was made in that country. The bureaucratic complications mean that many companies don't even apply to use the benefits offered under bilateral deals, and it may mean U.S. companies with global customers must move plants out of America to stay competitive.

That's why multilateral agreements are key to the formation of the complex supply chains trading the components that make up most consumer goods. The Japan-EU deal is still bilateral, but it could become the basis for more deals that exclude the U.S. If Washington cedes trade leadership, it risks being left behind as other countries set the rules and expand trade among themselves.

The irony is that the productivity of American manufacturers leads the world, and employment is rebounding. At a moment when U.S. firms could grow their exports, the Trump Administration is burning bridges. The EU-Japan deal is a warning that others will take up trade leadership and capture the prosperity that Americans should enjoy.

Trump's Putin Test

Donald Trump thinks of himself as a great judge of character and master deal-maker, and that could be a dangerous combination when the President meets with Vladimir Putin for the first time Friday during the G-20 meeting in Germany. The Russian strongman respects only strength, not charm, which is what Mr. Trump will have to show if he wants to help U.S. interests abroad and his own at home.

The meeting comes amid the various probes of Russian meddling into the 2016 election, and Mr. Trump's curious refusal to denounce it. There's no evidence of Trump-Russia campaign collusion, or that Russian interference influenced the result. But the Kremlin's attempt was a deliberate affront to democracy and it has done considerable harm to Mr. Trump's Presidency. Mr. Trump should be angry at Mr. Putin on America's behalf, and his apparent insouciance has played into Democratic hands.

The irony is that on policy Mr. Trump has been tougher on Mr. Putin than either of his two predecessors. Over Kremlin objections, the U.S. President has endorsed Montenegro's entry into NATO and new NATO combat deployments in Eastern Europe. He has approved military action against Russian ally Bashar Assad in Syria even after Russian threats of retaliation.

The White House was also wise to visit Poland a day before he meets Mr. Putin. In Warsaw on Thursday he reinforced traditional American support for Polish freedom and asserted his personal and public support for NATO's Article 5 that an attack on one alliance member is an attack on all.

Perhaps most important, Mr. Trump has unleashed U.S. oil and gas production that has the potential to weaken Mr. Putin at home and in Europe. The Russian strongman needs high oil prices and wields the leverage of natural-gas supplies over Europe, and U.S. production undermines both.

Yet Mr. Putin will be looking to see if he can leverage Mr. Trump's desire for better U.S.-

The Russian will interpret concessions as a sign of weakness.

Mr. Obama shut down.

Mr. Trump will be tempted to oblige because the compounds are ultimately of no great consequence, but the political symbolism of reopening them would still be damaging if the President gets nothing in return. Mr. Putin still denies any Russian election hacking, and to adapt Michael Corleone's line to Carlo in "The Godfather," he should stop lying because it insults our intelligence. Mr. Trump should at least follow French President Emmanuel Macron's precedent and issue a face-to-face public rebuke unless Mr. Putin apologizes.

Mr. Putin, the former KGB man, concluded early that Barack Obama could be pushed around because he bent to the Russian's demands on nuclear arms and missile defenses in Europe. This week he'll be looking to take Mr. Trump's measure.

The American can quickly show he's not Mr. Obama by suggesting he'll sell lethal military aid to Ukraine if Mr. Putin refuses to implement the Minsk accords that call for defusing the military conflict. Mr. Putin knew he could get away with violating Minsk because he judged, correctly, that Mr. Obama would never risk confrontation.

Mr. Trump says he wants good relations with Russia, but the question as always in foreign affairs is on what terms? Mr. Putin wants to push the U.S. out of Eastern Europe and the Middle East, and he will be looking to exploit any presidential weakness toward that goal. No single meeting will determine the Trump-Putin relationship over four years, but first impressions matter. Mr. Trump will have a better chance at a better relationship if he shows Mr. Putin that the price of improved ties is better Russian behavior.

State of America's Teachers Union

The president of America's National Education Association has had enough. On Sunday Lily Eskelsen Garcia told her delegates that though she knows "how to find common ground with people who will never agree with me," she won't make the effort with President Trump and Secretary of Education Betsy DeVos.

This is a sign the Trump Administration must be doing something right. The NEA is America's largest union with some three million members, and it represents the adults in education, not the children. As if to underscore the point, on July 4 of all days the union approved a new and harsher statement on charter schools, calling privately run charters "a failed and damaging experiment."

What the NEA really objects to is that charters are public schools that prove children written off as uneducable can be taught in the right environment. A telling sign of NEA priorities is

that while it was denouncing charters the union said it is still happy to unionize them.

As for the Education Department, Jimmy

Carter created it as payoff to the NEA for its support in the 1976 election. The department has neither the funds nor the authority to make much of a difference in schools, which are mostly a matter. Where Mrs. DeVos can

make an impact is by using her bully pulpit on behalf of parents who are desperate for more good schools for their children—whether they are traditional public schools, charter public schools, or private and religious schools.

Mrs. DeVos has apparently been effective enough to shock the NEA into disavowing federal control of education, which is like Fannie Mae rejecting taxpayer loan guarantees. We'll know Mrs. DeVos has succeeded when Ms. Eskelsen Garcia calls for the Education Department to be abolished.

Good news from the NEA: It's getting out of government.

The Republicans' Fatal Infatuation



WONDER LAND
By Daniel Henninger

Watching the U.S. Republican party self-immolate over the ObamaCare law, I'd like to shake the hand of whoever had the idea to plant the expansion of federal Medicaid payments inside ObamaCare.

Before this, Washington on average has been paying about 57% of Medicaid's costs. ObamaCare expanded the federal payment's share to 100% of newly eligible adults for any state that signed on, with the match "falling" permanently to 90% in 2020. That was political genius.

Maybe it was Jonathan Gruber, the ObamaCare architect vilified for admitting that the "stupidity" of American voters got the law passed. I'd say Mr. Gruber has the last laugh now on what people not long ago called the stupid party.

What an irony it is that one of the Republican arguments made now for preserving ObamaCare's Medicaid expansion is the opioid crisis. Even after the Supreme Court ruled in 2012 that Medicaid's expansion was optional, some Republican governors got hooked on the promise of federal cash flow to the horizon.

Now GOP governors in the Medicaid-expanded states of Arkansas, Nevada and Ohio are pushing their Republican senators to defeat any significant limitations on the nationalized funding of this entitlement. Other Republican-led states that took the expansion are Arizona, Iowa, Louisiana, New Jersey, New Mexico, North Dakota, Pennsylvania and Indiana (which to its credit extracted the Obama administration's commitment to its Medicaid reform program).

Now the party's fabled repeal-and-replace effort is threatened by a stand-off between Medicaid's new best friends—"moderate" GOP senators—and conservative colleagues who are trying to moderate the entitlement's permanent expansion.

Add in Donald Trump criticizing the House bill as "mean," and how can anyone fault the retired Barack Obama for golfing his way through the world's resorts? He earned his victory lap. His people understood the iron law of political spending: Offer it, and they will come.

The structure of Medicaid always made the program a Faustian bargain for the states. Originating in the Great Society outpourings of the 1960s, Medicaid's purpose was to ensure medical care for the disabled and women and children in poverty. Though the states and Washington split the costs, a political genius back then inserted this spending opiate: If states expanded their Medicaid populations, Washington would still send them at least half of the rising costs. Meaning, of course, that taxpayers in states with even a minimal sense of fiscal responsibility paid for open-spigot states like California, Illinois, New Jersey and New York.

Medicaid is already a fiscal ruin and lowest-common-denominator medicine. Advocates say it's better than nothing for the poor or uninsured, but well-controlled studies put even that claim in doubt.

Reform Republicans want to give states a shot at restructuring the albatross Medicaid has become. Some GOP governors, such as Wisconsin's Scott Walker, are gamely trying to reform Medicaid without taking the federal payment expansion. But pressure on them to take the money will be intense if Senate Republicans fail or vote to repeal and revisit ObamaCare in two years.

Give credit: ObamaCare's designers got this part right.

Write henninger@wsj.com.

LETTERS TO THE EDITOR

Proxy Votes Certainly Matter to Index Funds

Regarding M. Todd Henderson and Dorothy Shapiro Lund's "Index Funds and Corporate Governance" (op-ed, June 26): The suggestion that index funds relinquish their voting rights is irresponsible and ill-informed. Doing so would systematically disenfranchise tens of millions of individuals who use low-cost, broadly diversified index funds and exchange-traded funds to save for retirement, education, new homes and secure financial futures.

Index-fund managers care about good governance more than anyone else. We are the ultimate long-term investors because we own stocks forever. Therefore, our vote and our voice on governance are the most important levers we have to protect our clients' investments.

When we detect material risks to a company's long-term value (such as

bad leadership, poor disclosure, misaligned compensation structures, or threats to shareholder rights), we act with our voice and our vote.

Any proposal to concentrate voting power in the hands of active managers (who represent a steadily declining ownership stake) is akin to taking political voting rights away from permanent residents and giving them only to visitors. It would reduce board and management accountability, promote short-termism by silencing the longest term voices, and distort the incentives for investors and companies.

We've said for many years that passive investors shouldn't be passive owners. This has never been more true than it is today.

BILL McNABB
Vanguard Chairman and CEO
Malvern, Pa.

A Double Standard for Violence, Intimidation

The "historical pressure of Donald Trump" isn't the root cause of the left's rage or of its violent rhetoric and actions—it is merely a pretext for them ("Rage Is All the Rage, and It's Dangerous" by Peggy Noonan, Declinations, June 19). If any other Republican had been elected president in 2016, denying Hillary Clinton her assumed right to that office, he or she would have become the target of violent speech and hatred just as President Trump has and as the gentlemanly George W. Bush was.

The political rage infecting the U.S. is almost exclusively a left-wing phenomenon, and it isn't something accidental to leftist ideology but is intrinsic to it.

Violence has been a part of the radical left's arsenal and ideology since the French Revolution. It is the direct result of the hard left's rejection of traditional Christian morality and its embrace of moral relativism in pursuing its agenda,

which allows leftists to demonize their political opponents and to use any means necessary to defeat or even eliminate them. Certainly, most liberals in the U.S. don't espouse violence, but a growing, radicalized minority of them do, and often with the tacit approval of their less radical brethren.

Unless mainstream liberals in the U.S. reject the demonization of those who don't share their ideology and unless they subordinate their ideology to morality, the rage and violence will get worse.

MARY R. SCHNEIDER
Avon Lake, Ohio

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

OPINION

The Conservative 'Resistance' Is Futile

By David Gelernter

Democrats, in their role as opponents of President Trump, have taken to calling themselves "the resistance." But I was startled a few days ago when a thoughtful, much-admired conservative commentator used the same term on television—casually, as if "the resistance" was just the obvious term. Everyone is saying it. It's no accident that the left runs American culture. The right is too obsessed with mere mechanics—poll numbers and vote counts—to look up.

The right has never made one significant move against the liberal culture machine.

"Resistance" is unacceptable in referring to the Trump opposition because, obviously, it suggests the Resistance—against the Nazis in occupied France. Many young people are too ignorant to recognize the term, but that hardly matters.

The press uses it constantly. So when a young innocent finally does encounter the genuine French Resistance, he will think, "Aha, just like the resistance to Trump!" And that's all the left wants: a mild but continuous cultural breeze murmuring in every American ear that opposing Trump is noble and glorious. *Vive la Résistance!*

BUSINESS & FINANCE

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Yen vs. Dollar 113.2760 ▲ 0.01%

Hang Seng 25465.22 ▼ 0.22%

Gold 1224.00 ▲ 0.29%

WTI crude 46.11 ▲ 2.17%

10-Year JGB yield 0.097%

10-Year Treasury yield 2.378%

EU Flags Missteps in Deals

GE and Canon among companies being probed for violating merger strictures

BY NATALIA DROZDIAK

BRUSSELS—The European Union's antitrust watchdog accused **General Electric** Co., Japan's **Canon** Inc., as well as deal partners **Merck KGaA** and **Sigma-Aldrich** Corp. of breaching the bloc's merger rules.

The moves come as the EU is trying to drive home the

need for companies to submit accurate and truthful information when registering a deal for antitrust review with Brussels. The EU's competition chief told The Wall Street Journal in March that her department was reviewing a handful of merger clearances on suspicions companies misled investigators in securing approval.

The EU said General Electric may have misled regulators during a review of GE's \$1.65 billion deal for LM Wind Power, while German pharmaceuticals maker Merck may have done so with its \$17 bil-

lion acquisition of Sigma-Aldrich, a U.S. supplier of laboratory testing materials.

Merck said it would review the information provided by the EU and respond in writing in due course.

Japan's Canon may have violated rules by implementing its deal with **Toshiba** Corp.'s medical-systems unit valued at ¥665.5 billion (\$5.9 billion) before registering the acquisition with the EU, the regulator said.

The EU's clearances for all three deals remain valid, but if a formal investigation finds the companies did in fact provide incorrect or misleading

information, they can be fined up to 1% of global revenue, the regulator said. In Canon's case, if the EU finds the company jumped the gun with its deal, it could be fined as much as 10% of global revenue.

"We can only do our job well if we can rely on cooperation from the companies concerned—they must obtain our approval before they implement their transactions and the information they supply us must be correct and complete," said EU antitrust chief Margrethe Vestager.

The EU said GE initially

Please see MERGER page B2



Amazon's Jeff Bezos, left, and Dish Network Chief Executive Charlie Ergen have been crossing paths more often of late.

Dish Network And Amazon Ogle Each Other

For years **Dish Network** Corp. Chief Executive Charlie Ergen has sought out deals and partnerships with just about every major telecom company, from **Sprint** Corp. to **T-Mobile US** Inc. to **AT&T** Inc., but to no avail.

By Shalini Ramachandran, Laura Stevens and Ryan Knutson

Now, the satellite-television mogul is turning his attention to the technology world, and a new—and somewhat surprising—potential partner has emerged: **Amazon.com** Inc. CEO Jeff Bezos.

The two men—eccentric billionaires with geek tendencies and shared interest in space and robotics—have gotten to know each other better over the past year and have discussed a partnership to enter the wireless business, according to people familiar with the matter.

Among the possibilities: Amazon could help finance a network Dish is building focused on the "Internet of Things"—the idea that everything from bikes to delivery drones can have web connectivity everywhere. Another idea is that Amazon, as a founding partner of Dish's new wireless network, could invite Prime members to pay a little more a month for a connectivity or phone plan, one of the people said.

Amazon "is taking a walk versus a run approach with Dish," adds one person familiar with the talks. The two companies struck deals in May that allow some Dish customers to control their set-top boxes through Amazon's artificial intelligence assistant Alexa.

No deal is imminent and it is unclear if the companies will move forward with a partnership. Dish has discussed versions of the "founding partner" concept with other technology firms, one of the people familiar with the matter said.

American International Group Inc. chose to set

Please see FIRM page B5

and Echo speakers and make Dish streaming-TV apps available on Amazon Fire devices.

An all-out acquisition of Dish by Amazon is highly unlikely, the people say.

Amazon and Dish declined to comment.

The possibility of an Amazon-Dish tie-up comes amid a swirl of deal and partnership talks in the wireless industry. Cable companies, tech giants and the incumbent telecom carriers are all trying to position themselves, as smartphones and the mobile web capture more of consumers' attention, and as Washington regulators engender both new opportunities and obstacles.

Sprint was holding merger talks with T-Mobile before putting them on hold to explore a deal with Comcast Corp. and **Charter Communications** that could bolster those companies' plans to offer wireless service. Some industry observers think the Sprint-cable talks could push T-Mobile and its parent, **Deutsche Telekom** AG, to rekindle deal discussions with Dish after an earlier round in 2015 collapsed.

The possibility of a tie-up comes amid a swirl of talks in the wireless industry.

Messrs. Ergen and Bezos have been crossing paths more often. They spent time together in March at a satellite convention, where Mr. Bezos' rocket company, Blue Origin LLC, gave a presentation to Mr. Ergen's **EchoStar** Corp., a Dish sister company that builds satellite technology, people familiar with the matter said. Mr. Ergen in March also attended Mr. Bezos' secretive, invite-only MARS robotics and space conference. More recently, the two moguls met in May in Seattle.

Please see AMAZON page B2



Lloyd's of London, above, explored Ireland, the Netherlands and Luxembourg as part of its hunt for a European home before settling on Belgium.

Sweeteners Offered to U.K. Firms

BY MAX COLCHESTER AND JULIA-AMBRA VERLAINE

LONDON—Regulators and government officials across Europe are trying to lure London finance companies ahead of Brexit, sparking a continentwide backroom bidding war.

The sweeteners range from the promise of cheap rents to protection of bankers' bonuses. "It's like an auction," says a lawyer advising several finance companies on their Brexit plans. The jockeying is fostering tension among European regulators and raising concerns that risk is being siphoned unchecked into the trade bloc.

Take **Lloyd's of London** Ltd. One of the world's oldest insurance markets, Lloyd's needed a Continental base so its members could sell to **European Union** clients after Brexit. It explored Ireland, the Netherlands and Luxembourg as part of its hunt for a

Lloyd's Brexit

Where Lloyd's of London makes its money

Overall gross written insurance premiums

From Europe £2.93 billion

Total £29.86 billion

How European cities rank among 86 financial centers

London	1
Luxembourg	14
Frankfurt	18
Paris	32
Dublin	39
Brussels	52

Note: £1 billion = \$1.3 billion

Sources: the company (insurance); Global Financial Services Index published by Z/Yen Group (rank)

THE WALL STREET JOURNAL

to allow this," says Inga Beale, Lloyd's of London's chief executive. A Belgian official said the structure adheres to EU-wide rules and is based on existing Belgian laws.

In Brussels, the export agency points firms to consultants who advise on ways to reduce the country's nearly 70% tax on cash bonuses, officials said.

Belgium isn't alone in making life simpler for incoming financiers. The Dutch central bank recently posted an explainer on its website outlining how bankers can circumvent the country's 20% cap on bonus payments. In Vienna, officials discussed giving the European Banking Authority a rent-free office if the regulatory agency decamped there from London, according to people familiar with the matter.

Still, the efforts are raising eyebrows. Around the time insurer American International Group Inc. chose to set

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the Continent back to London—a move some other European regulators deemed too risky. That means Lloyd's likely won't need to park hundreds of staffers in its new Belgian unit, officials say.

"Not everyone was willing

U.S. Oil Producers Open Taps for China

BY BRIAN SPEGELE

BEIJING—It was a gusher few expected. What began as a trickle of U.S. crude being sold to China is turning into a flood, the result of a surprise American glut that has made the country's oil cheaper than that of Mideast rivals just two years after Congress lifted a 40-year export ban.

China, one of the world's largest oil importers, bought nearly 100,000 barrels of oil a day from the U.S. in the first five months of 2017—10 times the average in 2016. Imports in April and May surged to more than 180,000 barrels a day on average, China customs data show.

The shift has been greeted with enthusiasm by American producers, who have been trying to pull the sector out of a

three-year price slump that has sapped profits and jobs. Industry executives and local officials are now scrambling to retool ports in the Gulf of Mexico to accommodate the large vessels needed to ship vast quantities of crude around the globe.

While still far below the figure China pays its top suppliers—Russia, Saudi Arabia and Angola—the bill for U.S. oil could come in well above \$1 billion this year, up from \$150 million last year, according to customs data.

A confluence of factors has helped open the taps.

Falling production from China's own aging fields has forced the country to step up its hunt for new sources of crude. Imports are up 13% this year through May, compared

Please see OIL page B2

CHINA CIRCUIT | By Li Yuan

Highflying Entrepreneur Falls Back to Earth

Entrepreneur Jia Yuetong likes to say that **Apple** Inc. is outdated, China's big technology companies are innovation-killing monopolies and his company, **LeEco Holdings**, is the real industry disrupter.

That swagger served Mr. Jia in building an empire that sprawled across seven industries, from online video content to smartphones to electric cars. By having the ambition to take on Apple, **Tesla** Inc. and **Netflix** Inc. all at once, Mr. Jia seemed to embody the boundless promise of the huge China market. And investors responded favorably.

Deal makers like HNA Capital and **Legend Holdings** bought in, as did the city

government of tech hub Shenzhen, as well as movie director Zhang Yimou and other celebrities. British sports car maker Aston Martin joined up to develop electric vehicles. The U.S. state of Nevada promised \$200 million in incentives for Mr. Jia's electric car venture,

tin joined up to develop electric vehicles. The U.S. state of Nevada promised \$200 million in incentives for Mr. Jia's electric car venture,

Faraday Future Inc., to build a \$1 billion plant there. And LeEco unveiled a \$2 billion deal to buy U.S. TV-maker **Vizio** Inc.

Now, most of those deals are dead or struggling and Mr. Jia's dreams are fading away due to a cash crunch and worried creditors.

On Thursday he resigned as chairman of a listed unit of LeEco, Leshi Internet Information & Technology Corp., though he will remain the chairman of the holding company. That move comes after a Shanghai court last week—at the behest of China Merchants Bank Co.—froze \$181 million of his assets and \$2 billion in shares over a missed interest payment.

Rather than being a shining star of visionary entrepreneurship, LeEco is turning

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Jia Yuetong has resigned as chairman of a listed unit of LeEco.

JIA YUETONG/REUTERS

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A Texas oil facility. U.S. exports to China are up sharply in 2017.

OIL

Continued from the prior page with a year earlier, according to customs data.

The search came as America was opening oil exports in 2015 for the first time in four decades amid a boom in U.S. oil drilling, upending petroleum flows. Political uncertainty in the Middle East, including the decision last month by Saudi Arabia and other Arab nations to cut ties with Qatar, also has played a role.

"If there's opportunity to buy [oil] from somewhere else, we should," said Lin Boqiang, an energy expert at Xiamen University who has advised Beijing on oil policy. "The precondition is that it must be economical."

BUSINESS NEWS



PHILIP NOBLE/REUTERS
Volvo is mounting a challenge to Tesla's dominance in electric vehicles, but it is far from the only auto maker to do so.

Volvo Gives Tesla a Shock As Electric Race Picks Up

BY JOHN D. STOLL
AND TIM HIGGINS

Volvo, the auto maker that spent 90 years polishing a reputation for safety, indicated Wednesday it is mounting an ambitious challenge to **Tesla** Inc.'s electric cars.

But the even tougher news for Tesla's billionaire founder, Elon Musk, is that the Scandinavian company isn't the only deep-pocketed rival planning to compete with the Silicon Valley pioneer.

Nearly all global vehicle makers are mounting their own electric-car push, powered by ever-cheaper prices for batteries, stricter emissions rules and lucrative government incentives for customers.

Tesla's shares fell more than 7% Wednesday, the steepest decline in a year in which the company passed both **General Motors** Co. and **Ford Motor** Co. in stock-market valuation.

The Volvo announcement is "the hard-reality case that Tesla will face intense competition by next decade from legacy [auto makers] expanding their electric options," Barclays auto analyst Brian Johnson said in an investor note. "Tesla may have a lead in battery costs," he said, but the "scale advantages" of multinational

car companies likely means Mr. Musk's lead isn't as sizable as often believed.

Investors also were reacting to Tesla's news Monday that second-quarter sales of its luxury Model S and Model X sport-utility vehicle were lower than analysts had projected because of a supply issue with battery packs, raising new fears the company will have trouble meeting ambitious production targets for its cheaper Model 3, which starts at \$35,000.

Several analysts also questioned whether demand for Tesla's two niche products is waning as it scrambles to make the leap to the mass market.

The Model S, which sells for about \$100,000, "is getting a little long in the tooth," said Dave Sullivan, an analyst for AutoPacific Inc.

Owned by China's **Geely Holding Group**, Sweden-based Volvo on Wednesday outlined plans to transition its entire lineup of new models to vehicles powered either by batteries or hybrid electric-internal combustion engines by 2019.

While representing potentially the biggest bet yet against gasoline and diesel cars, the announcement follows a blueprint being drawn up by **Toyota Motor Corp.**, **Volks-**

wagen AG and Daimler AG. Those companies plan to sell millions of electric cars by 2025—evidence the auto industry's incumbents believe the internal combustion engine has an expiration date.

While Mr. Musk is broadly credited with making electric cars sexy, regulations and financial incentives in the U.S., the European Union and China are the driving force pushing most auto makers to look to batteries as the industry's silver bullet for reducing emissions.

Strict fuel-economy mandates are in place in the world's largest vehicle markets, often matched by tax breaks that can cut up to 50% off the price of an electric vehicle.

In the U.S., Mr. Musk's Tesla is the face of the electric-car movement, outpacing all-electric offerings from GM and **Nissan Motor** Co. that are cheaper but considered dull by comparison.

A new class of electrified or battery-assisted vehicles will soon challenge Tesla's thrust, however, with nameplates as exotic as Aston Martin, as rugged as Jeep's Wrangler or iconic as Ford's Mustang. As with Teslas, many will offer buyers a \$7,500 federal tax break.

Investors have prized Tesla's focus on technology, including semiautonomous driving and over-the-air software updates—but Volvo and others are looking to match it.

Car makers in the U.S. threatening to edge in on Tesla's turf are pressured by Obama-administration rules mandating a steep increase in miles-per-gallon performance over the next eight years.

Auto executives say a broad shift toward electrification—whether hybrids that pair high-powered batteries with conventional gasoline engines, or full-blown electric cars—will be needed to meet those regulations.

The Trump administration is reviewing federal emissions rules, but any rollback could take several years and may not address mandates at the state level. California, and several states that subscribe to its clean-air rules, demand that 15% of vehicle sales by 2025 be zero-emission cars.

Yet Americans continue to shrug off electric vehicles. While all but two states have regulations or incentives designed to promote their sales, cheap gasoline means car makers are investing in a technology that today offers meager returns.

For SpaceX, Third Launch Is Charm

By ANDY PASZTOR

Following a pair of last-second launch aborts over two days, the third attempt worked for **SpaceX** on Wednesday as it blasted a large commercial communications satellite into orbit without a hitch.

The evening blastoff, which occurred without any countdown delays or technical problems from Florida's Kennedy Space Center, avoided a repeat of the automated safety warnings that scrubbed previous launch attempts Sunday and Monday just seconds before the rocket's main engines were set to ignite.

The flight of the Falcon 9 rocket carrying a 7.5-ton satellite into a high-earth orbit for **Intelsat SA** was the third successful mission in less than two weeks for Elon Musk's **Space Exploration Technologies** Corp., as the closely held Southern California company is formally called. It is also believed to be the heaviest payload Mr. Musk's team has ever put into space.

Roughly three minutes into the flight, the rocket's lower stage separated and the upper stage's engine ignited as planned. Some five minutes later, the upper engine shut down as the satellite continued on its way.

Rebounding from launch delays stemming from two Falcon 9 explosions spanning 2015 and 2016, SpaceX is seeking to reassure commercial and U.S. government customers that it is safely ramping up its launch tempo. The company has targeted for later this year the initial flight of its Falcon Heavy rocket, a Falcon 9 derivative featuring 27 main engines and roughly twice the lifting capacity of SpaceX's current fleet of boosters.

Wednesday's mission was the 10th successful launch of a

Falcon 9 this year, already beating SpaceX's previous record of eight launches in 2016.

With some \$10 billion in launch business on its books, including contracts from the Pentagon and the National Aeronautics and Space Administration, SpaceX has set the pace for the budding commercial space industry. But in addition to its swift growth and lofty ambitions—including a manned flyby of the moon as early as next year—the company is renowned for a scrappy attitude and nimble engineering culture that is determined to make decisions more quickly than legacy competitors or government agencies.

NASA probably would have taken more than a day to analyze the flood of available data surrounding Monday's countdown, which was stopped roughly 10 seconds before lift-off, according to some industry officials. But barely hours after the Monday launch was scrubbed, Mr. Musk posted a message on Twitter saying that company experts intended to be "doing a full review of rocket and pad systems" on the July 4 holiday. By Wednesday morning, SpaceX sent an email alerting the media that the launch was reset for that evening.



CRAIG BAILEY/FLORIDA TODAY/ASSOCIATED PRESS
The Falcon 9 rocket lifts off.

ADVERTISEMENT

Legal Notices

BANKRUPTCIES

UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK

In re: **TOISA LIMITED, et al.**, Chapter 11
Case No. 17-10184 (SCC)
(Jointly Administered)

NOTICE OF DEADLINES FOR FILING OF PROOFS OF CLAIM
(GENERAL CLAIMS BAR DATE AUGUST 8, 2017 AT 5:00 P.M. EASTERN TIME)

PLEASE TAKE NOTICE THAT ANY PERSON OR ENTITY THAT FILES A PROOF OF CLAIM IN THESE BANKRUPTCY CASES IS DEBARRED, FOR A PERIOD OF ONE YEAR FROM THE DATE OF THIS NOTICE, TO HAVE REIMBURSEMENT OF THE UNITED STATES BANKRUPTCY COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, THE FAILURE BY ANY ENTITY OR PERSON REQUIRED TO FILE A PROOF OF CLAIM AS SET FORTH IN THE ACCOMPANYING NOTICE WILL BE FOREVER BARRED FROM (A) ASSERTING SUCH CLAIM AGAINST THE DEBTORS' ESTATES OR PROPERTY, OR (B) RECEIVING DISTRIBUTIONS ON ACCOUNT OF SUCH CLAIM IN THESE BANKRUPTCY CASES.

On June 9, 2017, the United States Bankruptcy Court for the Southern District of New York ("Court") entered an order (Docket No. 178) ("the "Bar Date Order") establishing certain deadlines for the filing of proofs of claim relating to the chapter 11 cases of the above-captioned debtors and debtors in possession (collectively, the "Debtors"). A copy of the Bar Date Order and other information is set forth below.

By the Bar Date Order, the Court established the August 8, 2017 at 5:00 p.m. Eastern Time ("the "General Claims Bar Date"), as the general claims bar date for filing proofs of claim by the Debtors' cases. As described below, the Bar Date Order also establishes different bar dates for other categories of claims. Among other exceptions described below, the General Claims Bar Date does not apply to claims of any governmental unit (as defined in section 101(27) of title 11 of the United States Code (the "Bankruptcy Code")).

1. THE BAR DATE ORDER. The Bar Date Order establishes the following bar dates for filing proofs of claim in these cases (collectively, the "Cases"): (a) **The Rejection Claims Bar Date.** Pursuant to the Bar Date Order, except as described below, all entities holding claims against the Debtors that arose or are deemed to have arisen prior to the commencement of these cases are required to file proofs of claim by the General Claims Bar Date (i.e., by August 8, 2017 at 5:00 p.m. Eastern Time). These cases were commenced on January 29, 2017 (the "Petition Date"). The General Claims Bar Date applies to all types of claims against the Debtors that arose prior to the Petition Date, including secured claims, unsecured priority claims (including, without limitation, claims entitled to priority under sections 507(a)(4) and 507(a)(5) and 503(b)(9) of the Bankruptcy Code) and unsecured nonpriority claims.

2. THE REJECTION CLAIMS BAR DATE. Pursuant to the Bar Date Order, any entity asserting claims arising from or related to the rejection of executory contracts or unexpired leases, in accordance with section 365 of the Bankruptcy Code and pursuant to the terms of a projected plan of reorganization of a chapter 11 along with the applicable Debtor's chapter 11 cases (each such order, a "Rejection Order"), or claims otherwise related to such rejected agreements, including claims entitled to administrative priority under section 503(b) of the Bankruptcy Code ("Rejection Claims") are required to file proofs of claim by the later of: (a) the General Claims Bar Date; and (b) 5:00 p.m. Eastern Time, on the date that is 60 days after the entry of the relevant Rejection Order ("Rejection Bar Date"). For the avoidance of doubt, all prepetition and postpetition claims of any kind or nature arising from or relating to executory contracts or unexpired leases rejected by a Rejection Order must be filed by the Rejection Bar Date.

3. THE AMENDED SCHEDULES BAR DATE. Pursuant to the Bar Date Order, if subsequent to the date of this Notice, a Debtor amends or supplements its Schedules of Assets and Liabilities (the "Schedules"), the Debtor must file a revised Schedules of Assets and Liabilities on or before the later of (i) the General Claims Bar Date and (ii) 5:00 p.m. Eastern Time, on the date that is 60 days after the date that notice of the applicable amendment or supplement to the schedules is served on the claimant. The later of these dates is referred to in this Notice as the "Amended Schedules Bar Date".

4. THE GOVERNMENTAL BAR DATE. Pursuant to the Bar Date Order, all governmental units holding claims against the Debtors that arose or are deemed to have arisen prior to the Petition Date (including secured claims, unsecured priority claims and unsecured nonpriority claims) are required to file proof of claim by the date of July 26, 2017 at 5:00 p.m. Eastern Time ("Governmental Bar Date").

5. WHO MUST FILE A PROOF OF CLAIM. **MUST** file a proof of claim on or before the General Claims Bar Date or share in distributions to creditors from the Debtors' bankruptcy estates. Claims based on acts or omissions of the Debtors that occurred before the Petition Date must be filed on or prior to the applicable Bar Date; even if such claims are not now fixed, liquidated or certain or did not mature or become fixed, liquidated or certain before the Petition Date except where the Rejection Claims Bar Date, the Amended Schedules Bar Date, or the Governmental Bar Date apply to establish a different deadline, or one of the exceptions in Section 5 applies.

3. WHAT TO FILE. Claims should be asserted on proof of claim forms that conform substantially to Official Bankruptcy Form No. 410. Proof of claim forms may be obtained at the following websites: <http://www.uscourts.gov/>.

All proof of claim forms must be signed by the claimant or, if the claimant is not an individual, by an authorized agent of the claimant. The proof of claim form must be written in English and be asserted and denominated in United States Currency. You should attach to your completed proof of claim form any documents on which the claim is based (or, if such documents are voluminous, attach a summary) or an explanation as to why the documents are not available.

All entities asserting a claim against more than one Debtor or that has multiple claims against different Debtors must file a separate proof of claim with respect to each Debtor. In addition, any entity filing a proof of claim must identify on its proof of claim form the specific Debtor against which its claim is asserted. Any claim filed in the Debtors' chapter 11 cases (Tosha Limited, Case No. 17-10184) or that otherwise fails to identify a specific Debtor shall be deemed as filed only against Debtor Tosha Limited.

4. WHEN AND WHERE TO FILE. All proofs of claim must be mailed so as to be received on or before the applicable Bar Date, at the following address:

IF BY FIRST CLASS MAIL, AIRMAIL, COURIER OR HAND DELIVERY:

Tosha Limited et al., Claims Processing Center
c/o Kurtz Lamon et al., Claims Processing Center
2335 Alaska Avenue, El Segundo, CA 90245

Alternatively, proofs of claim may be submitted electronically through the electronic filing system available through the claim's agent website at <http://www.kcclc.net/toisa>.

Proofs of claim must be filed electronically on or before the applicable Bar Date. **Proofs of claim may NOT be delivered by facsimile or electronic mail transmission.** Any facsimile or electronic mail submissions will not be accepted and will not be deemed filed until a proof of claim is submitted by one of the methods described above.

5. WHO NEEDS NOT FILE A PROOF OF CLAIM. The Bar Date Order further provides that certain entities, whose claims would be subject to the General Claims Bar Date, need not file proofs of claim. To review a copy of the Bar Date Order, please visit <http://www.kcclc.net/toisa>.

6. CONSEQUENCES OF FAILURE TO FILE A PROOF OF CLAIM BY THE APPLICABLE BAR DATE. ANY ENTITY THAT IS REQUIRED TO FILE A PROOF OF CLAIM BUT THAT FAILS TO DO SO BY THE APPLICABLE BAR DATE IS DEBARRED, FOR A PERIOD OF ONE YEAR FROM THE DATE OF THIS NOTICE, FROM RECEIVING PAYMENT OF ANY CLAIM AGAINST THE DEBTORS OR THEIR ESTATES OR PROPERTY THAT IS IDENTIFIED IN THE SCHEDULES ON BEHALF OF SUCH ENTITY (ANY SUCH CLAIM BEING REFERRED TO IN THIS NOTICE AS AN "UNSCRUPLED CLAIM"); OR (B) VOTING UPON, OR RECEIVING DISTRIBUTIONS UNDER, ANY CHAPTER 11 PLAN PROMULGATED IN THESE CHAPTER 11 CASES IN RESPECT OF AN UNSCRUPLED CLAIM.

7. THE DEFENDANT'S SCHEDULES. The defendant's schedules are the schedules as filed by the holder of a claim against one or more of the Debtors in the Debtors' chapter 11 cases. Copies of the Debtors' Schedules and other information and documents regarding the Debtors' chapter 11 cases are available for review free of charge on the Debtors' website at <http://www.kcclc.net/toisa>. The Schedules and other filings in the Debtors' chapter 11 cases are also available for a fee at the Court's website at <http://ecf.nysd.uscourts.gov>.

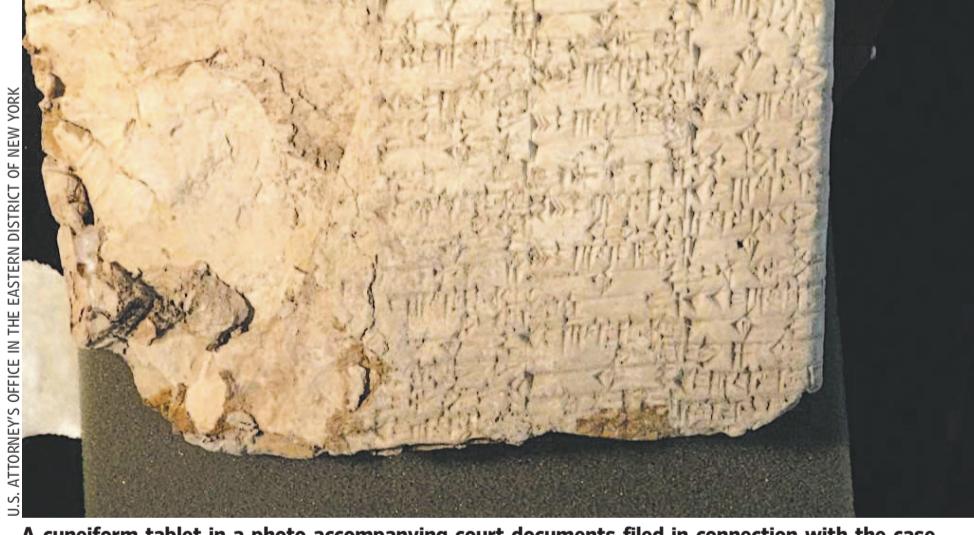
If you rely on the Debtors' Schedules, it is your responsibility to determine that the claim is accurately listed in the Schedules.

A HOLDER OF A POSSIBLE CLAIM AGAINST THE DEBTORS SHOULD CONSULT AN ATTORNEY REGARDING ANY MATTERS NOT COVERED BY THIS NOTICE, SUCH AS WHETHER THE HOLDER SHOULD FILE A PROOF OF CLAIM.

DATED: July 9, 2017
TOUGT, SEGAL & SEAGAL LLP
One Penn Plaza, Suite 3335, New York, New York 10119
Albert Tougt, Esq. and Frank A. Oswald, Esq. (212) 594-5000

The Debtors in these chapter 11 cases are as follows: Trade Prosperity, Inc. (17-10183); Tosha Limited (17-10184); United Courage, Inc. (17-10185); Trade Vision, Inc. (17-10186); United Journey, Inc. (17-10187); United Leadership Corporation (17-10188); United Honor, Inc. (17-10192); United Dynamic, Inc. (17-10193); United Leadership Inc. (17-10194); United Ideal, Inc. (17-10197); United Dynamic, Inc. (17-10198); United Emblem, Inc. (17-10196); United Ideal, Inc. (17-10197); Trade Unity, Inc. (17-10198); United Ambassador, Inc. (17-10199); Edgeware Shipping, Ltd. (17-10203); United Banner, Inc. (17-10204); Tosha Horizon, Inc. (17-10205); and Trade Transport Inc. (17-10206).

BY ORDER OF THE COURT



A cuneiform tablet in a photo accompanying court documents filed in connection with the case.

U.S. ATTORNEY'S OFFICE IN THE EASTERN DISTRICT OF NEW YORK

enhance our understanding of this Great Book."

Since the early 1990s, hundreds of thousands of objects have been looted from archaeological sites in Iraq, with many ending up on the black market and sold to collectors.

According to the complaint, Hobby Lobby began to assemble a collection of cultural artifacts, manuscripts and antiquities around 2009.

Mr. Green and a consultant, who wasn't identified in the court filings, approved the purchases, the complaint stated.

In July 2010, the pair traveled to the U.A.E., where they met with two Israeli antiquities dealers and a dealer from the U.A.E. and examined more than 5,500 artifacts, according to prosecutors.

The items included 1,500 tablets written in cuneiform, 500 cuneiform bricks, 3,000 clay balls imprinted with seals known as

bullae, 13 extra-large cuneiform tablets and 500 stone cylinder seals, according to the complaint.

Soon after, Hobby Lobby's in-house counsel hired an expert in cultural-property law to advise the company on its planned acquisitions, according to the complaint.

The expert spoke with the Israeli dealers about the artifacts and told Hobby Lobby that such a purchase carried "considerable risk," because of their likely provenance in Iraq.

Between December 2010 and September 2011, the dealers shipped packages to different addresses affiliated with Hobby Lobby, according to the complaint. Five were detained at FedEx headquarters in Memphis, Tenn., and later seized by the U.S. Customs and Border Patrol.

Between December 2010 and September 2011, the dealers shipped packages to different addresses affiliated with Hobby Lobby, according to the complaint. Five were detained at FedEx headquarters in Memphis, Tenn., and later seized by the U.S. Customs and Border Patrol.

"At no time did Hobby Lobby ever purchase items from dealers in Iraq or from anyone who indicated that they acquired items from that country," the statement said.

Still, prosecutors noted that the transaction was consistent with methods used by import-</

'Pokémon Go' Led To a Dull Reality

BY SARAH E. NEEDLEMAN AND CAT ZAKRZEWSKI

A year after "Pokémon Go" prompted throngs of people to scour parks and streets for monsters visible only through smartphones, hit games made with augmented reality are rarer than a Snorlax.

In fact, analysts say, the monster-hunting blockbuster drove only a brief spike in games using the nascent technology, which blends digital images with a person's view of the real world.

That is surprising, considering the ubiquity of screenshots showing Pokémons invading players' work desks, kitchen counters and other locations of everyday life. "Pokémon Go" reached \$1 billion in revenue globally just seven months after its release last July—faster than any other mobile game, including Activision Blizzard Inc.'s "Candy Crush Saga," according to App Annie Inc.

There are thousands of augmented-reality games among the millions of apps in the Apple Inc. and Alphabet Inc. stores. None, though, has come close to the success of "Pokémon Go." There are several reasons why, industry observers say.

One is that the allure of "Pokémon Go" wasn't primarily its augmented reality.

Augmented-reality backers maintain that more hit games will emerge.

While the game's digital monsters materialize as if in the real world, they don't interact with it. A Snorlax might appear next to a tree, but the catlike creature won't peek from behind it. Many players who took up hunting the monsters ended up turning off the augmented-reality feature.

The real innovation of "Pokémon Go," analysts say, was its use of location-based technology to get players walking outside and socializing with others. A recent update to the game doubled down on community building by letting players meet at specific locations to jointly defeat powerful monsters in "raids."

"We have worked for many years to build a new kind of game based on real world exploration, physical movement and social gameplay," Niantic Inc., the game's creator, said in an email. "Our definition of 'Augmented Reality' is the entire concept of building a game that takes place in and augments the real world."

Others believe the popularity of "Pokémon Go" had to do with, well, Pokémons, whose characters are known to millions of gamers old and young. "Ingress," a prior augmented-reality game from Niantic, attracted a decent following but wasn't nearly as popular.

Pocket Gems Inc. wanted to tap into the buzz around augmented reality last summer. The San Francisco mobile-game maker scratched the idea, though, convinced the success of "Pokémon Go" came largely from its intellectual property. The company is still open to making games using augmented reality when the technology can better stand on its own, Chief Executive Ben Liu said.

The foundation is there. Some 40 million people in the U.S. this year are expected to use augmented reality at least once a month, mostly through social or utility apps, according to eMarketer. The research firm estimates that number will rise to 54.4 million by 2019.

Investors have poured \$4.5 billion into 707 virtual- and augmented-reality startups since 2010, according to industry tracker PitchBook Data Inc. Most of the money has gone toward the development of augmented-reality glasses and other areas outside of games, it said.

Augmented-reality backers argue more hit games will emerge as app makers experiment.

PERSONAL TECHNOLOGY | By Geoffrey A. Fowler

iPad Gets More Useful with iOS 11



What my iPad could use is a good mouse.

With a big iOS software update now in public beta test, the iPad is at long last capable of doing serious work. In iOS 11, you'll be able to run multiple windows, drag and drop from one app to another, and browse files in one place—that's things that used to require a laptop.

You can also expect to get confused. Like a guy taking his first yoga class, my fingers twisted and wobbled into this new way to work. Over a week, my arm got tired of reaching over to the screen of my 10.5-inch iPad Pro to use all the new finger-operated tricks. More than once, I gazed longingly over at my Apple mouse.

Ever since Steve Jobs said the iPad would usher in the "post-PC era," the question dogging the iPad is: Can it replace a laptop? Today, as iPads outsell Macs in units, I think better questions are: What is an iPad good for? And when are you still better off using a laptop?

Apple causes confusion by blending some, but not all, laptop and tablet capabilities. You operate a Mac with a horizontal keyboard, a mouse and a trackpad—but never fingers on the upright screen. The iPad now comes with a \$160 keyboard that makes the touch screen sit up like a laptop—but there's no horizontal mouse or trackpad.

The iPad's slim hardware has some clear advantages for people on the move. It's always on, no waiting around for boot-up. The battery generally outlasts ultraportable laptops, and now its proces-



The iPad's iOS 11 operating system, in public beta testing now, offers some appealing upgrades.

sors can even handle complicated tasks like photo editing. The 10.5-inch iPad Pro, which starts at \$650, gets closer to an ideal balance of portability and screen real estate, and leaves space for a less cramped keyboard.

What's really held the iPad back is software. Now iOS 11, coming this fall to most iPhones and iPads purchased in 2013 or later, strikes its own path for the iPad. It finally allows Apple and app makers to explore the productivity potential of the iPad's big touch screen.

Here's a tour of the iPad's new skills—and where it still struggles to work fast.

Dock apps

The Dock is where you keep your most important apps on a Mac, and now there's one on the iPad. Swipe

up from the bottom of the screen to pull it up and over whatever app you've got open. I squeezed in 16!

What's useful is that you don't have to keep going back to the home screen to open apps. But when you're using the iPad with a keyboard, there is still a lot of reaching up to the screen. Your best bet: Learn the keyboard shortcut: Cmd+opt+d.

Multitask

The iPad now gets closer to dashboard experience of laptops, with the ability to make multiple apps fully functional at the same time—if you can figure out how.

The most basic way to multitask is Split View: Launch one app, then pick another out of the dock and move its icon toward the edge of the screen. You have to hit

just the right spot—not far enough, and it won't stick. This mode requires participation by app makers, which is limited today.

Another option, called Slide Over, lets one app hover over another. Launch an app, then pick another out of the dock, dropping it not quite so close to the edge. This took practice, and I never found a convenient way to make the floating app go away.

There's no way to turn an incoming notification—say, an email from your boss—into a Slide Over app. Little stuff like that means more finger yoga to accomplish tasks that take only a slight hand movement on a Mac.

Drag and drop

This may be the most useful iPad skill yet. Say you want to email a photo: Tap

the image you want to send, then drag it over to your email app and drop it in a new message. It works with text and files too. You can drag several things at once: Tap one photo, then use a different finger to tap on another, and they make a stack that you can drop as one.

Is this easier than holding command and selecting multiple things with a mouse or trackpad? No. But it is a clever use for the iPad's multi-touch screen.

Browse your files

On a laptop, you know where all your stuff is. But it was a big mystery on the iPad until now. iOS 11's Files app shows you what you've got stored locally, as well as in the cloud.

Combined with drag and drop, this lets you organize your stuff into nested folders and even tag it.

Apple says even third-party services like Dropbox will be coming to this app. So your iPad could actually become the easiest way to search, tag and browse files if you've got them spread all over the place.

Apple has given its apps a boost, and the best example is Notes. Now if you tap the lock screen with an iPad Pro pencil, up pops the Notes app for taking your big ideas and doodles. Another trick: Tap an icon in the lower right corner to take photos of paper documents. Notes will act like a scanner app and fix lighting and stretch them out to look great.

Is this easier than taking a photo on your phone and sending it to your computer? Actually, yes! And that's still where the iPad shines most: doing things you just can't on a laptop.

YUAN

Continued from page B1 into a cautionary tale of the hype surrounding China tech. The lesson for investors: When it comes to Chinese tech companies, the rules of economics still apply.

LeEco's overexpansion and financial problems were well-known in investment circles. Mr. Jia said publicly that his company was perpetually short of cash. Some investors marveled at his ability to spin attractive narratives that boosted the stock prices and private funding valuations of his ventures.

Zhang Yiming, managing director of private-equity firm Commando Capital in Beijing, has likened Mr. Jia's funding methods to "wire-walking between cliffs."

"Many people in the capital market view him as a fraud because his new businesses are burning a lot of cash but he just keeps telling new stories. As long as 10 out of 100 people believe him, he will have investors," Mr. Zhang told me in an interview last year.

Mr. Zhang said he holds the same view now but doesn't want to say more for fear of being seen as trashy Mr. Jia at a difficult time.

In a letter posted on his official social media account

Thursday, Mr. Jia noted he is still LeEco Holdings' biggest shareholder and he promised to repay loans and overdue payments—if creditors give the company more time.

"Please give LeEco some time, please give LeEco car some time, we will pay back creditors, suppliers and any other debts," Mr. Jia wrote. Neither LeEco nor Mr. Jia responded to requests for comment on Thursday.

Aston Martin says its partnership with LeEco didn't carry any financial or technical liabilities for itself. Vizio didn't respond to requests for comment. Nevada's state treasurer's office didn't respond to a request for comment, though it has said no state bonds will be issued until Faraday proves it can finance the project.

China's tech boom has been looking like a bubble for some time, with vast pools of investment flooding into new ventures since the old manufacture-and-export economy started slowing. Tech blogs, many of them backed by venture capital funds, have churned out ho-sannas about these new ventures. Among the recent darlings: platforms to share bikes and battery packs to recharge mobile phones.

"People are saying that LeEco is a fraud, a Ponzi scheme. But what about the many bike-sharing and



Entrepreneur Jia Yueting's vision included building an ecosystem for consumers that delivered content and hardware. A LeEco smart piano at a 2016 trade show in Shanghai.

power bank-sharing ventures? Are their stories more credible?" says a midlevel LeEco executive who's leaving the company.

Started as a video site in 2004, LeEco wasn't well-known until it became the most valuable internet stock in China's A-share market during the bull run of 2015. Mr. Jia adopted the look of Apple's Steve Jobs—jeans, black turtleneck—and hosted flashy product launches for its TVs and smartphones.

In explaining his vision, Mr. Jia frequently talked about building an ecosystem for consumers that delivered content—from film and online entertainment to

sports—and hardware: smartphones, TVs or cars. The result, he said, would be a "chemical reaction" among the units, propelling each other's businesses.

Those synergies failed to materialize and the rapid expansion led to the cash shortage. How much debt LeEco has piled up isn't publicly known. Its listed video business is the only profitable unit, while its smart TV is its sole product that leads in market share. Its other businesses, especially the two electric car ventures, burn cash.

The 15 billion yuan (\$2.2 billion) that a white knight—in the form of a real-estate

developer—pumped into LeEco in January wasn't enough, though the sum was plowed into repaying loans. At a January news conference, the investor said Mr. Jia didn't know how much money he'd spent.

"The fall of LeEco does not come as a surprise. When you use hype to stretch reality, reality usually wins," says Jay Zhao, a partner at Walden Venture Capital, which is considering investing in Chinese startups and taking on Chinese investors. "It's a painful lesson for all that investors should be very cautious chasing shiny objects. No matter who brings those to you."

BUSINESS WATCH

MERCK

Certain Clinical Trials Of Keytruda Halted

The U.S. Food and Drug Administration suspended two clinical trials and a portion of a third testing Merck & Co.'s Keytruda as a treatment for blood cancer after more patients receiving the drug died than those receiving other treatments, the company said.

Merck said Wednesday the FDA determined the risks of Keytruda, when added to the other drugs the patients in the trial were taking, outweighed any potential benefit for patients with the blood cancer multiple myeloma, based on available data. The other drugs used in the studies are Celgene's Pomalyst and Revlimid.

An FDA spokeswoman couldn't be reached to comment.

Merck said all patients in two



The auto-parts retailer cited demand for its slow sales.

of the studies and a portion of those in a third study will stop receiving Keytruda. Other studies of Keytruda will continue, including among multiple myeloma patients, Merck said.

Merck is conducting more than 400 clinical trials to test new uses for Keytruda, which is

already FDA-approved to treat multiple cancer types including those of the skin and lungs. The drug, introduced in the U.S. in 2014, works by harnessing the body's immune system to attack tumors.

A Merck spokeswoman said the company had no further de-

tails about the patient deaths in the studies.

—Peter Loftus

O'REILLY AUTOMOTIVE

U.S. Retailer Warns Of Slowing Sales

O'Reilly Automotive Inc., one of the largest U.S. specialty retailers of auto parts, warned that a key sales metric in its second quarter fell short of expectations, fueling investor concerns about the sector's health.

O'Reilly Automotive said in a securities filing that same-store sales rose 1.7% in the quarter ended June 30, short of estimates for growth between 3% and 5%. The company cited weak consumer demand and winter weather that was milder than normal, reducing the need for more repairs from weather-related parts breakage.

The retailer reported same-

store sales growth of 4.3% in the comparable period last year.

The auto retailer's shares were down less than 1% to \$177.18 in midday trading on Thursday. But on Wednesday, shares in O'Reilly Automotive fell 19% to \$178.77, its largest one-day percentage decline since its initial public offering in 1993, according to FactSet.

Chief Executive Greg Henkle said in prepared remarks that the sales weakness will hurt the bottom line but added "we remain confident in the long-term health of our industry" and said the company can continue to capture market share.

An O'Reilly spokesman declined to comment beyond its filing with the Securities and Exchange Commission. The company is expected to release its full quarterly financial results on July 26.

—Justina Vasquez

FINANCE & MARKETS

Global Government Bonds Extend Selloff

Anxiety over pullback of monetary policy support fuels exodus from haven debt

By MIN ZENG

Global government bonds sold off on Thursday, deepening their price losses over the past week as anxiety about less monetary policy support from major central banks continued to drive investors to cut bondholdings.

The center of the selling remains in the eurozone where government-bond yields jumped broadly. The yield on the 10-year German government bond, the benchmark for the eurozone's debt markets, rose to the highest level since early 2016. The selling pressure spread to the U.K., the U.S., Canada, Denmark and Sweden.

The yield on the benchmark U.S. 10-year Treasury note, a bedrock for global finance, touched 2.384% earlier Thursday morning, the highest level since May 11, according to Tradeweb. The yield was 2.375% in midday trading, compared with 2.334% Wednesday. Yields rise as bond prices fall.

Last week's selloff broke the calm tone in the bond market that had persisted for months. The 10-year Treasury yield had fallen to 2.135% on June 26, the lowest closing level this year. Since then, the yield has soared more than 0.2 percentage point, highlighting the vulnerabilities of bondholders from a sudden shift in sentiment.

The key factor hurting the bond market has been concerns over a shift in the monetary policy outlook in the developed world, triggered by hawkish comments from policy

makers at the European Central Bank, the Bank of England and the Bank of Canada last week.

"Sentiment for bonds has gone from the rooftop to the basement," said Jim Vogel, market strategist at FTN Financial.

One trigger for Thursday's selling was the minutes from the ECB's recent policy meeting. The release showed ECB policy makers discussed how to signal their increasing confidence in the eurozone economy at their June policy meeting and considered dropping a pledge to accelerate their massive bond-buying program.

Fresh new debt sales from Spain, France and the U.K. added to the bond market's selling pressure, said traders.

In addition, a monthly gauge of the U.S. service sector Thursday continued to point to solid expansion, offsetting a separate report showing the

pace of job growth in the U.S. private sector slowed last month.

The more important jobs report—the nonfarm payrolls data—is due Friday morning, which would influence market expectations toward the Federal Reserve's timing for the next interest-rate increases.

Bond sentiment 'has gone from the rooftop to the basement,' one strategist said.

Large bond-buying monetary stimulus from the ECB and the Bank of Japan, known as quantitative easing, have played a big role in sending global government-bond yields to historically low levels over the past years. Analysts have

warned that the value of government bonds, artificially propped up by these big buyers, would drop once central banks reduce support.

"The gist is that QE forever is coming to an end at some point," said Larry Milstein, head of government and agency trading at R.W. Pressprich & Co.

Some investors said higher bond yields reflect optimism toward the economic outlook. Recent data have pointed to broad improvement in the global economy, which supports the case for major central banks to become less generous in providing monetary stimulus.

One risk, said some analysts, is that a rapid rise in yields could rattle riskier markets. Concerns have been rising over the valuation of U.S. stocks whose prices have reached record highs last month. The 10-year Treasury

yield is a yardstick for money managers to value other assets, so as the base rate rises, it may hurt the value of stocks, corporate bonds and emerging market assets.

Bond yields remain at very low levels from a historical standpoint. The 10-year Treasury yield is still below 2.446% where it settled at the end of last year. In mid-March, the yield traded above 2.6%. In past years, the bond market has suffered a number of sell-offs but they were short-lived.

Now debate is growing among investors over whether the current selloff episode may soon fade again or it could gain more momentum and become a repeat of the taper tantrum in 2013.

Some money managers said the risk of a taper tantrum repeat is low as policy makers at the world's major central banks would try to avoid a market shock.

FIRM

Continued from page B1

up a subsidiary in Luxembourg in March, aggrieved Irish officials complained to European authorities that some countries weren't playing fair, people familiar with the matter say. European officials responded by saying EU laws should be applied consistently across the region and, in some instances, releasing nonbinding guidelines for regulators on handling financial firms moving from the U.K. to stay in the bloc's single market.

The EU's financial sector is governed by a series of continentwide guidelines. But the patchwork of national authorities still has significant leeway to interpret their own rules. Danièle Nouy, who chairs the European Central Bank's supervisory arm, said in a speech last month she was concerned lenders "may exploit supervisory loopholes by carrying out banklike activities" by operating through foreign branches or broker dealers, "which are not supervised at euro-area level, but rather at national level."

A key issue is how much EU and national regulators will allow companies to keep operations in the U.K. while selling



A Lloyd's of London office in 1924. Lloyds is setting up a base in Brussels, which allowed a structure that would minimize disruption.

products to European clients. Lloyd's of London, founded in a London coffee shop in the 17th century, doesn't have a major outpost in Europe, but will likely need one after Brexit so that members using the market can sell policies to

European clients.

But picking up and moving can be messy and expensive, so Lloyd's had a key demand for prospective nations: Underwriters should remain based in London—an important ask given the EU accounts

have the benefits of free trade with the EU.

"When I hear people say that firms need to relocate to continue to benefit from access to EU financial markets, I start to seriously wonder," he said.

"Does Brexit have to mean abandoning the benefits of free trade and open markets in financial services? It should not. Does it require membership of the single market to get the benefits of free trade with the EU? No."

Speaking at a separate event on Thursday, London Stock Exchange Chief Executive Xavier Rolet said the EU has already struck deals with third countries for clearing and that any effort by the EU to cut off London would be "punitively expensive."

Mr. Rolet said the EU has indicated they are looking at options for about 1,000 of their London staff.

Mr. Rolet questioned whether financial companies required single-market access to

close ties to the bloc.

J.P. Morgan Chase & Co.

initially plans to move between 500 and 1,000 jobs out of London, and bolster its operations in Dublin, Luxembourg and Frankfurt. **UBS Group AG** and **HSBC PLC** have indicated they are looking at options for about 1,000 of their London staff.

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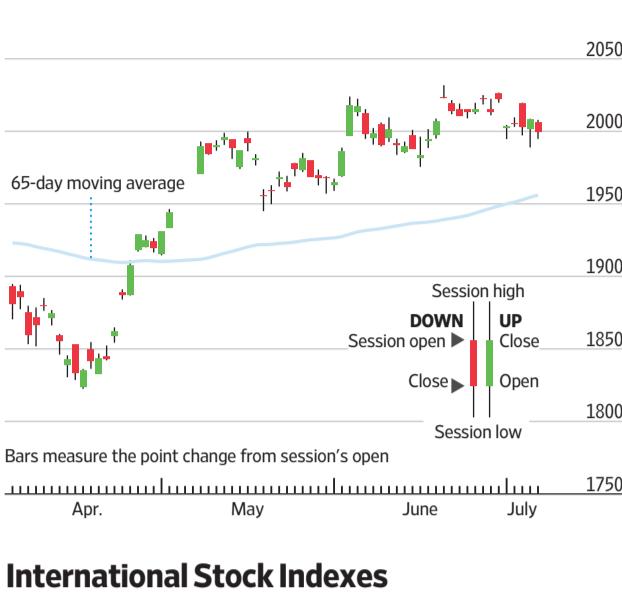
initially plans to move between 500 and 1,0

MARKETS DIGEST

Nikkei 225 Index

19994.06 ▼87.57, or 0.44%

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

380.43 ▼2.56, or 0.67%

High, low, open and close for each trading day of the past three months.



S&P 500 Index

Data as of 12 p.m. New York time

Last 23.87 23.74

P/E estimate * 18.72 17.82

Dividend yield 1.96 2.18

All-time high: 2453.46, 06/19/17

2422.19 ▼10.35, or 0.43%

High, low, open and close for each

trading day of the past three months.



International Stock Indexes

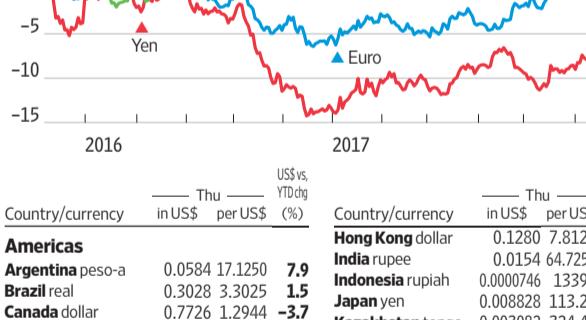
Data as of 12 p.m. New York time

Region/Country	Index	Close	Net Chg	% chg	52-Week Range	Close	High	YTD % chg
World	The Global Dow	2778.68	-4.42	-0.16	2286.80	2792.77	9.9	
	MSCI EAFE	1882.70	-0.90	-0.05	1471.88	1956.39	9.7	
	MSCI EM USD	1006.62	-3.23	-0.32	691.21	1044.05	26.7	
Americas	DJ Americas	582.12	-2.27	-0.39	503.44	588.61	7.7	
Brazil	Sao Paulo Bovespa	62701.67	-452.50	-0.72	51888.19	69487.58	4.1	
Canada	S&P/TSX Comp	15111.40	-41.72	-0.28	14102.98	15943.09	-1.2	
Mexico	IPC All-Share	50037.07	-263.74	-0.52	43998.98	50339.63	9.6	
Chile	Santiago IPSA	3662.30	-21.66	-0.59	3112.50	3786.05	13.6	
U.S.	DJIA	21409.64	-68.53	-0.32	17816.65	21562.75	8.3	
	Nasdaq Composite	6118.49	-32.37	-0.53	4853.68	6341.70	13.7	
	S&P 500	2422.19	-10.35	-0.43	2083.79	2453.82	8.2	
	CBOE Volatility	11.97	0.90	8.13	9.37	23.01	-14.7	
EMEA	Stoxx Europe 600	380.43	-2.56	-0.67	322.12	396.45	5.3	
	Stoxx Europe 50	3119.77	-23.27	-0.74	2720.66	3279.71	3.6	
France	CAC 40	5152.40	-27.70	-0.53	4102.68	5442.10	6.0	
Germany	DAX	12381.25	-72.43	-0.58	9389.05	12951.54	7.8	
Israel	Tel Aviv	1428.36	-4.83	-0.34	1372.23	1490.23	-2.9	
Italy	FTSE MIB	21084.19	144.80	0.69	15356.08	21828.77	9.6	
Netherlands	AEX	509.94	-1.41	-0.28	424.30	537.84	5.5	
Russia	RTS Index	1011.79	3.91	0.39	898.05	1196.99	-12.2	
Spain	IBEX 35	10498.40	-25.20	-0.24	7961.20	11184.40	12.3	
Switzerland	Swiss Market	8886.95	-67.15	-0.75	7585.56	9148.61	8.1	
South Africa	Johannesburg All Share	52285.08	-198.82	-0.38	48935.90	54716.53	3.2	
Turkey	BIST 100	100627.01	-117.44	-0.12	70426.16	101415.6	28.8	
U.K.	FTSE 100	7337.28	-30.32	-0.41	6463.59	7598.99	2.7	
Asia-Pacific	DJ Asia-Pacific TSM	1616.23	-3.37	-0.21	1354.24	1643.59	13.6	
Australia	S&P/ASX 200	5758.80	-4.50	-0.08	5156.60	5956.50	1.6	
China	Shanghai Composite	3212.44	5.31	0.17	2953.39	3288.97	3.5	
Hong Kong	Hang Seng	25465.22	-56.75	-0.22	20564.17	26036.06	15.7	
India	S&P BSE Sensex	31369.34	123.78	0.40	25765.14	31369.34	17.8	
Indonesia	Jakarta Composite	5849.58	24.52	0.42	4971.58	5910.24	10.4	
Japan	Nikkei Stock Avg	19994.06	-87.57	-0.44	15106.98	20230.41	4.6	
Malaysia	Kuala Lumpur Composite	1770.53	2.37	0.13	1616.64	1792.35	7.8	
New Zealand	S&P/NZX 50	7629.61	33.94	0.45	6664.21	7685.45	10.9	
Pakistan	KSE100	44823.11	-590.31	-1.30	37966.76	52876.46	-6.2	
Philippines	PSEI	7888.31	39.47	0.50	6563.67	8102.30	15.3	
Singapore	Straits Times	3226.34	-22.37	-0.69	2787.27	3271.11	12.0	
South Korea	Kospi	2387.81	-0.54	-0.02	1958.38	2395.66	17.8	
Taiwan	Weighted	10368.20	-36.59	-0.35	8640.91	10513.96	12.0	
Thailand	SET	1569.64	-5.38	-0.34	1406.18	1591.00	1.7	

Source: SIX Financial Information; WSJ Market Data Group

Currencies

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



Source: Tullett Prebon, WSJ Market Data Group

London close on July 6

US\$ vs. Country/currency

— Thu — YTD chg

Country/currency

FINANCE & MARKETS

Shorting Dwindles in Hong Kong

High-profile bets by activists mask overall decline in investors' short-sale appetite

BY STEVEN RUSSOLILLO

HONG KONG—Activist investors have been increasingly hunting for stocks to take on in Hong Kong. Yet the rest of the market isn't rushing to jump on board.

Prominent short sellers, including Carson Block of **Muddy Waters** LLC and U.S.-based **Gotham City Research**, have targeted Hong Kong-listed stocks in recent months in an effort to profit from what they expect will be future price declines. These well-publicized campaigns mask the fact that overall short-selling activity throughout Hong Kong has declined as stocks in the region have soared this year.

"Hong Kong has been a dangerous place to play for short sellers," says Simon Colvin, research analyst at financial-data firm IHS Markit. "There is not a sustained appetite to short these stocks."

Only 1.5% of shares in Hong Kong's Hang Seng Index were out on loan as of July 5, a proxy for short interest reflective of investors betting against a stock, according to a report this week by IHS Markit. That is the lowest level in nearly two years and down from 2.5% in August 2016.

Short sellers borrow shares to sell them with the hope of buying the shares back later at a lower price and pocketing the difference. Falling short interest in Hong Kong contrasts with what is happening in the U.S. Some 4.1% of shares in the Russell 3000 Index—a broad U.S. benchmark—were out on loan in June, the highest level in eight months and up from 3.6% at the beginning of the year, according to IHS Markit.

Short selling can be controversial: Proponents argue skepticism in the market is



Hong Kong shorting campaigns have targeted at least 20 firms this year. View of Central's skyline.

Henry Cai Sees Big Demand for Fund

BY NINA TRENTMANN

AGIC Capital, a \$1 billion Hong Kong-based private-equity fund, is moving up the launch date of a new multibillion-dollar fund due to strong investor demand, its chairman said.

After initially setting a target date of 2018, AGIC now plans to launch the fund this year, Chairman Henry Cai said in an interview with The Wall Street Journal. AGIC plans to raise \$2 billion to \$3 billion for the new fund.

"I have investors calling me all the time, asking, 'Do you have something for us to invest in?'" Mr. Cai said.

The new fund is targeting overseas and Chinese investors from the insurance, reinsurance and wealth-management sectors as well as rich individuals, Mr. Cai said. Its goal is to invest around 60% of its capital in European technology firms and the rest in U.S. investments, and to help those firms expand to China.

The move comes days after AGIC struck a deal to buy The Ritedose Corp., a Columbia, S.C.-based pharmaceutical manufacturer.

Around 70% of the capital for the new fund is expected to come from investors outside of China, Mr. Cai said. The rest will come from overseas cash holdings of Chinese investors.

"There is a quite strong interest by investors to bring new technologies to China," said Oliver Rui, a professor of finance at the China Europe International Business School in Shanghai. Funds like AGIC's appeal to Chinese investors, and are unlikely to attract attention from Chinese regulators as they raise the majority of capital outside the country.

"From a regulatory point of view, that's not a problem," Mr. Rui said. Chinese regulators are mostly scrutinizing big transactions by Chinese companies that involve the overseas transfer of capital, Mr. Rui said. The country's

banking regulator at the end of June began a probe of the borrowings of some of the biggest Chinese overseas investors, including Anbang Insurance Group Co. and Fosun International Ltd.

Raising capital in international capital markets isn't a problem for AGIC, its chairman said. "I have good contacts, especially on Wall Street," Mr. Cai said. Before co-founding AGIC in 2015, Mr. Cai worked at banks including **Deutsche Bank** AG, **UBS Group** AG and BNP Paribas SA.

Among the shareholders of his existing fund are sovereign-wealth fund China Investment Corp. and Chinese insurance firms Citic Securities and China Life Insurance.

Mr. Cai is focused on European technology, especially from Germany's so-called Mittelstand sector comprising medium-size, industrial companies. AGIC was part of a

Mr. Cai's AGIC has moved up the launch date of the fund to this year from 2018.

consortium led by China National Chemical Corp. that last year agreed to buy German equipment maker KraussMaffei Group GmbH for \$1 billion.

"For bigger deals, we would look at partnering with a Chinese partner," Mr. Cai said. AGIC would do deals of up to €300 million (\$340.5 million) alone, he added.

The fund aims at taking a controlling stake—with veto rights and a board seat—in companies and sees itself as an adviser that helps these companies bring their technology to China, Mr. Cai said. It plans to invest in companies focusing on industrial automation, robotics, mechatronics and semiconductor components.

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TECHNOLOGY COLUMNISTS

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MARKETS

BOJ Tapers Without the Tantrum

BY MIKE BIRD

The European Central Bank is wrestling with a problem facing monetary-policy makers around the Western world—dialing back stimulus without upending financial markets.

But one central bank has been quietly balancing this act since late last year, buying fewer bonds without spooking investors: the Bank of Japan.

On Thursday Germany's 10-year bond yield hit 0.5% for the first time since the start of 2016 as investors continue to anticipate the winding down of the ECB's €60 billion (\$68.3 billion) of monthly bond purchases.

Central banks have been buying bonds to stimulate the economy and inflation.

The BOJ does this by targeting where it wants government-bond yields to be, rather than setting an amount of money it will spend every month, as the ECB and Bank of England do and U.S. Federal Reserve once did.

So if the BOJ hits its target of a zero yield on 10-year government debt, it can adjust its buying without having to announce it. Likewise, the commitment to intervene if yields rise puts off anyone considering shorting Japanese bonds: nobody wants to go up against a buyer that can essentially print its own money.

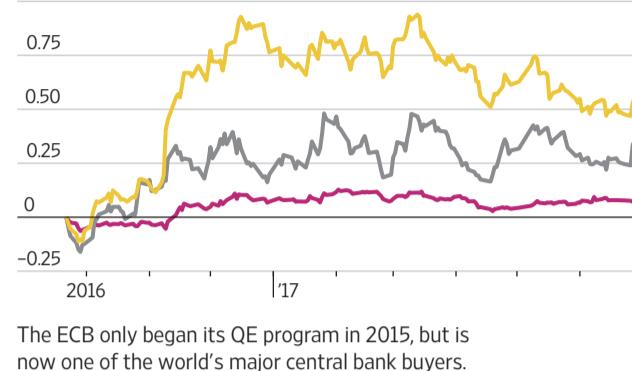
In the second quarter of 2017, the BOJ accumulated an average of ¥13.5 trillion (\$119 billion) in assets compared with a quarterly average of ¥22.8 trillion in 2016. That is less than at any time since the program began in the spring of 2013. Japanese government-bond yields have gyrated by far less than their European and U.S. peers in the last nine months, and haven't joined in the recent selloff.

That selling was sparked last week when ECB President Mario Draghi noted a "strengthening and broadening" recovery in the eurozone.

Market Control

The Bank of Japan has been quietly slowing down the growth in its balance sheet, but its yield control target has prevented a panicked reaction in the country's bond market.

Japan's 10-year bond yields have moved far less than their international peers since yield curve control was introduced in September.



The ECB only began its QE program in 2015, but is now one of the world's major central bank buyers.

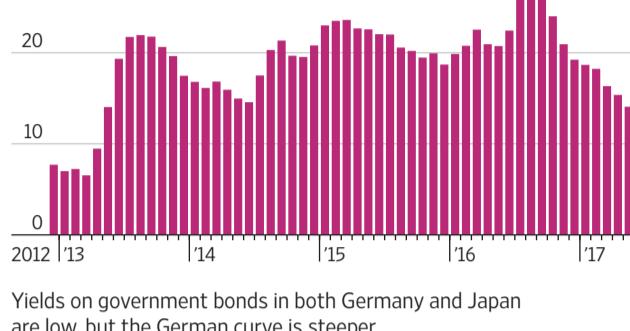


*Change in yields, in percentage points, since September 21, 2016. Data through Thursday 2.55 BST

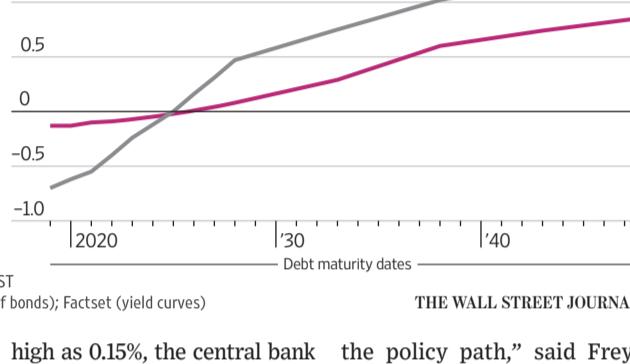
Source: Tradeweb (yields); Japan Macro Advisors (balance sheet); European Central Bank (stock of bonds); Factset (yield curves)

The Bank of Japan's balance sheet expansion has quietly slowed down, with little reaction in the bond market.

¥30 trillion Three month rolling



Yields on government bonds in both Germany and Japan are low, but the German curve is steeper.



THE WALL STREET JOURNAL.

Stocks in U.S. Pull Back as Bonds Fall

BY RIVA GOLD AND AKANE OTANI

U.S. stock indexes retreated Thursday as government-bond prices slid.

The Dow Jones Industrial Average lost 86 points, or 0.4%, to 21392 around midday. The S&P 500 and the Nasdaq Composite both fell 0.5%.

In Asia, THURSDAY'S MARKETS Japan's Nikkei Stock Average fell 0.4% after the yen strengthened against the dollar, pressuring the export-heavy index. Hong Kong's Hang Seng Index eased 0.2% even as index heavyweight Tencent inched higher, while the Shanghai Composite Index added 0.2%.

In Europe, the Stoxx Europe 600 fell 0.7% as minutes from the European Central Bank's June meeting showed policy makers considered dropping a pledge to accelerate their massive bond-buying program.

Major U.S. indexes have wavered recently as gains in financial stocks have largely been offset by pullbacks elsewhere. Seesawing oil prices have weighed on shares of energy companies, while a rally in technology, the best-performing sector in the S&P 500 this year, has paused as investors have questioned whether its run had been overdone.

Energy stocks fell 1.1% in the S&P 500 around midday Thursday.

Bank stocks climbed with government-bond yields, with the KBW Nasdaq Bank Index of U.S. commercial lenders edging up 0.3%.

The yield on the 10-year U.S. Treasury note rose to 2.378% by midday Thursday, according to Tradeweb, from 2.334% Wednesday. Yields rise as bond prices fall.

the policy path," said Freya Beamish, chief Asia economist at Pantheon Macroeconomics. "The yield-curve target is doing all the work."

Mr. Draghi has outlined the difficulty faced by any central bank looking to taper so-called quantitative easing. While the threat of deflation that the ECB's program was designed to counter has passed, "a very substantial degree of monetary policy is still needed," in part to ensure that "overall financing conditions continue to support that reflationary process," he said in late June.

—Riva Gold contributed to this article.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

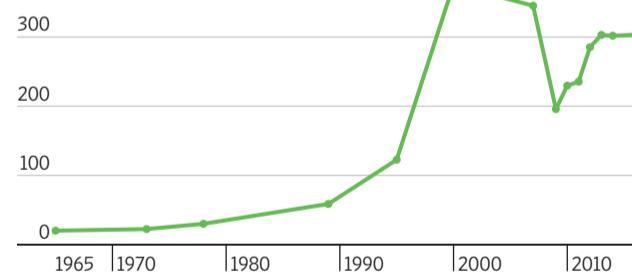
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Pay Ratio: Flawed but Useful Tool

Foul Pay?

Ratio of realized CEO pay to average pay for the top 350 U.S. firms by sales



Source: Economic Policy Institute

for a specific company over time. A widening ratio could be a warning flag that a management team is getting greedy.

Knowing what the median employee at a company makes would also fill gaps in investors' understanding, such as how the wage bill compares with other costs.

Admittedly, the SEC only requires companies to update the calculation once every three years, so useful insights into how the median wage changes relative to profit, say, would take years to emerge.

That said, investors shouldn't assume more thrifitily paid bosses offer value for money. Simplistic studies can show an association between lower pay and higher returns, but this is partly because larger companies pay better while small-caps usually outperform large-caps.

Investors should welcome any move toward greater transparency, but wield their new analytical tool with caution.

—Stephen Wilmot

OVERHEARD

The holiday weekend has shown that American moviegoers may be suffering from a mild case of sequel fatigue.

"Despicable Me 3," the latest installment of the franchise from Comcast's NBCUniversal topped U.S. box-office charts last weekend.

But its estimated \$86.4 million in receipts over the four-day period through Monday falls short of the \$119.4 million its predecessor, "Despicable Me 2," took in during the comparable period, according to Box Office Mojo.

Another cinematic sibling that hasn't lived up to its predecessors is "Transformers 5" from Viacom's Paramount Pictures.

In a possible sign of thirst for originality, Sony's "Baby Driver" was the weekend's second-highest grossing film. That was a strong showing, but with an estimated \$35 million in box-office receipts through Monday, it still has a way to go to catch up with even the disappointing sequels.

North Korea Isn't Bad for China Banks

As tensions over North Korea escalate, the U.S. Treasury has slapped sanctions on **Bank of Dandong**, based near the China-North Korea border, accusing it of facilitating "millions of dollars of transactions for companies involved in North Korea's nuclear and ballistic missile programs."

The sanctions, which halt the bank's access to the U.S. financial system, may not deter the Chinese bank, however.

Proximity to North Korea appears to have been a help to lenders in a region of China that has fallen behind the rest of the country economically.

Bank of Dandong's assets were up 14% last year and have grown by 70% since 2014.

Assets at another regional lender, **Shengjing Bank**, grew by 30% to \$130 billion last year.

China's largest banks aren't afraid to deal with North Korea, either. When **Postal Savings Bank of China** went public last year in an IPO worth over \$7 billion, its prospectus noted that it transacts with countries that could be subject to sanctions due to its dealings in places like North Korea, Sudan and Iran.

The bank has more than one-tenth of its total outlets in northeastern China, with 900 branches.

The U.S. Justice Department previously named several Chinese banks—both large and small—in a case involving North Korea and money laundering.

With its moves against Bank of Dandong, the Treasury may have only just scratched the surface of China's banking ties to North Korea.

—Anjani Trivedi

Trump Is Right: Beijing Could Pressure Pyongyang More

Donald Trump says China could do a lot more to rein in its recalcitrant neighbor. When it comes to trade, he has a point.

After North Korea's successful launch of an intercontinental ballistic missile on July 4, Mr. Trump cited Chinese customs data showing that the country's trade with North Korea was up nearly 40% on the year in the first quarter, despite promises from Chinese President Xi Jinping to ratchet up pressure on its neighbor following this spring's Mar-a-Lago summit.

China has put the squeeze on in one important way: blocking North Korean coal

imports, although some black-market activity is almost certainly carrying on. As recently as February, before the Trump-Xi summit, coal counted for about half of North Korea's export earnings from China.

Yet that tough action hasn't been matched elsewhere. As coal imports have withered, imports of another commodity, iron ore, have ramped up. The increase may not be deliberate. China's real-estate market, the main demand driver for iron ore, has recovered sharply over the past year. But the numbers are striking: Iron-ore imports from North Korea quadrupled in value in the

first quarter of 2017 compared with a year earlier and were twice as high by tonnage. China's overall iron-ore import tonnage rose only 12% on the year in the first quarter.

By banning North Korean iron-ore imports as well, China could instantly deprive it of an additional \$10 million or \$20 million each month, equivalent to around 10% of China's trade surplus with the country.

Other problems lie with the numbers themselves. Chinese customs abruptly stopped reporting crude-oil export volumes to North Korea in 2014, but Chinese state firms such as China Na-

China could do much more to make life hard for North Korea, but it fears pushing too hard lest the regime collapse, resulting in a flood of refugees and, perhaps, American troops on its border. For Mr. Trump and the U.S., however, a North Korea with intercontinental ballistic missiles is clearly unacceptable—particularly when progress appears sparse in other areas of the Sino-U.S. relationship, including trade.

U.S.-China trade tensions have taken a back seat to other concerns for investors since the Mar-a-Lago summit. Expect that to change again soon.

—Nathaniel Taplin

Taking Lumps

Chinese imports from North Korea, change from a year earlier

150tons Iron ore Coal

2012/13 2014 2015 2016 2017

Note: 3-month moving average Source: CEIC

THE WALL STREET JOURNAL.

international Petroleum Corp. continue to serve as a lifeline for North Korea's energy sector, exporting crude and diesel from northeastern Chinese cities.

With its moves against Bank of Dandong, the Treasury may have only just scratched the surface of China's banking ties to North Korea.

—Anjani Trivedi

Why 'summer
sweater' is
not an
oxymoron
W3



OFF DUTY



Travel back
in time to
Prohibition-era
New York
W4

EATING | DRINKING | STYLE | FASHION | DESIGN | DECORATING | ADVENTURE | TRAVEL | GEAR | GADGETS

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THE WALL STREET JOURNAL.

Friday - Sunday, July 7 - 9, 2017 | **W1**



TED CAVANAUGH FOR THE WALL STREET JOURNAL FOOD STYLING BY HEATHER MELDRUM PROP STYLING BY NINA CUEVA

Does This Look Instant to You?

The Instant Pot has seduced legions with promises of stews that cook themselves. But what would Julia Child say? With a sophisticated summer menu based on her recipes, we put this gadget to the test

BY SARAH KARNASIEWICZ

RECENTLY, FOLLOWING the lead of millions of other harried cooks, I introduced an Instant Pot to my kitchen. Perhaps you've heard of the gizmo? It's the highest-profile brand of the increasingly pervasive countertop "multicooker"—combination Crock Pot, pressure cooker, rice maker, electric skillet and yogurt maker.

This \$99 appliance from the tiny Ontario-based company Double Insight has, in the seven years since its debut, progressed from a niche product modestly popular with Paleo dieters to a viral marketing sensation. At least a half-dozen multicooker-focused cookbooks are slated for publication over the next year. The product sits reliably atop Amazon's Home



and Kitchen bestseller list, and during 2016's Prime Day—the online retailer's annual one-day flash sale—it was the biggest-selling item in the U.S. market, in any category, with more than 215,000 units moved on that day alone. On Facebook, a community page dedicated to the brand currently counts more than half a million members.

This should be where I tell you the Instant Pot revolutionized my cooking and my life along with it. But that's not exactly the story. It was midwinter when I unpacked my new toy, and the test spins—my mother-in law's braciole, a rib-sticking stew, a spicy chili—were successes. Still, a gal, especially one with a taste for seasonal cooking, can only stomach so much braised beef and ranch beans. By the time the trees were in bloom, my Instant Pot was back on the shelf.

Please turn to page W2

OFF DUTY

MASTER THE ART OF THE MULTICOOKER

Continued from the prior page

There the Instant Pot sat until a few weeks ago, when, packing for my family's annual trip to Cape Cod, I was reminded of an essay the novelist Jhumpa Lahiri once wrote. She made the case that you could cook everything you need during a summer getaway in a single cast-iron pan. Recalling the appliance's promises of ease—not to mention our un-air-conditioned cabin—I eyed my Instant Pot with fresh curiosity. Into a canvas tote it went, along with a few well-thumbed cookbooks by Jane Grigson, Julia Child and Elizabeth David that have become stalwart seaside references. Could the machine adapt to summer's lighter fare?

On arrival, I eased in with a simple challenge: a batch of hard-boiled eggs for beach snacking. Given the 8 minutes it took for the pot to reach pressure, the process proved no quicker than my usual method. Yet there were upsides: namely, shells that slid off with nary a nick and entirely avoiding the swelter of stovetop boiling. Multicookers keep the heat inside and the kitchen cool.

Recalling the promises of ease—not to mention our un-air-conditioned cabin—I eyed my Instant Pot with fresh curiosity.

A few days later, I threw a quart of sliced strawberries in with a spoonful of sugar and a splash of vanilla extract and closed the lid. After cooking it for two minutes at high pressure, I had a syrupy compote that thickened as it cooled and made a lovely sight at breakfast, spooned over ricotta toast. (Per the internet, I could have made that ricotta in the Instant Pot, too—but let's be serious, I was on vacation.)

Part of becoming a competent cook is learning to play to strengths and minimize shortcomings—in your ingredients, your equipment, yourself. With a few months of occasional use, I'd begun to understand the Instant Pot's flaws. Tender veggies like spring peas and petite carrots are obliterated in the intense atmosphere of high-pressure cooking. And because of the intense, moist heat the pot generates and the lack of opportunity for evaporation once the lid is sealed, you can forget about crisped edges. But I appreciate the capacity to sauté ingredients in the pot, uncovered, before affixing the lid for a steam or a braise, saving the work of washing another pan. And plenty of delicious, summery dishes don't require browning. I began to wonder if I'd hamstrung the gadget's potential by relying so heavily on the economy-focused advice and down-home recipes dispensed on message boards and blogs.

So, over one humid weekend in Cape Cod, I staged a final throw-down: preparing an elegant summer supper for visiting friends using nothing but the multicooker and my 1961 edition of Julia Child's "Mastering The Art of French Cooking." Success, I knew, hinged heavily on

canny recipe selection, but I didn't want to play it totally safe, either. In the end, I settled on a quartet of resolutely summery classics: homard à l'Américaine, ratatouille and soubise (a sweet onion risotto)—plus a fudgy (and gluten-free) gâteau Reine de Saba to finish it off.

To get the goods to the table at the proper temperature and degree of doneness would require me to stagger my cooking. I started a day prior with the cake, which calls for a chill before serving, and continued on with the soubise and the ratatouille, both of which cope well with gentle reheating. The lobster would have to be done, as Julia might put it, à la minute.

"Baking" inside an Instant Pot required a new technique: pot-in-pot cooking (PIP in the parlance of the message boards). Happily, that turned out to be as straightforward as it sounds, involving nothing more than lowering a small spring-form pan onto the steaming rack and sealing the Instant Pot for a half-hour session. I'd chosen the Reine de Saba because I suspected its dense, almost puddinglike consistency would be well suited to the steamy climate of the cooker. My hunch was right. Crowned with a cloud of freshly whipped cream and a corona of summer berries, it was a sight to behold.

The ratatouille and soubise were the menu's ringers: exactly the sort of succulent, moisture-loving dishes that pressure cooking can improve. The ratatouille's mélange of eggplant emerged from the pot silky and slicked with fragrant, herb-infused oil, and I may never make risotto another way again.

That left the lobster. Any recipe that begins with plunging a knife directly into a live animal is liable to give you a case of nerves, and indeed, as showtime approached I felt the panic of wading into uncharted waters. I was buoyed by a comment I read from chef Joël Robuchon that described pressure cooking as a lovely method for lobster. But nowhere on Facebook could I find references to Instant Pot flambéing.

Also, no disrespect to Mme. Child, but I'm no tomato-peeling cook. Dispensing with that step—and the flambéing, for safety's and sanity's sake—I simply split the lobsters and sautéed them in batches before returning them to the pot for a fast, final schvitz in a broth of vermouth, tomatoes and herbs.

It was remarkable. I'm sure the dinner I laid on the table a few moments later didn't resemble anything the engineers at Double Insight had in mind when they were designing their "closed loop control systems." Nor was this method exactly what Ms. Child had in mind when she addressed the "servantless American cook who can be unconcerned on occasion with budgets, waistlines and time schedules." I was having my (Reine de Saba) cake and eating it, too: With the Instant Pot, this really rather grand meal had come together with minimal sweat, figuratively as well as literally.

Will my Instant Pot face many more bouts in this weight class? Probably not. But it's nice to know how far I can push it. And I'll never again head to the beach without it.

Soubise

(Sweet Onion Risotto)

Apart from the optional garnish, this dish can be made a day ahead and reheated.

ACTIVE TIME: 15 minutes

TOTAL TIME: 35 minutes

SERVES: 4-6

1½ cups Arborio rice

2 pounds sweet onions, such as Vidalia, thinly sliced

8 tablespoons (1 stick) butter, divided

Kosher salt

3 tablespoons heavy cream

2 ounces Gruyère or

Emmentaler cheese, grated

Freshly ground black pepper

Fresh basil, shredded, or fresh oregano sprigs, for garnish



- Add 3 cups water to the pot of a 6-quart multicooker. Set to Sauté and bring to a boil. Add rice and stir. Simmer 5 minutes, then drain rice and set aside.
- With cooker still set to Sauté, add 4 tablespoons butter to pot. Once melted, add onions and stir to combine. Sauté, stirring frequently, until onions are soft and translucent, about 7 minutes. Return rice to pot along with remaining butter, ½ cup water and a pinch of salt. Stir until well combined. Seal multicooker, set manually to High Pressure and cook 7 minutes.
- When cooking has finished, let pressure release naturally for 10 minutes, then use the quick release method to open cooker. Add cream and cheese and stir mixture well. Season with salt and pepper to taste. Transfer to a serving dish and garnish with fresh herbs. Serve hot.

—Adapted from "Mastering the Art of French Cooking"



Gâteau Reine de Saba (Queen of Sheba Cake)

ACTIVE TIME: 10 minutes TOTAL TIME: 2½ hours (includes cooling) MAKES: 1 (7-inch) cake

Nonstick cooking spray

5 ounces dark chocolate chips or wafers (at least 60% cacao)

8 tablespoons (1 stick) unsalted butter, softened

½ cup sugar

3 eggs

1 teaspoon real vanilla extract

2 tablespoons dark rum

¾ cup fine almond flour

½ teaspoon kosher salt

¾ cup heavy cream

Seasonal fruits, for garnish, such as strawberries, blueberries, raspberries, sliced plums, sliced apricots and sweet cherries

1. Spray a leakproof 7-inch springform pan with non-stick cooking spray. Set aside. Place chocolate in a heatproof bowl and melt, stirring occasionally, in microwave or over a saucepan of simmering water.

2. Combine butter and sugar in a large bowl and use an electric mixer to beat on medium-high until pale, about 2 minutes. Add eggs one at a time and continue beating until mixture is very pale and fluffy, 4-5 minutes. Stir in vanilla and rum. Gently fold in melted chocolate, almond flour and salt.

3. Spoon batter into prepared pan and smooth out top. Cover loosely with aluminum foil. Lower pan into

the pot of a 6-quart multicooker fitted with steamer rack. Pour 1 cup water into bottom of multicooker's pot.

4. Seal multicooker, set manually to High Pressure and cook 30 minutes. When cooking has finished, let pressure release naturally.* Then transfer pan to refrigerator to chill at least 2 hours or overnight.

5. Just before serving, whip cream until it forms loose peaks. Spoon generously onto cake and top with a colorful mixture of berries and sliced summer fruit.

—Adapted from "Mastering the Art of French Cooking" by Julia Child, Louisette Bertholle and Simone Beck

Homard à l'Américaine (Lobster with Wine, Tomatoes, Garlic and Herbs)

ACTIVE TIME: 20 minutes TOTAL TIME: 30 minutes SERVES: 4

2 (1½-pound) lobsters

4 tablespoons olive oil

1 carrot, peeled and finely diced

1 onion, finely diced

2 shallots, finely diced

2 cloves garlic, minced

½ cup Cognac

1 pound ripe tomatoes, chopped and juice reserved

2 tablespoons tomato paste

½ cup clam juice

1 cup dry vermouth

2 tablespoons chopped fresh parsley, plus more for garnish

1 tablespoon chopped fresh tarragon, plus more for garnish

6 tablespoons unsalted butter, softened

1 large baguette or other crusty loaf



1. Quickly and humanely kill lobsters by positioning the tip of a chef's knife in the center of the head and plunging the blade in between the eyes. Next, split lobsters in half lengthwise. Spoon out the green tomalley and red coral (if present) and set aside. Remove heads. (Save for making stock, if desired.) Remove claws from body and crack them. (This makes them easier to open later.)

2. Warm oil in the pot of a 6-quart multicooker set to Sauté. When hot, add lobster pieces in batches and sear, turning occasionally, until shells are bright red and meat is golden at edges, 4 minutes per batch. Transfer cooked lobster pieces to a plate.

3. Add carrots, onions and shallots to pot. Sauté until fragrant and softened, about 4 minutes. Add garlic and sauté 2 minutes. Stir in Cognac, tomatoes with juice, tomato paste, clam juice and vermouth. Add parsley and

tarragon. Return lobster pieces to pot.

4. Seal multicooker, set manually to High Pressure and cook 5 minutes. When cooking has finished, use quick release method to open multicooker.

5. Transfer lobster pieces to a plate. Set multicooker to Sauté and let sauce simmer until reduced by half, 8-10 minutes.

6. Meanwhile, combine softened butter with reserved tomalley and coral in a medium bowl. Drizzle a ladleful of the hot sauce into bowl and rapidly whisk together with butter mixture

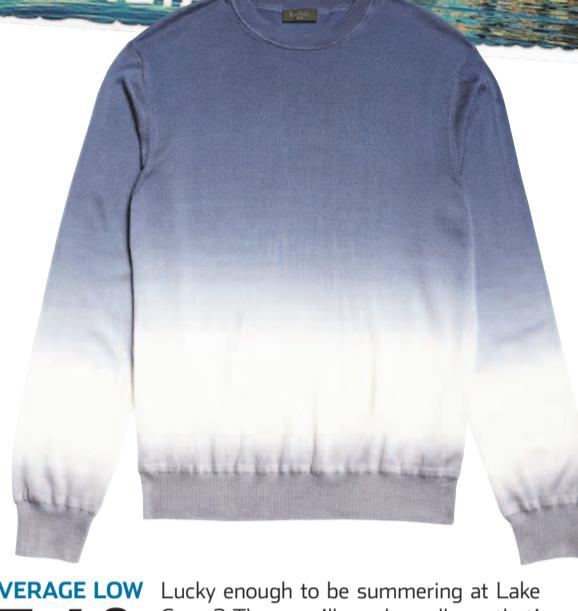
until smooth. Add mixture back into sauce along with reserved lobster pieces. Cook 2 minutes more, stirring frequently, until warmed through.

7. Transfer lobster and sauce to a deep serving platter and garnish with fresh herbs. To serve, divide among 4 wide, shallow bowls and provide slices of crusty bread for sopping up sauce.

—Adapted from "Mastering the Art of French Cooking"

► Find a multicooker recipe for ratatouille at WSJ.com/Food

OFF DUTY



AVERAGE LOW **54°** Lucky enough to be summering at Lake Como? Then you'll need a pullover that's posh enough for an Italian industrialist. When temperatures dip to the mid-50s, Berluti's cashmere crewneck, gradient-dyed in cool blue-gray tones, will keep you from appearing uncouthly ill-prepared at cocktail hour.

Sweater, \$1,010, [berluti.com](#), 212-439-6400

Comparable Climates: London, Sydney, St. Moritz

Heat Weaves

Counterintuitive though it might seem, no July or August holiday jaunt is complete without a summer sweater

BY JACOB GALLAGHER

IT WASN'T FAIR. I was on summer vacation, and should have been baking in the SoCal sun, sipping from a moisture-beaded bottle of Corona. But I wasn't. I was shivering. Goosebumps ran up and down my arms, exposed in a flimsy cotton T-shirt. I wondered if any bars along the Venice boardwalk had a fireplace. I was pining for that most underappreciated of summer standbys: a light but, yes, moderately cozy sweater.

Even in the height of summer, there are nights "when it's still cold and people still need to layer up," said Mary Lou Ryan, co-founder of Bassike, a Sydney-based brand that excels at toasty, thin knits. "It all comes down to the weight of the yarn," she added. Instead of wool or cashmere, most summer knits rely on cotton, merino, silk or a blend.

The weave itself matters, too. Look for "something more open so that it's a little bit airier," suggested Don Weir, co-founder of Stag, a menswear boutique with outposts in Texas and Venice, Calif. Bassike's Ms. Ryan concurred: "[A loose weave] gives it that relaxed appeal, so it doesn't feel like an uptight knit." In other words: You'll look more appropriately dressed for a backyard barbecue than a session of resentful snow shoveling.

For easygoing summer style, minus the unmanly shivering, we've identified five suitably smart layers to handle July's average-low temperatures in five seasonal vacation spots. If you're stuck at work, any of these pliable sweaters can also counteract summer's biggest scourge: overactive office air-conditioning.



AVERAGE LOW **73°** A getaway in Waikiki requires a knit that won't weigh you—or your suitcase—down. Rag & Bone's thin knit-cotton sweatshirt will slip unobtrusively into a duffel. The sporty hood might get you mistaken for a board-toting local. Just don't agree to demonstrate your moves. Sweater, \$295, [rag-bone.com](#)

Comparable Climates: Rio de Janeiro, Havana, Ibiza



AVERAGE LOW **64°** Watching the sunset at Montauk Point State Park is a favored ritual for weekend New Yorkers, but once the last rays recede, sending temperatures to the mid-60s, you'll need a reliable cotton layer, like A.P.C.'s marled crew with sweatshirt-like ribbed side seams for extra coziness. Sweater, \$250, [apc.fr](#)

Comparable Climates: Provincetown, Mass., Malibu, Nashville



AVERAGE LOW **47°** Even in high summer, Iceland's popular coastal capital Reykjavik can fall prey to quite the chill. When you're touring around Harpa concert hall and that brisk wind starts whipping off the Atlantic, you'll be happy to have Bassike's airy yet hardy-as-Viking-armor mélange merino knit. Sweater, \$395, [bassike.com](#)

Comparable Climates: Copenhagen, Cape Town, Vancouver



AVERAGE LOW **78°** In Palm Springs, where temps rarely fall below the high 70s, it's less about staying warm, than about staying prepared. The Armoury's featherweight merino crewneck is so light, you'll barely even notice it's there—that is until you appreciate its elegant insulation against the icy A/C at that dinner party. Sweater, \$250, [thearmoury.com](#)

Comparable Climates: Miami, Tokyo, Tulum

FRESH PICKS

THE EXHIBITION A Few Famous Faces

A stranger asks for the time: Do you check your watch or tap your smartphone? A growing number of men take the latter route.

And even Patek Philippe, one of the world's mightiest horological brands, concedes that watches no longer rule the world's wrists. And so, when gathering over 450 timepieces from its vaults in Geneva for the Art of Watches, Grand Exhibition, a retrospective opening July 13 in New York, the company knew it had to appeal not only to watch enthusiasts but to the dial-illiterate as well. Old-school fans would attend the show (which runs to July 23) even "if we put it at the North Pole," said Larry Pettinelli, president of the company's U.S. division. But those who don't know their tourbillons from their tachymeters might still like to see Duke Ellington and General Patton's chronograph wristwatches or President Kennedy's desk clock.

Should casual viewers catch the watch bug while ogling these tiny mechanical wonders, they can view demonstrations by watchmakers or participate in an interactive virtual-reality simulation which lets them "assemble" a watch. "You can literally create product out of thin air," said Mr. Pettinelli. "You can build your own movement."

The company is marking the event with a special timepiece: a Grand Exhibition edition of its World Time model (pictured) embossed with the Manhattan skyline at the center of its face. Only 300 of the \$53,299 watches will be made. The show itself, however, is free to everyone. [patek.com](#) —J.G.



Watch, Ref. 5230-010, \$53,299, [patek.com](#), 212-218-1240

THE COLLABORATION Moncler's Compound Interest

Greg Lauren had a secret. With a label of his own, the 47-year-old designer already had a surfeit of outerwear, but he furtively coveted a Moncler jacket. "I just really admired the brand from afar," said Mr. Lauren. He'd see his 4-year-old son strut about in a glossy puffer from the Italian label, but it didn't seem to make sense to buy one for himself.

Then just over a year ago, Moncler artistic director Francesco Ragazzi, who's tasked with reaching out to buzzy talents for partnerships, contacted Mr. Lauren and tapped him to design a limited-edition collection, which arrives at Moncler boutiques and select Barneys New York stores this week.

Mr. Lauren's designs with the brand, however, detour dramatically from the look of his son's classic puffer. After hauling a selection of Moncler's traditional jackets, vests, hats and sweatshirts to his Los Angeles studio, the designer cut them apart and Frankenstein them back together with his own signature fabrics: recycled denim and surplus canvas. "I love nothing better than to see the frayed edge of vintage denim or canvas brush up against the smooth surface of the nylons," he said.

Despite the reconstructed look, Mr. Lauren took pains to ensure that the pieces retain Moncler's revered all-weather-resilience—and recognizability. "When you see a classic Moncler jacket going down the street, it's obvious," he said. Mr. Lauren's unique mashups are equally unmistakable. —J.G.



'Collide' Greg Lauren & Moncler Vest, \$3,500, [moncler.com](#), 646-768-7022

OFF DUTY



Unquenchable Manhattan

The Prohibition era offered illicit fun, and a thirst for it lives on—from secret cellars to flapper parties

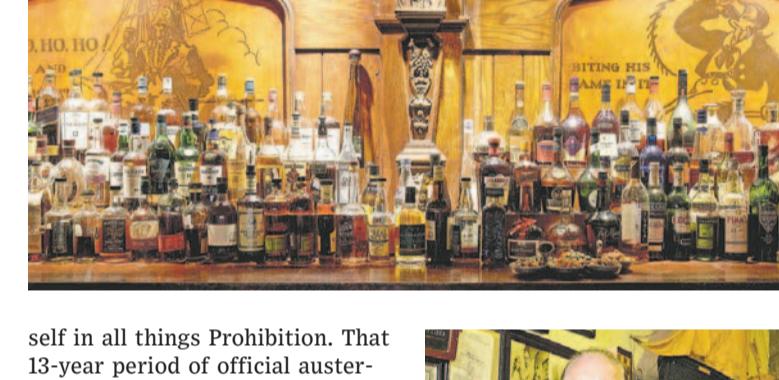
BY TONY PERROTTET

I FELT LIKE a furtive liaison from a vintage film noir. After midnight, downtown Manhattan seemed deserted: I barely saw another soul on the streets as I scurried past the wrought-iron fences of Gramercy Park. When I finally located the awning of the Player's Club, a stately old mansion on the park's south side, a hulking doorman looked me up and down before shouldering open the portals.

But the moment I stepped inside, my night erupted with music and light. Dapper crowds surged up and down the antique stairs, the men dressed in tuxedos with wingtip collars and bow ties, the women in flapper dresses and cascades of feathers. I squeezed my way beneath glittering chandeliers, past oil paintings of long-gone actors, into wood-paneled rooms where musicians were belting out raucous jazz and blues. Bartenders shook up Gin Rickeys, Sazeracs and Mary Pickfords. The main parlor was packed with swing dancers. I was at a "retro nouveau" Prohibition party, open to anyone who could buy a ticket and a pair of spats or a vintage chemise. The only concession to the 21st century was the absence of smoke.

Manhattan's fascination with the Prohibition era—the period from 1920 to 1933 when the U.S. government issued a nationwide ban on alcohol—seems never-ending. In a city where almost any pleasure is available around the clock, New Yorkers are evidently compelled by a time when fun was forbidden. Those years now inspire a host of parties all over the city evoking the period. For travelers, the events provide access to venues that might otherwise be off-limits, like the members-only Player's Club (a seasonal soiree hosted by Prohibition Productions), or allow a fresh view of classic New York sites. You can find the Jazz Age Lawn Parties on Governors Island, immersive theater pieces about gangland murders in an old bank in Williamsburg, even swing dance parties on the decks of the USS Intrepid aircraft carrier. Meanwhile, a string of historic speakeasies have been reborn as hopping retro bars.

I sidled up to the Players Club bar, ordered a classic Southside (gin, mint, club soda and lemon juice) and decided to immerse myself

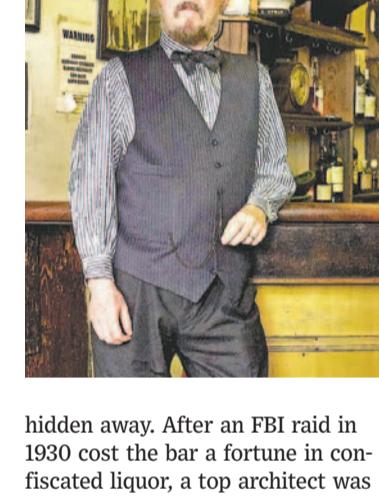


self in all things Prohibition. That 13-year period of official austerity is now recalled as a festive golden age.

Although the bright young things in many American cities are fond of '20s style, New York rightfully harbors a genuine Prohibition obsession. Jazz was born in New Orleans but thrived in Harlem, along with Swing and acrobatic dance styles like the Lindy Hop. Once, tens of thousands of speakeasies, bars and clubs selling illegal alcohol operated in the city and stories of hidden tunnels, rooms and chutes are part of its folk mythology.

Even the classiest New York venues cherish their secrets. After the Player's Club, I set out to explore an even more storied Prohibition relic, the '21' Club in Midtown Manhattan, where mayors, socialites and famous artists once came for illicit libations. There used to be 37 speakeasies on this block," said manager Avery Fletcher, as she led me down-

Even the classiest New York venues cherish their secrets.



stairs from the busy bar-restaurant into the kitchen. "It was the wettest block in town." Guests had to present a yellow invitation card to "Jimmy the Doorman" to gain access to 21, where they would be treated to fine wines and champagne smuggled from Europe. "There was no moonshine here, so nobody was getting sick."

With a dramatic flourish, Ms. Fletcher paused in front of a gray-brick wall and produced a menacing 18-inch-long metal skewer. She inserted it into a tiny hole, nearly hidden from the naked eye. With a push, the wall swiveled open to reveal a softly lit cellar, where some 2,000 cases of fine booze were once

hidden away. After an FBI raid in 1930 cost the bar a fortune in confiscated liquor, a top architect was hired to design this secret cellar, which remained in use for decades afterward as a stash for celebrities' wine stocks. It's now been converted into a private dining room, with labeled bottles once owned by Richard Nixon, Sammy Davis Jr. and Elizabeth Taylor tucked into niches along the walls.

The '21' Club's downtown counterpart is the William Barnacle Tavern in the East Village. "While the mayor was drinking uptown at the '21' Club, the city councilors were drinking down here," explained the owner, Lorcan Otway. Al Capone was a regular at the once-bustling underground jazz club, which hosted bands, dancing and all-night cavorting. Though quieter now, it's just as atmospheric. Mr. Otway, who inherited the bar from his father and wears a vintage three-piece suit, gave me a hard hat so we could clamber through a smuggling tunnel to the bunkerlike basement. There, under a bare bulb, the original safe from the '20s sits with its door forced open. He remembers as a child seeing the previous owner remove \$2 million from it in gold certificates. Mr. Otway has set up the Museum of the American Gangster



HAUTE HOOCH Clockwise from top: A '20s-themed Shanghai Mermaid party at the Django bar; the Red Room's Fallen Angel cocktail; Lorcan Otway, owner of William Barnacle Tavern; the historic bar at '21' Club.

ster upstairs from the bar in homage to the period, when competing Jewish, Italian and Irish gangs roamed the Lower East Side. The two rooms are filled with mobsters' portraits, grisly photos of corpses riddled with bullets and relics like handmade "automatic shotguns." Despite Prohibition's dark side, he said, it ironically also opened up society, allowing women, for example, to frequent bars for the first time. "In the 1920s, a lot of people felt disempowered by the government," he said. "But then they realized that beating the law was fun. It's no surprise that the song 'Let's Misbehave' was such a hit."

Other Prohibition sites have also returned to their boozy roots. A few blocks from William Barnacle, I dropped by the KGB Red Room, a remodeled art-deco enclave at the top of a creaking set of wooden stairs—apparently, Lucky Luciano ran the Palm Court casino in the same building. In the Red Room, a monthly absinthe party called the Green Fairy was in full swing. As bartenders dripped the potent spirits over sugar, I ran into Don Spiro, the co-founder of Zelda magazine, dedicated to the '20s revival. He argued that the Jazz Age is far easier to relate to than previous historical periods. "It was the first truly recorded history," he said. "We can see pictures of what people looked like, see movies of what they did and hear recordings of how they sounded. We will never hear how Mozart played. But we can hear how Louis Armstrong played trumpet and how Cab Calloway sang."

just like it was yesterday."

The clandestine nature of the era also still appeals: The more furtive the venue, the better, it seems. To visit the Monday night swing party in the Back Room in the Lower East Side, I descended an unmarked stairway, followed an underground passageway to the entrance, where I gave a password (gleaned from a Facebook page) through a grille, before being admitted into a softly lit world of velvet lounge chairs and erotic oil paintings. In the '20s, this was the speakeasy "backroom" of Ratner's Deli and a hangout for Jewish underworld figures such as Meyer Lansky and Bugsy Siegel. Cocktails are still served in tea cups and saucers, as they were in the day.

Then Michael Katsobashvili, founder of the New York Hot Jazz Festival, took me to Iguana Restaurant and Dance Lounge, a cheesy-looking Mexican eatery on a generic Midtown street. I began to wonder if success in re-creating the free-wheeling spirit of the 1920s depended less on antique locations than on a state of mind—a liberated, improvised creativity that has always infiltrated the city.

"This is a postmodern speak-easy," the Russian-born impresario assured me. "It's hidden in plain sight." The moment we got upstairs, I saw what he meant. The dozen members of the band Vince Giordano and the Nighthawks were dressed to the nines and blasting jazz through vintage megaphones to a crowd that included comedian Mel Brooks. "Who would imagine a scene like this on top of a Mexican restaurant in Midtown?" said Mr. Katsobashvili. Not me, for one. It was an encouraging thought. Somehow, the defiant Prohibition spirit will always survive.

THE DRY SEASON // MILESTONES IN THE PROHIBITION ERA—FROM THE FIRST SIGN OF RESTRICTIONS TO FULL REPEAL

1893

Anti-Saloon League founded in Ohio; temperance lobby gains traction.

1896

March 23 Raines Law passes in New York state, imposing restrictions on liquor consumption, including a ban



Artwork at '21' Club.

on Sunday alcohol sales except in hotels.

1918

November 11 The Great War ends; U.S. gets ready to erupt into a festive frenzy.

banning the manufacture and sale of alcohol is ratified by the 36th state, Nebraska, ensuring it will pass into federal law.

October 28 It's official. The National Prohibition Act is ratified.

A liquor raid circa 1921.

January 17 Prohibition goes into effect; illegal sales begin immediately. Hit songs include: "How Are You Going to Wet Your Whistle (When the Whole Darn World Is Dry?)"

1919

January 16 The killjoy reaction begins: 18th Amendment

1920

January 16 Last day of legal alcohol sales causes uproar around the country.

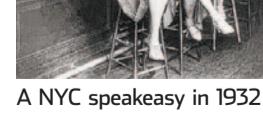
1925

April 10 "The Great Gatsby" is published. Bootlegging reaches epidemic proportions, fostering U.S. organized crime.

A relic at the Red Room.

1929

October 29 Wall Street Crash heralds the start of the Great Depression, increasing calls for tax revenue from liquor.



A NYC speakeasy in 1932

1933

March 22 Newly minted President Roosevelt, who promised "repeal" during his campaign, signs Cullen-Harrison Act legalizing low-alcohol beer and wine.

December 5 The 21st Amendment repeals Prohibition. Macy's liquor store is mobbed. The date is still celebrated as "Repeal Day" by aficionados.

OFF DUTY

HOUSE TOUR

The City Mouse's Country House

A designer known for edgy, urban spaces grapples with a provincial second home

BY SARAH MEDFORD

KARA MANN has a reputation as something of a sparkplug in the design world, capable of juicing up a tired setting or a well-known brand with a series of unexpected moves, often carried out in high-contrast black and white. Her clients have included the Hotel Chelsea in Manhattan—where her proposed redesign honored the building's decadent past with ingredients like leather and leopard—and the newly reopened Talbot Hotel, on Chicago's Gold Coast, into whose sparely furnished guest rooms she introduced leggy bedside tables of smoke-colored marble and rust sofas trimmed in bullion fringe.

All of this re-energizing can be exhausting, and in 2015 Ms. Mann, who maintains offices in New York and Chicago, went looking for a place to unwind. On the website Circa Old Houses, she found it: a four-bedroom, 1790s farmhouse in Connecticut's Litchfield County. Well-proportioned and in turnkey condition, it would come together overnight, she assumed—until she started decorating.

"I thought I was going super modern on the interior," she explained, "but the original details of the house came through and the tension was just too strong. Everything wasn't blending. I told my office, 'I need to hire a designer!'" Instead, she unraveled her overly contemporary scheme for the house and wove in a more polyglot range of furnishings that, though updated in terms of palette and materials, evoke 18th-century antiques—upright sofas, blocky trunks and chests, small-scale tables with some height.

I thought I was going super modern, but the house's original details came through and the tension was too strong.'

The living room's center table, for instance, whose proportions mimic a blanket chest, is made of cola-colored cast glass and wood; a white-painted four-poster in the master bedroom is a relatively minimalist take on a mahogany pencil-post.

Thanks to such subtle substitutions, the rooms retain the historic charm that made them so appealing in the first place. A full year into the project, said Ms. Mann, "I realized I was creating a new version of my aesthetic, which can be a little rock-n-roll, that would feel comfortable in the country."



RICHARD POWERS

▲ Art of (Just Enough) Darkness

In decorating a 1790s farmhouse in Litchfield County, Conn., designer Kara Mann chose furnishings that reference early American antiques in purpose and scale, and don't contrast too strongly with the home's 18th-century details. At first the designer installed a curvy black sofa in this sitting room but felt it struck an overly loud note, so she opted instead for furnishings in textured, re-

storative neutrals, restricting her high-contrast gestures to a single inky chair. "I love the fur stool," she said of the sheepskin seating from Coup D'Etat in San Francisco. "It feels like an animal, and it balances the visual weight of the chinoiserie armoire." The Moroccan Tuareg mat and vintage cast-glass and wood coffee table add texture without introducing too-exuberant colors. On the wall: a Yoshitomo Nara drawing saucily riffs on Ms. Mann's new persona.



◀ Spare Change

Architectural alterations in the kitchen yielded a combination of high-performance workspace and unembellished refectory. Ms. Mann kept the black granite counters and hulking range but removed a window seat ("too country") and added windows at one end. She also replaced an overhead beam housing downlights with dimmable globe pendants to simplify the ceiling. Ms. Mann held on to the earthy brick floor but softened it with an antique Khotan carpet, the room's one busy pattern. A work table that runs the length of the room is by Belgian fashion designer Ann Demeulemeester, who gives the classic American form a twist by covering its surface with gessoed canvas. Equally sober-yet-stylish chairs by Peg Woodworking in New York City flank the table. "They're like macramé but on a strict steel frame," said Ms. Mann.



▲ Twee Tweaked

Ms. Mann discovered that overtly contemporary furnishings fought with the home's original elements such as the raised-panel wainscoting and wide-plank floors in this guest bedroom. So she subverted the 18th-century quaintness subtly, in this case with a high-gloss black rattan side table from New York City furniture dealer Michael Bargo. Its hard edges and modern stance contrast unpredictably with the elegant 1940s-vintage swan-motif bed. Bare windows and Benjamin Moore's China White paint contribute to the room's monastic simplicity. Said Ms. Mann of the paint color, "It's ethereal, with a little gray in it."



◀ Skirting the Past

"This room is really about the original granite fireplace," said Ms. Mann of the combined dining/living room. A 72-inch round table parked next to the fireplace alludes to a time when families gathered around the hearth for warmth and light. The designer refined petite antique Windsor-style chairs from Liza Laserow in New York with an emphatic black stain to amp up their drama, satisfying her taste for contrast by pairing them with a traditional white linen tablecloth ("like a beautiful dress, pretty and soft"). When the rustic candlesticks on the mantelpiece—reproductions from the website Food52—go onto the table next to the chairs' spindles, the result is a chorus of delicate vertical lines, traditional and contemporary at once.



▲ Soft Cell

Introducing a note of softness and romance, the master bedroom is all about decorative details that play off the austere geometry of the space. A custom-made bed by H2L Design, in Clifton, N.J., offers a reductive take on the traditional pencil-post style; its frilly Shabby Chic spread avoids granniness in pure white, part of a mostly neutral palette that extends to the white sisal underfoot. The rose-toned antique carpet echoes the flouncy attitude of a Victorian wicker armchair from Pavilion Antiques, in Chicago, that draws the eye out into the hall like a piece of sculpture—and continues the hard-soft conversation already under way inside. Ms. Mann hung a single curtain panel of Rogers & Goffigon's Edelweiss wool like a gown in the window: "It kind of dissolves in the light," she said.

OFF DUTY



BLADE RUNNER The 2017 Ford GT has a top speed of 216 mph. Production is limited to 1,000 cars, with 250 made annually for the next four years.

RUMBLE SEAT: DAN NEIL



2017 Ford GT: When Performance Tops All

STRAPPED INTO the slim-hipped driver's seat, my helmet bumping the roof, my heart in my throat, I swung the nose of the pharmaceutical-yellow Ford GT toward the main straight of Le Mans and opened the taps. Destiny.

Officially, and for tax purposes, I went to France last month to test this car, the DOT-approved version of Ford's Le Mans-winning GT, now being built at a rate of one per day by Ford's assembly partner, Multimatic, in Ontario, Canada. Unofficially, my audience was with *la belle circuit*: the towering circus maximum of grandstands, the blind approach to Dunlop Bridge, the Porsche curves, all splitting at speed around me for three whole laps.

I'm sorry to say these laps were merely warm, not hot. I had to stay behind a safety car limited to 140 mph, which in the GT felt like following a Bourbon Street funeral procession. Still, this was bucket-list sports tourism. Imagine getting to play pitch-and-putt at Augusta, or plinking grounders from home plate in an empty Yankee Stadium, or excusing yourself from the tour at Churchill Downs to hurl in Eddie Arcaro's private stall.

If you think the price is high, remember the GT is like getting two cars in one.

The car is pretty special, too: a slashing, belt-high fantasy of grills and glass, a pinup of hips and headlights coming at you at angles you never saw in Euclid. This thing looks like it flew off God's ax handle.

At first you may be blind to all but the spectacular roof buttresses staving off the rear side-pods. The buttresses are one of many design details that turned out to be good for both the race and road car. The arrangement reduces overall form

drag (top speed is a whopping 216 mph) by channeling air around the teardrop-shaped fuselage like blood grooves on a sword. The design also aids cooling by positioning the heat exchangers into cleaner airflow.

At speed, these buttresses also act like airfoils, generating a bit of downforce while also looking like hell's kitchen drawer.

Deep inside its folded figure is the cause of all the fuss: a production-based 3.5-liter twin-turbo V6, massively boosted to generate 647 hp and 550 lb-ft of torque, blasting creation through high-mounted dual exhaust ports that are always nicely blackened, like the tips of retrorockets. Crackle, Pop? Your ride is here.

Let's just run the checklist: seven-speed dual-clutch rear transaxle; inboard spring-and-damper suspension with hydraulic ride-height adjustment (which, put a pin in it, is the secret to the whole operation); active aerodynamics in the front and rear, including the articulating rear wing/air brake; carbon-ceramic brakes that would stop time.

It is rather fast. The following day I was able to take a GT into the French countryside, with Ford executive vice president Raj Nair joining me in the narrow cockpit—or conjoined, like Siamese twins. Here and there on two-lane roads, I was able to drift back from the cars I was going to overtake, downshift into 2nd and lean into the GT's throttle. A blur, a sawtooth roar, a flash of the digital tachometer, and then a thudding upshift like a meat mallet on a thick steak. The GT's quickness from a standing start—under 3 seconds to 60 mph—is the first act of a much bigger performance drama.

And now, dear readers, as we come to the price, please refrain from eating or drinking anything spit-able: \$450,000. Ford will limit production to 1,000 cars over four years. That's right: as in Henry Ford.

While it looks like a machine, the Ford GT is actually 100% narrative.

From its initial conception, in 2013, as the "Phoenix Project," the GT was blueprinted to win its class at Le Mans. Management targeted the 2016 race for the big push to celebrate the 50th anniversary of Ford's epic 1-2-3 sweep, with Carroll Shelby and the original GT40s.

After a pretty horrible 24 hours, a Ford GT did win the GTE Pro class, by the skin of team owner Chip Ganassi's teeth. In 2017, they weren't even as lucky as that, *quelle dommage*.

While many sports cars are turned into professional race cars—Porsche 911, Ferrari 488 GTB, Aston Martin V8 Vantage, Chevrolet Corvette—not many purpose-built race cars go the other way. The design compromises are pretty fundamental. For example, in order to minimize the GT's frontal area—one of the multipliers of aerodynamic drag—the GT's greenhouse canopy was kept low and narrow, requiring driver and passenger to sit/slung shoulder to shoulder. The seats are molded into the floor, and the pedal box, steering wheel and seat-back adjust to accommodate.

Whereas other production sports car must get a roll cage installed, the GT's carbon-composite safety cell has one already built in, partly explaining the low ceiling.

The GT's very proportions, especially its grandiose nose, are dictated by the slew of radiators required to run Le Mans, around which cars are at wide-open throttle 80% of the time.

Talk about an afterthought: The entire cargo capacity amounts to a hatched compartment, built into the roof of the car, that's about the size of a four-slice toaster. Your grand touring better involve a lot of nudity.

Between the 12.8-inch rear tires and the thrumming turbo V6 in the small of your back, the GT's cabin noise and vibration levels are also pretty vivid. Fortunately, my declining hearing compensated.

The key enabler is the car's two-stage hydraulic ride-height adjust-

ment, and if you think the price is high, just remember it's like getting two cars in one. At normal ride height, the GT sits on a sophisticated inboard suspension with spring-and-damper sets, an arrangement typical of race cars. In part thanks to its extra long lower suspension arms, the GT's real-world ride comfort is surprisingly tolerable. But when the driver switches over from Sport to Track, everything changes. The car's chassis abruptly drops 2 full inches, as hydraulic pistons compress the springs completely. This leaves the torsion bars as the only source of elasticity. The damping gets hard, the road feel gets thrashy, the body roll goes from nil to none.

Switching to Normal mode causes the car to jump back up like a Pop-Tart.

There was a time when the beau ideal was to drive your sports car to the track, paint numbers on it, go racing and then drive home. It's been decades since any road car could be really convincing on track against purpose-built race cars—the McLaren F1 and Maserati MC12 come to mind. But in its thoroughly dual nature, its ability to leave public roads and hunker down to speed work with a press of a button, the GT can do this gallant old trick as well as any car I've ever driven.

For all its blade-running futurism, it's actually a bit of a throwback.



2017 FORD GT

Price, as tested \$450,000

Layout/construction Two-seat, mid-engine berlinette coupe, carbon-fiber safety cell/monocoque, aluminum front and rear subframes, inboard suspension, rear-wheel drive.

Powertrain longitudinally mid-mounted, dual turbocharged and intercooled, port- and direct-fuel injected, 3.5-liter DOHC V6; seven-speed dual-clutch rear transaxle; rear-

wheel drive

Horsepower/torque 647 at 6,250 rpm/550 lb-ft at 5,900 rpm

Length/dry weight 187.5 inches/3,054 pounds

Wheelbase 106.7 inches

0-60 mph < 3 seconds (est.)

1/4-mile elapsed time < 10.5 seconds (est.)

EPA fuel economy 11/18/14 mpg, city/highway/combined

GEEK CHIC

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MANSION

I am terrified of being bored.

—Marie Antoinette

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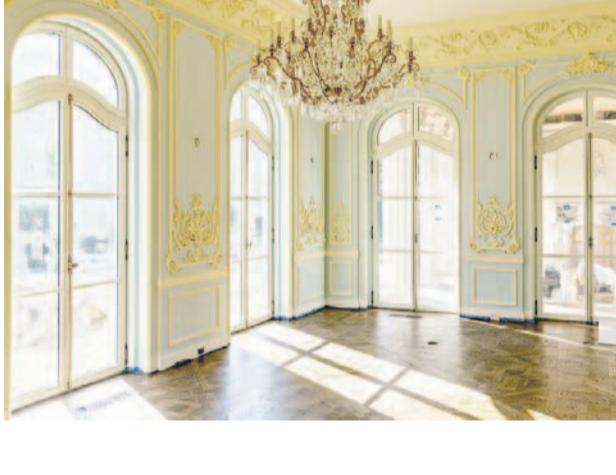
THE WALL STREET JOURNAL.

Friday - Sunday, July 7 - 9, 2017 | W7



DOROTHY HONG FOR THE WALL STREET JOURNAL (3)

ABOVE IT ALL In Old Brookville, N.Y., this newly completed 17th-century-style chateau was inspired by the Palace of Versailles. Owner Raphael Yakoby, an Israel-born entrepreneur who created Hpnotiq liqueur, says he plans to move in next month, but once it's completed he's also planning to put it on the market for \$100 million—a figure he says is close to the cost of building the home.



My Very Own Versailles

Wealthy homeowners continue to re-create Louis XIV's opulent behemoth, but building the dream requires a big bank account.



BY CANDACE TAYLOR

ON AN UNASSUMING side street in Long Island's Old Brookville, a 1,000-foot-long driveway flanked by an allée of pear saplings leads to a 120-room, 17th-century-style château bedecked with elaborate limestone carvings. Atop its slate roof, a copper ridge decorated with rosettes shines in the early summer sun. Above the front door, the initials "RY" are flanked by horn-blowing cherubs.

Though it is a brand-new building in suburban Long Island, the roughly 23,000-square-foot structure looks for all the world like it belongs in France at the Palace of Versailles, Louis XIV's famous creation. That was the goal of its owner Ra-

phael Yakoby, an Israel-born entrepreneur who created Hpnotiq liqueur, a bright blue liqueur popularized by hip-hop artists in the early 2000s.

The front door, with its wrought-iron metal-work, is a scaled-down replica of a door found at Versailles. On the grand staircase in the foyer, the cast-iron and gold-leaf banister is a replica of one found at Le Petit Trianon, Marie Antoinette's retreat on the grounds of Versailles.

Mr. Yakoby, who has spent about four years building the house, says he plans to move in next month, but once it is completed he's also planning to put it on the market for \$100 million—a figure he says is close to the cost of building the home.

There is something about Versailles that has produced a seemingly constant stream of imitators, ever since the late 1600s, when King Louis

XIV transformed a hunting lodge into the opulent palace known world-wide. With roughly 2,300 rooms and its chandelier-laden Hall of Mirrors, Versailles started prompting imitations as soon as it was completed, from other European palaces to grand homes. Even the layout of the city of Washington, D.C., borrowed elements from the gardens of Versailles.

When it comes to private homes, Versailles continues to have an outsize influence: According to Realtor.com, 23 homes currently on the market or recently sold referenced Versailles in their marketing copy. "It's maintained this huge mystique," says historian Tony Spawforth, author of "Versailles: A Biography of a Palace."

The allure of Versailles was no accident: Louis

Please turn to page W12

HOUSE CALL | SHERRY LANSING INSPIRED BY HER MOM'S COURAGE

The former Hollywood executive started out helping her widowed mother collect rents; today, opera in Bel Air.

Sherry Lansing, 72, is the former chairman and CEO of Paramount Pictures. She is the subject of Stephen Galloway's biography, "Leading Lady: Sherry Lansing and the Making of a Hollywood Groundbreaker" (Crown Archetype). She spoke with Marc Myers.

When I was 8, my father wasn't well. We didn't have air conditioning, so late one night, while I was asleep, my mother helped him out to the porch off my bedroom. "Oh dad, be quiet," I shouted. "You woke me up." He died later that night of a heart attack at age 42.

My last words to my father and my tone have hung over me my entire life.

Losing my father so suddenly taught me to seize opportunity. I also never liked to leave disagreements unresolved. Subconsciously, I was afraid the other person might die before we patched things up.

I was born in Chicago. My family first lived in an apartment on South Merrill Avenue and then moved to a house on



REEL WOMAN Sherry Lansing in her Mediterranean-style home in the Bel Air section of Los Angeles. The former head of Paramount Pictures started her career as a model and actress before becoming a script reader, producer and senior executive.

HOUSE OF THE DAY
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A tailor-made loft
in Manhattan's Tribeca



Buckingham, Pa.
A gentleman's farm
in Bucks County



Harrison, N.Y.
A Colonial-style home
with a fashion pedigree

BALANCE SHEET

An Escape for Mom and Dad

London couple's renovation includes a private 'apartment' where they can take a break from the chaos

RUTH BLOOMFIELD

H THREE CHILDREN—

13 to 27—and three ex-ant dogs, it is little wonder that Caroline and Harry Hogan in Cruddace occasionally feel the need to seek a sanctuary. So when renovating a rundown Edwardian villa in London, they made creating a calm, private "apartment" to escape the domestic maelstrom central to their plans. The Cruddaces bought the 3,065-square-foot home in the north London neighborhood of Highgate for £1.875 million, or \$2.3 million. When they moved in with Mrs. Cruddace's two sons, Josh and Harry Hogan, now 27 and 21, and their daughter Amelie, 13, it had a cramped living room and kitchen in the basement. There were four bedrooms on the floors above. "It was not an easy place to live in," said Mrs. Cruddace, an artist and photographer.

A friend Mrs. Cruddace met through the children's schools, the actress Gwyneth Paltrow, recommended her (then) brother-in-law Alexander Martin, founder of Alexander Martin Architects, to help with the design.

"My to the design was giving the grown-ups some space of their own. "We have a lot of the kids' friends over; we are a family which loves parties and entertaining," said Mrs. Cruddace.

Mr. Martin's solution was to demolish the double garage, which stood beside the house and build a two-story wing in its place. The ground floor would feature a large, modern kitchen with folding-glass doors that open directly to a back patio. There would be a split-level master suite with a bathroom, dressing room, yoga room, bedroom and terrace. The original part of the house could then be renovated with a living room, dining room, and six bedrooms. The basement, once the main communal space, now contains a utility room and TV room.

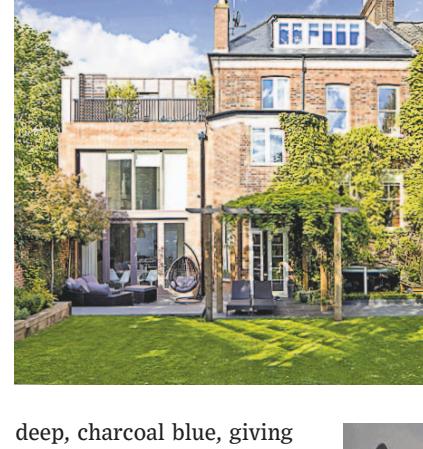
Work on the yearlong project began in 2014. They lived in the house until the garage was demolished and the new wing built. Halfway through, however, the chaos became too much for Mrs. Cruddace and Amelie and the dogs decided to the family's vacation home in Devon. "It was a bit scary," she said.

Once the structure of the extension was in place, designing the interiors could begin. The older section remained. Mrs. Cruddace's eccentric, colorful tastes and passion for vintage and industrial style. The new section embodies Mr. Martin's more austere vision of clean lines and a restricted, neutral palette.

In the basement TV room, for example, Mrs. Cruddace wanted to paint the walls a



FAMILY AFFAIR Above, from left to right, Martin Cruddace, Josh Hogan, Harry Hogan, Caroline Cruddace and Amelie Cruddace. Clockwise from below, the rear facade, a sitting room and Amelie's bedroom.



COSTS

Demolition, structural work

\$355,700

Electrical, plumbing

\$78,000

Flooring

\$32,300

Kitchen

\$39,000

Bathrooms

\$97,000

Windows

\$32,300

Woodwork, floating staircase

\$55,000

Decor

\$56,000

Landscaping

\$78,000

Professional fees

\$103,000

Value-added tax

\$185,000

TOTAL

\$1.1 million

deep, charcoal blue, giving the room a clubbish, intimate feel with velvety mustard-yellow sofas.

By contrast the new kitchen is lofty and light, with high ceilings and views of the front and backyards. Ceramic floor tiles are pale, and the cabinetry is painted off-white. Almost the only splashes of color are the denim-blue kitchen island and orange seat cushions.

The master bedroom suite is where Mr. Martin's taste coexists with that of his client (Mr. Cruddace admits he left all design decisions to his wife). A luxuriously large bathroom and a yoga studio take up most of the lower level. An elegantly minimalist floating staircase leads to the bedroom, furnished with only a bed, side tables and a chair. The palette is entirely neutral, but a little color finds its way onto the terrace in the form of retro turquoise chairs.

All three children have bedrooms in the original house, and Amelie's passion for horses is reflected in the wallpaper featuring a herd of grays. Fairy lights and a



princess dressing table keep things suitably girly. Mrs. Cruddace also had some fun with the spare rooms—one has wallpaper printed with tiny, vividly colored birds—and her own office for which she mixed the shade

of vivid turquoise herself.

This project added 840 square feet to the house and cost about \$1.1 million. The couple is sanguine about the cost, partly because they have no intention of selling and partly because reno-

vated homes in their neighborhood routinely sell for \$2.5 million to \$3.9 million.

Today Mr. Cruddace, who is the chief executive of leisure company Arena Racing Co., says he is glad he has had the experience of reno-

vating a house but would want to do it again.

His wife, on the other hand, glows at the idea of taking on a new project. "I would love, love to do another house. Just not live there at the same time."



SETTING THE MOOD The basement TV room, left, with its deep blue walls and pale wood paneling, is a space where the couple can relax. The bathroom, right, is a modern oasis.



SAGAPONACK, NY | \$13,995,000
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WEB ID: AEVT44

Magnificent new seven bedroom Georgian showcase on 3-plus private acres with pool. Houlihan Lawrence Ellen Mosher — 203.705.9680

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WEB ID: TLB4

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WOODS HOLE, MA | \$7,250,000
WEB ID: BUDQ4

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EAST QUOGUE, NY | \$7,200,000
WEB ID: UALB44

Oceanfront compound. 200' beach, main house, guest house, heated pool on 2.7 acres. Brown Harris Stevens Residential Sales – The Hamptons Marcia Altman — 631.288.5004

SAG HARBOR, NY | \$6,950,000
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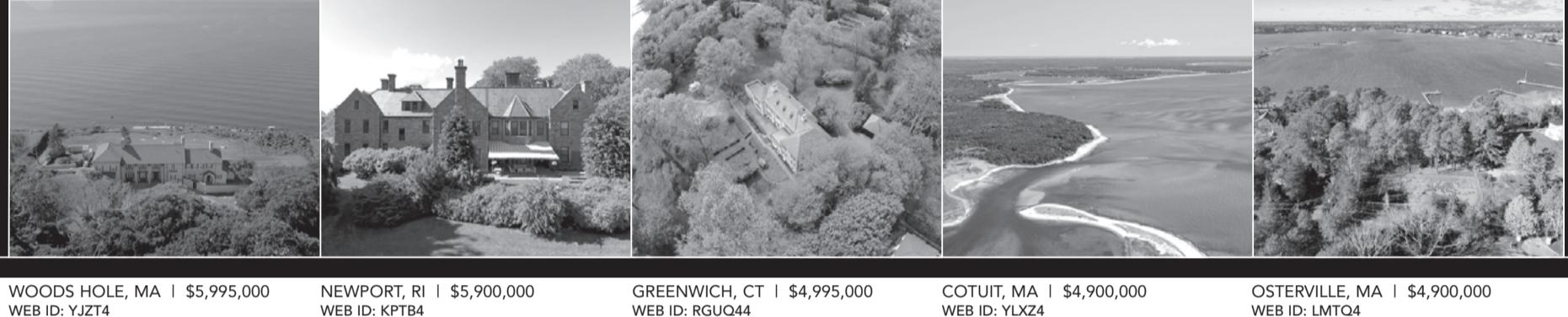
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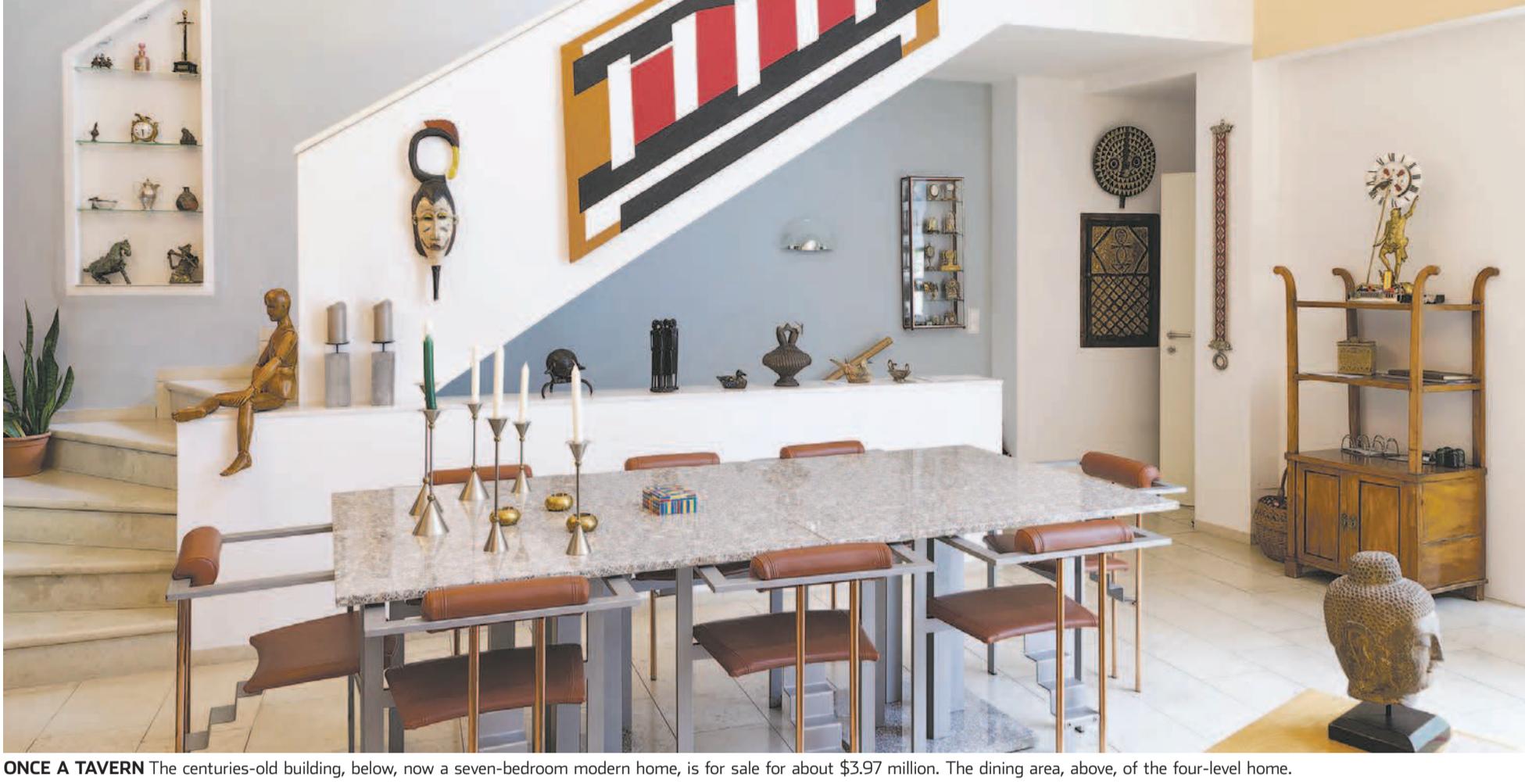
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MANSION



ROIS & STUBENBAUCH FOR THE WALL STREET JOURNAL (4)

ONCE A TAVERN The centuries-old building, below, now a seven-bedroom modern home, is for sale for about \$3.97 million. The dining area, above, of the four-level home.

LIVING HISTORY

A Viennese Gem's Tipsy Past

A wine tavern in the city's village-like Grinzing has been transformed into a luxury home



BY J.S. MARCUS

RETIRED AUSTRIAN jewelry designer Dieter Bakalarz-Zákos knows a diamond in the rough when he sees one. When he looked at a dilapidated historic wine tavern in Vienna's Grinzing neighborhood, in the Alpine foothills above the city, he saw the potential for a modern luxury villa.

The building bore witness to centuries of Viennese history, roughly taking its present form in the late 1600s. Parts of the building's foundation could be much older, though exactly how much older is disputed. A guest book, however, shows the tavern had special allure in the mid-20th century, welcoming celebrities such as Liz Taylor and Walt Disney.

"I was looking for a challenge," Mr. Bakalarz-Zákos, 76 years old and a Vienna native, says of his purchase.

Developers have bought similar taverns to convert into million-dollar condos, adds Mr. Bakalarz-Zákos, "but I wanted to turn mine into a home."

He bought the building, set on a one-tenth acre lot in Grinzing's village-like core, in 1998 for about \$525,000, after it had fallen into bankruptcy. He then invested about \$1.7 million to convert the architectural hodge-podge—U-shaped, three stories with a sprawling basement—into a 6,500-square-foot, seven-bedroom home.

with five bathrooms and two powder rooms. He created the home for his wife and four children, now grown.

The property is for sale for €3.5 million, or about \$3.97 million.

The transformation includes, for example, underfloor heating and an outdoor pool. A cluster of south-facing rooms where the tavern's clientele once likely drank white-wine spritzers (a Viennese favorite) became a double-height salon, decorated with ornate antique furniture from Mr. Bakalarz-Zákos's family, a clan of Hungarian aristocrats long settled in Austria.

Grinzing was largely destroyed twice, adds Walter Öhlinger, a historian at Vienna's Wien Museum, citing Vienna's two major Ottoman sieges of 1529 and 1683.

The oldest depiction of Grinzing shows the village in flames," he says of a 16th-century rendering of the 1529 battle, now part of the museum's collection. Most Grinzing structures were destroyed, he adds, but "the cellars survived," along with the wine that farmers hid from marauding armies.

The Wien Museum archive contains several depictions of what became the Bakalarz-Zákos home and courtyard.

Both Mr. Mahringer and Mr. Öhlinger believe the home likely was built in the years following the final 1683 defeat of Ottoman troops, after which the border between the Habsburg and Ottoman empires moved to southeastern Europe, leaving Vienna and its environs to redevelop.

When Mr. Bakalarz-Zákos bought the property, the basement had an earthen floor and was filled with debris. He made the space into a rec room. "My children could play music as loud as they wanted," he says.

Mr. Mahringer, however,

argues that the basement is probably no older than the 16th century, when Grinzing, then a small village miles from the walled city, was first caught up in the Ottoman Empire's expansion into central Europe.

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LIGHTEN UP The courtyard was laid with new paving stones, top. The kitchen has sandstone floors and a utility island, above.

One part of the project took far longer than expected: the restoration of a Madonna fresco on the front of house, overseen by a team

from Vienna's Academy of Fine Arts and partly paid for by the Austrian government. Claudia Riff, the Viennese art restorer who supervised

the nearly two-year project, says the fresco dates to about 1800. Today, the fresco, showing a smiling, blue-draped Virgin, is a standout feature of the area.

With the Ottoman sieges a distant memory, Vienna in the early 19th-century started to see the Grinzing vineyards and taverns as a pleasure destination. A few houses down from Mr. Bakalarz-Zákos, a plaque commemorates composer Franz Schubert's many visits to the village, incorporated into the city in the 1890s.

After World War II, Grinzing became a hot spot, and by the 1950s, the future Bakalarz-Zákos home, then called Das Alte Haus (the Old House), had become a celebrity stomping ground, says area native Michael Lenzenhofer. It was more of an upscale restaurant than a traditional wine tavern. "Celebrities arrived in Grinzing in Rolls-Royces," he says.

The establishment likely began a spiral downward in the 1980s, in conjunction with a change in ownership and a courting of the mass-tourism trade.

These days, Grinzing is being transformed by rising real-estate prices. The number of Viennese homes sold at or above €1 million has jumped more than 50% since 2012. Mr. Bakalarz-Zákos thinks the time is right to pass its value onto his children. Elfie Zipper of Vienna's Otto Immobilien is handling the sale.

PRIVATE PROPERTIES

NFL's Paul Kruger Lists Multisport Colorado Estate

NFL player Paul Kruger is putting his multisport Colorado estate on the market for \$8.5 million, a 57% markup from what he paid for it less than a year ago.

Located in Evergreen, an upscale community about 35 miles west of Denver, the over 9,000-square-foot house has views of snowcapped Mount Evans, said Emily Henderson of LIV Sotheby's International Realty, one of the listing agents.

Known as "Serenity Falls," the roughly 30-acre estate gets its name from the multiple waterfalls integrated into the landscaping. On the grounds, a gymnasium building measures about 6,300 square feet and contains a half basketball court, an exercise room, lockers and a sitting room. Mr. Kruger said when he's at the property he uses the basketball court to



noted the estate was listed for \$18.75 million in 2009, but sold for far less. The Krugers, who bought the property from a subsequent owner, also "got a really good deal," Ms. Henderson said.

Mr. Kruger said he and his wife, Jacqueline, bought the house planning to live there long term. But with his wife now expecting their first child, he said, they plan to move to Cleveland to be closer to family. "A lot changed for us in a short period of time," he said.

Mr. Kruger is a free agent after playing last season as a defensive end for the New Orleans Saints. He signed with the Saints in the summer of 2016 after being released by the Cleveland Browns, who had signed him to a five-year, \$40.5 million contract in 2013.

—Candace Taylor

"go shoot all the time," but he had planned to convert the building into storage for cars, snowmobiles and other "fun

toys." The property also has a stable for horses, with an upper level containing a two-bedroom apartment.

Mr. Kruger, 31, bought the property in January for \$5.4 million. As for the \$8.5 million asking price, Ms. Henderson

said the Krugers have made upgrades to the property, and the house is being sold with the furniture included. She also

MANSION

SHERRY LANSING

Continued from page W7

South Creiger Avenue a year before my father died.

It was a middle-class, two-story, three-bedroom brick house with small yards in the front and back, a stoop, a driveway and garage. We also had large closets. I'd hide out in them when I wanted quiet.

My father, David, set up an area in the back for a swing set where he pushed me. My father adored me. He gave me unconditional love, and we were very close.

My most vivid memory of my father was watching silent movies with him in a nickelodeon theater at a local museum. I loved seeing him laugh.

My father was in real estate and owned a handful of rental buildings. After he died, two men came to the house and told my mother, Margot, not to worry, that they would run his business.

My mother said, "No you won't. You'll teach me and I'll run it."

Mom learned everything she needed to know and worked hard. She became my biggest role model. At 32, she was a widow and strong.

I used to go with her to collect the rents. She taught me not to be a victim. She'd say, "Pull up your socks," which meant, "Go for it."

After my father died, I so wanted life to be normal again. I hoped my mother would marry every man she dated. I wanted a dad more than anything.

In 1956, when I was 12 and my sister, Judy, was 6, my mother married Norton Lansing, a successful furniture manufacturer. Norton was a widower who had two children, Andrea and Richard. We all moved in together.

In my teens, I fell in love with the movies. I went to the Hamilton Theatre as often as I could. I loved the stories and performances, and set my sights on Hollywood.

My parents wanted me to go to an all-girls private high school, but I insisted on a co-ed public school. I applied to the University of Chi-

cago's Lab School, a spectacular, nonjudgmental school that valued intellect rather than status.

You had to take a test to get in, and I took mine while I had the chicken pox. I didn't want to miss an opportunity. I was accepted.

My junior-year math teacher was most influential. He promised me that once I got math, the subject would be thrilling. He helped me get it, and I ended up loving math.

By the time I was a sophomore, I was 5-foot-10 and skinny. After my mother encouraged me to apply for a modeling job at the Carson Pirie Scott department store, I was hired and modeled in shows as the "young bride."

At Northwestern University, I studied for a teaching credit in English and math, and I minored in theater. During my junior year, in 1964, I married.

After graduation in '66, my husband and I moved to Los Angeles. My husband was studying to be a doctor and did his internship at Cedars of Lebanon Hospital, so he was gone most of the time.

Then he was drafted and was sent to South Korea. The marriage didn't survive the distance and we divorced. It was a tough time.

I taught high-school English and math for a while, and modeled. Then I landed a few movie roles in the late '60s before realizing that acting made me uncomfortable. I didn't like being anyone but myself. I also realized I had little talent for acting.

In 1971, producer Ray Wagner hired me to be a script reader at MGM. At the time, this was an alternate path for ambitious women in Hollywood.

I was a fast reader and could synthesize what I read and explain why a script was worthwhile or not. Four years later, I was MGM's executive story editor.

At 35, I became president of production at 20th Century Fox and then left to become a producer. In 1992, at 47, I became the



SHERRY LANSING

RIDING HIGH Sherry Lansing in the late 1940s on a prop horse outside her grandmother's home in Chicago.

head of Paramount Pictures.

When I got the job, I thought back to that 8-year-old girl sitting next to her father at the movies. I wished my father had been alive. I missed him terribly.

Today, my husband and I live in the Bel Air section of Los Angeles.

Our house is a three-bedroom Mediterranean that sits on top of a hill. We moved in 10 years ago after renovating.

The house is comfortable and isn't the least bit intimidating. Everyone who comes over plops down in our overstuffed furniture

and feels at home.

I have a ton of photos of my father and mother around the house. I wish I had his old opera 78s. My husband, movie director Billy Friedkin, also directs operas. It's as if my father is alive with us today through the music.

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MANSION

MY VERY OWN VERSAILLES

Continued from page W7

XIV created the massive palace as a way to showcase his power and draw attention to the glories of France. "There was an enormous 'wow' factor that Louis was aiming for," Mr. Spawforth says.

For many of those who choose to build homes inspired by Versailles, the palace represents the pinnacle of success and achievement, and the culmination of a lifelong dream. The costs of this dream are considerable: Not only is building a modern-day Versailles very expensive, it can upset neighbors and be difficult to sell.

"It's a little bit over the top," concedes Jean "Manouch" Pierre, a businessman who bought the "Versailles Penthouse" at the Metropolis condominium in Las Vegas last year for about \$2.8 million. "But this is what working hard is all about."

Mr. Pierre says his opulent condo was given its Versailles look around 2005 by a previous owner. It has 30-foot-high ceilings and cabinets trimmed with gold leaf. A chandelier hangs above a curving marble staircase with 18-karat gold detailing. A commercial real-estate investor in his mid-50s who is originally from Iran, Mr. Pierre bought the property at auction after it had failed to sell at its asking price of \$4.88 million; he says he was so amazed by photos of the condo that he bought it without ever visiting. The first time he saw the property in person, "I was extremely emotional," he adds, noting that the purchase felt like an embodiment of his hard work and success after "coming here with nothing."

To make the condo even more Versailles-like, Mr. Pierre got permission from the homeowners association to install fireplaces, and plans to complete the décor with period-appropriate antiques or replicas.

To Patrice Tarsey, Versailles is "the most beautiful palace ever built." So in 1992 when she saw a newly built house in Los Angeles that was inspired by Le Petit Trianon, she jumped at the chance to own it.

The roughly 11,000-square-foot home in Holmby Hills has wrought-iron and marble balconies and gold-leaf moldings throughout. In the entry there is a 46-foot-high dome, with twin rose marble circular staircases topped by an 18th-century Baccarat crystal chandelier. In the library and living room the cherrywood floors, in a Bordeaux pattern, are a copy of the floors in the Hall of Mirrors.

Ms. Tarsey is a real-estate heiress whose father Jason Tarsey owned the Dunes Hotel on the Las Vegas Strip. A few years ago, she relocated to Florida, and rented the house out. Now she's planning to list it for \$22.5 million with Gregory Bega and Lindsay Galbraith of Sotheby's International Realty.

Versailles-style details don't come cheap. Builder Tom C. Murphy, co-president of Florida-based Coastal Homes, says he has worked on three homes inspired by Versailles, ranging in size from 15,000 to roughly 80,000 square feet. These homes are pricey not just because of their size, he says, but because materials and artisans are often sourced from overseas. Moreover, 17th- and 18th-century homes didn't have to contend with things like electric lighting and HVAC systems, which take extra work to conceal without ruining elaborate design schemes.

In the U.S., homes inspired by Versailles don't always go over well with neighbors. When dentist Leonid Glosman and his wife, Natalie, set out to build a Versailles-inspired home in Beverly Hills in the late 1980s, it took two years to get permission to build, because the home's style "is not customary in the neighborhood" and "the height was much higher than the rest of the homes," says their daughter Monique Vayntrub.

Once they are built, Versailles-style homes can sometimes have trouble on the resale market. "A lot of people today want modern, contemporary, they don't want traditional and they don't want European," warns Beverly Hills-based real-estate agent Myra Nourmand of Nourmand & Associates.

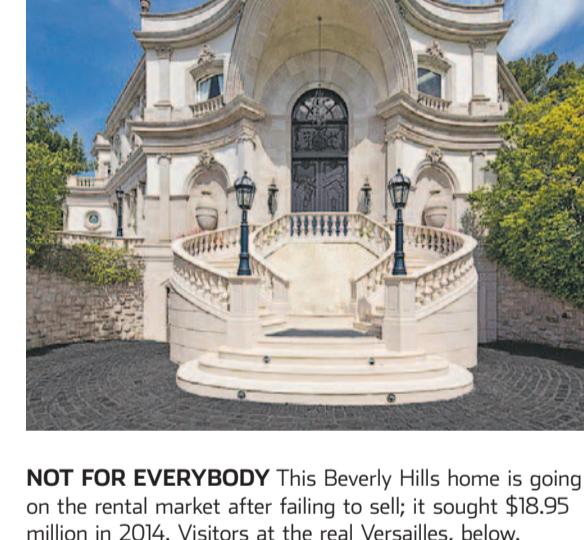
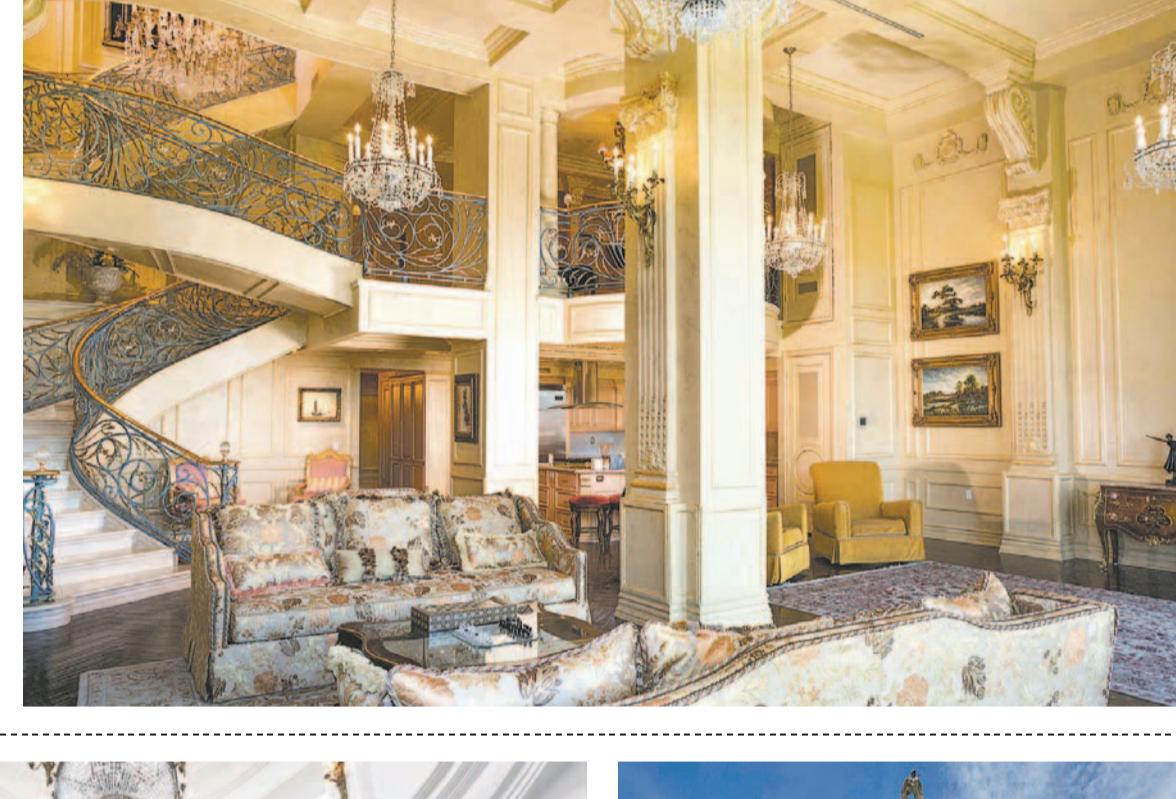
According to Realtor.com, homes that mentioned Versailles in their listing copy spent a median of 122 days on the market, far higher than the national median of 62 days and above the 111-day median for the top 5% highest priced homes in the country.



ALL YOURS This Los Angeles home was inspired by Le Petit Trianon, Marie Antoinette's retreat on the grounds of Versailles. It is going on the market.



DREAM COME TRUE Jean 'Manouch' Pierre, a commercial real-estate investor, in his 'Versailles Penthouse' at the Metropolis condominium in Las Vegas. 'It's a little bit over the top,' he concedes. 'But this is what working hard is all about.'



NOT FOR EVERYBODY This Beverly Hills home is going on the rental market after failing to sell; it sought \$18.95 million in 2014. Visitors at the real Versailles, below.



Several Versailles replicas have faced difficulty selling. Perhaps the best known example is the 90,000-square-foot mansion in Windermere, Fla., that inspired the 2012 documentary "The Queen of Versailles." Owners David Siegel, founder of timeshare giant Westgate Resorts, and his wife, Jacqueline, put the partially completed home on the market in 2010 for \$100 million fully finished, or \$75 million as-is. The home sat on the market for several years and had its price reduced before being taken off the market.

Ms. Glosman, who moved with her husband to the U.S. from Russia in the 1970s, says she chose Versailles as her inspiration because "it is one of the most magnificent architectural achievements in the world."

But when the family put the eight-bedroom house on the market for \$18.95 million in 2014, they found that not everyone had the same appreciation for the style. The home had "a limited audience" of potential buyers, says Ms. Nourmand, one of the listing agents.

When the house didn't sell, the Glosmans took it off the market and spent millions on a renovation, replacing many colorful interiors with white and swapping out

antiques for modern furniture. Now they are seeking to rent the house out for \$100,000 a month for long-term rentals or \$300,000 a month for short-term rentals.

When it comes to Versailles-style homes, "either you love it, or it's not for you at all," says Debbie Sonenshine of Coldwell Banker Residential Brokerage, who is listing a \$4.75 million home in At-

lanta with elaborate gardens inspired by Versailles.

But if history is any indication, there will be no shortage of future mini-Versailles to come.

"It's unique—it's not cookie cutter," Kevin Harris says of the Versailles-inspired home in Indianapolis he bought in 2014 for \$650,000. The roughly 14,000-square-foot home has hand-plastered mold-

ings, murals on the walls and a ballroom. The Scalamandre fabric on the dining room walls is a copy of draperies at Versailles, he says.

Mr. Harris, a manufacturing executive, acknowledges that the home's ornate style may make it difficult to resell if that time ever comes. But he and his wife love the home, he says, and after all, "you gotta live somewhere."