

THE WALL STREET JOURNAL.

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WSJ.com EUROPE EDITION

DJIA 21711.01 ▲ 0.45%

NASDAQ 6422.75 ▲ 0.16%

NIKKEI 20050.16 ▲ 0.48%

STOXX 600 382.74 ▲ 0.52%

BRENT 50.97 ▲ 1.53%

GOLD 1249.00 ▼ 0.22%

EURO 1.1634 ▼ 0.13%

What's News

Business & Finance

The Fed signaled it is ready as soon as September to start shrinking the bondholdings that it bought to buoy the economy. A1

◆ The U.K. said it would ban the sale of cars powered by traditional internal-combustion engines by 2040. A1

◆ Glaxo axed over 30 drug-research projects to focus on four key disease areas, in a push by its new CEO to sharpen R&D operations. B1

◆ Foxconn announced plans to build a \$10 billion plant in Wisconsin to make display panels. B1

◆ Facebook's profit jumped 71% as it developed new products to offset concerns about slowing growth. B1

◆ Big oil companies face pressure from investors to rein in spending, three years into an oil-price slump. B1

◆ Coke is replacing Coke Zero in the U.S. with another diet soda in an effort to retain consumers cutting back on sugary drinks. B3

◆ Boeing reported forecast-beating earnings and lifted its full-year target as it continued cost-cutting. B3

◆ Ford's net edged higher due to a better-than-expected tax rate and healthy financing-arm profits. B3

◆ Amazon aims to fill 50,000 new positions at its U.S. warehouses by hosting a giant job fair next week. B4

◆ Chipotle's earnings beat expectations, but the chain continued to struggle to bring back customers. B2

World-Wide

◆ Trump said he would bar transgender individuals from serving in the U.S. military, citing "medical costs and disruption." A1

◆ Trump said his administration is discussing a trade deal with the U.K., aiming to have it take effect after Britain leaves the EU. A4

◆ The U.S. Senate blocked a bill to dismantle much of the health-care law without a replacement ready. A6

◆ Trump signaled that his next priority would be overhauling the tax code. A6

◆ The EU threatened action against the U.S. unless Washington addresses its concerns about a bill to impose new Russia sanctions. A3

◆ The U.S. plans new sanctions against Chinese entities for violating U.N. sanctions on North Korea. A3

◆ The EU warned it could still pursue sanctions against Poland, even after President Duda vetoed a bill to replace the high court. A3

◆ The U.S. leveled sanctions at 13 Venezuelan officials for alleged corruption, human-rights violations and undermining democracy. A5

◆ Kushner and lawmakers are discussing criminal-justice changes that could conflict with Sessions' views. A6

◆ Trump again criticized Sessions, questioning the attorney general's decisions on FBI leadership. A6

◆ The EU's top court ruled that Palestinian group Hamas should be kept on the bloc's terror list. A4

CONTENTS Markets..... B8
Business News.... B3 Markets Digest.... B6
Capital Account.... A2 Opinion..... A10-11
Crossword..... A12 Technology..... B4
Finance & Mktcs. B57 U.S. News..... A6-7
Heard on Street... B8 Weather..... A12
Life & Arts..... A9,12 World News..... A2-5

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Please see ENGINE page A2

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WORLD NEWS

CAPITAL ACCOUNT | By Greg Ip

The Myth of Trump's Do-Nothing Presidency



Six months into his presidency, Donald Trump's detractors portray him as a do-nothing president with no big wins on issues such as health care, taxes and infrastructure.

That may be true if the benchmark is legislation, but that is an incomplete benchmark. To gauge a president's impact you have go beyond the laws he signs to the vast authority he wields through departments and agencies that apply the law.

On that score, Mr. Trump is on track to do a lot. On finance, the internet, immigration and drugs, to name just a few issues, Trump appointees have begun nudging the economy and the country in a more conservative, pro-business direction. Whether that is good or bad is to a great extent in the eye of the beholder. What isn't debatable is that the imperial presidency, after expanding under Barack Obama, remains just as formidable under Mr. Trump.

In recent weeks headlines have been dominated by the Senate's stop-start efforts to repeal and replace the Affordable Care Act. Away from

this drama, Mr. Trump's Labor Department moved to undo Mr. Obama's expansion of eligibility for overtime pay, financial regulators dropped efforts to tighten restrictions on banker pay and the Interior Department signaled it would rescind proposed rules on oil and gas fracking on federal land.

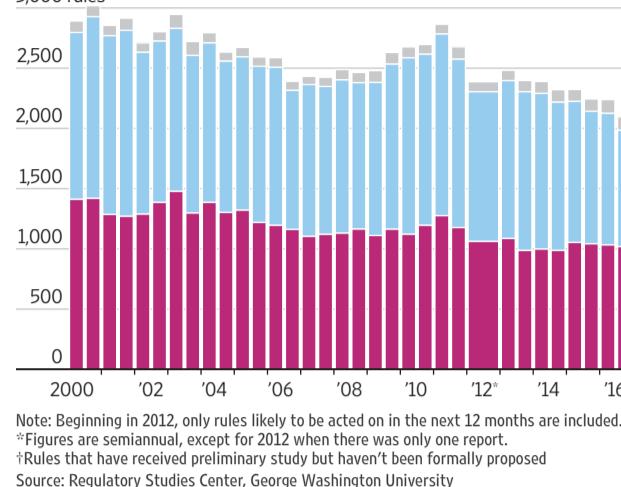
On Wednesday, Mr. Trump announced transgender individuals couldn't serve in the military, reversing an Obama-era decision.

In Mr. Trump's first six months, rule-making has changed dramatically. The latest update on regulatory actions released last week by the White House Office of Management and Budget contained 1,731 preliminary, proposed or final rules, down 40% from its peak under Mr. Obama in 2011 and a 17-year low, according to Sofie Miller of George Washington University's Regulatory Studies Center. Many are actually reversals of earlier rules. Ms. Miller says of 66 completed actions at the Environmental Protection Agency, a third were rule withdrawals.

This may not yet meet Mr. Trump's promise to repeal two rules for every new rule written, and indeed, agencies may find they are legally

Not to Act Is to Act

Rules under consideration by federal departments and agencies have dropped significantly under Donald Trump.



Note: Beginning in 2012, only rules likely to be acted on in the next 12 months are included.

*Figures are semiannual, except for 2012 when there was only one report.

[†]Rules that have received preliminary study but haven't been formally proposed

Source: Regulatory Studies Center, George Washington University

THE WALL STREET JOURNAL.

compelled to have a rule whether they like it or not.

Nonetheless, the shift is clear. Deciding not to act can be just as consequential as deciding to act, given the discretion presidents have in how they enforce existing laws. Mr. Obama, for example, chose to not deport some classes of illegal immigrants. Mr. Trump's playbook is

similar. His appointees have signaled they will use the discretion allowed under the sweeping Dodd-Frank postcrisis regulatory overhaul

to loosen the reins on finance. Keith Noreika, the acting comptroller of the currency, has suggested he may reinterpret the "Volcker rule" prohibition on proprietary trading to make it less onerous.

Mr. Trump has been criticized for how few officials have been confirmed to key jobs. Time will take care of that, and in the meantime, understaffed agencies can still get plenty done.

Authority. Mr. Trump was ready to tear up the North American Free Trade Agreement until other countries and companies persuaded him that would be rash.

And there are still the courts. Mr. Obama's sweeping limits on power-plant carbon-dioxide emissions and his overtime pay rule were both halted by courts, as was Mr. Trump's initial ban on travel from several majority-Muslim countries. But courts generally defer to regulators under a 1984 Supreme Court precedent called "Chevron deference."

Even liberal justices may be reluctant to challenge presidential prerogative, as the Supreme Court signaled with a unanimous preliminary decision upholding parts of the travel ban. Liberals who applauded Mr. Obama's exercise of presidential prerogative will have little grounds to protest when Mr. Trump does the same.

Of course, Mr. Trump's expansive use of presidential power, like Mr. Obama's, could be swept away as soon as another president takes office. But for the time being, don't underestimate how much a president can shape the economy with no input at all from Congress.

said Phillip Carter, a senior fellow at the Center for a New American Security, a Washington defense think tank.

He said that welcoming more women and LGBT troops has helped expand the number of potential recruits. "President Trump's new policy shrinks the recruiting pool at a time when the services are trying to grow, and this policy will likely make it a little tougher for the services to recruit and retain qualified service members," he said.

The Pentagon said it couldn't elaborate Wednesday on the change in transgender policy. "We refer all questions about the president's statements to the White House," said a Pentagon spokesman, Capt. Jeff Davis, in a statement. "We will continue to work closely with the White House to address the new guidance provided by the commander-in-chief on transgender individuals serving the military. We will provide revised guidance to the Department in the near future."

The decision to bar transgender troops comes as the services face difficulties recruiting and retaining troops.

"Our all-volunteer force is facing a long-term decline both in the number of young Americans qualified to serve, and the propensity of those qualified Americans to serve,"

The report estimated that few of those service members would require treatment or surgery and concluded that the cost of implementing the policy would be between \$2.4 million and \$8.4 million a year.

—Paul Sonne, Byron Tau

and Natalie Andrews

contributed to this article.

TRUMP

Continued from Page One

Sarah Huckabee Sanders said the White House informed Defense Secretary Jim Mattis after the president made his decision on Tuesday. She said Mr. Trump made his decision with the "consultation" of his national security team.

"Sometimes you have to make decisions, and once he made a decision he didn't feel it was necessary to hold that decision," she told reporters at a White House news briefing.

Ms. Sanders said she couldn't answer questions about whether transgender individuals currently serving openly would be thrown out of the military, saying the policy hasn't been formed yet.

Former Defense Secretary Ash Carter, who opened the department to transgender troops, said the decision would hurt the military. "I continue to maintain that what matters in choosing those who serve is that they are best qualified," he said in a statement. "To choose service members on other grounds than military qualifications is social policy and has no place in our military. There are already transgender individuals who are serving capably and honorably. This action would

Transgender Troops

A 2016 RAND study found that extending transition-related care to transgender soldiers—who make up 0.05% of active duty troops—would have a minuscule effect on health-care spending.

Estimated number of transgender personnel in the U.S. military

Active duty
2,450

Reserve
1,510[†]

\$2.4 million to \$8.4 million a year

Estimated increase in Military Health System costs if the military extended gender transition-related care to personnel

\$6 billion

Total active duty health-care expenditures in FY2014

[†]Out of a total active duty force of 1.3 million. [†]Out of a total reserve force of 831,992.

Source: RAND Corporation

ing the statement unclear.

"Any American who meets current medical and readiness standards should be allowed to continue serving," Mr. McCain said. "There is no reason to force service members who are able to fight, train, and deploy to leave the military—regardless of their gender identity."

Sen. Orrin Hatch (R., Utah) said "I don't think we should be discriminating against anyone. Transgender people are people, and deserve the best we can do for them. I look forward to getting much more information and clarity from our military leaders about the policy the president tweeted today."

Tony Perkins, president of the social conservative group Family Research Council, praised Mr. Trump's decision. "The military can now focus its efforts on preparing to fight and win wars rather than being used to advance the Obama social agenda," he said in a statement.

In June 2016, the Obama administration moved to lift the U.S. military's longstanding ban on transgender individuals serving openly and began to establish a process for enlisted personnel to undergo treatment while serving.

The decision, under then-Defense Secretary Carter, followed the abolition of the military's "don't ask, don't tell"

policy which prohibited gay individuals from serving openly and came after a move to open more military jobs to women.

The 2016 change in military transgender policy applied to those currently serving, while setting a target date of July 1, 2017, for transgender individuals to enlist. In late June, Mr. Mattis delayed the start of military enlistment by transgender recruits, until Jan. 1, 2018, citing recommendations from the military services.

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ENGINE

Continued from Page One

are powered aren't new. Regulators set to work in the 1990s on standards intended to drastically reduce the number of conventional automobiles rolling out of factories. Fuel-cell vehicles and electric cars were expected to be dominant by now, but they still face infrastructure hurdles, high costs and concerns about driving range.

Today, with gasoline or diesel powertrains still powering nearly every one of the 90 million vehicles sold annually across the globe, auto makers are spending heavily to make those engines more efficient even as they slowly introduce electric cars. Rule makers want them to shift focus.

"We can't carry on with diesel and petrol cars, not just because of the health problems, but also because the emissions they cause will accelerate climate change," said U.K. Environmental Secretary Michael Gove in an interview with the British Broadcasting Corp. The U.K. is planning a package of more than £200 million (\$260.5 million) that will enable local authorities to draw up plans—including placing restrictions on drivers—to target roads and areas with high pollution levels, Mr. Gove said.

The U.K. and France account for about one-third of new cars sold in the European Union, but pale in comparison



European regulators are pushing for more electric cars on the road.

to the U.S. and China—which together sell nearly half of the world's light vehicles.

U.S. regulators, prompted by the Trump administration to revisit strict emissions regulations set for 2025, indicated this week they are considering a rollback of those rules. China envisions millions of EVs on its roads in coming years and is working to both dissuade purchases of conventional cars while funding the emergence of a domestic supply chain to provide alternative technology both at home and abroad.

Electric-vehicle mandates face stiff headwinds, including pressure that will likely emerge from oil companies and auto makers that play big roles in the U.K. economy and employment picture.

Regulators in several countries, including the U.S., have tried to impose aggressive

emissions-elimination policies on car companies, only to roll back the standards amid relatively cheap fuel prices and a lack of consumer acceptance of electric cars.

Auto makers have warmed to electric-car technology following the initial success of Tesla Inc.'s pricey Model S and stiffening rules in China, California and the European Union. Volkswagen AG, Honda Motor Co. and Daimler AG are among major car companies signaling big commitments to replace a sizable portion of their internal combustion engines with batteries or fuel cells in coming decades.

Toyota Motor Corp. has said it envisions an emissions-free fleet by 2050, a decade behind the U.K.'s timetable. Detroit auto makers, once fiercely committed to selling hydrogen fuel-cell vehicles by

2020, have focused on making gasoline engines more efficient while slowly expanding electric offerings.

Volkswagen's 2015 diesel-emissions scandal, which centered on a multiyear effort to dupe regulators with software that misrepresented the harmful pollutants its cars emitted, kicked off a new round of concern about diesel engines in Europe and all but killed the technology in the U.S. Gasoline engines are being made more efficient via turbochargers and other innovations, but are still considered dirtier than electric vehicles that juice up via the grid.

General Motors Co. is ditching the European market, partially because of the mismatch in regional emissions mandates. The auto maker, having long struggled to assimilate to the unique regulatory or labor

contours of individual markets, has also left, is leaving or is considering reducing exposure to several smaller markets.

The internal combustion engine has dominated the car business for more than 120 years, and governments have struggled to rein in the pollutants that result from them. The move to ban them outright is a new trend that will need costly infrastructure investments to ensure there is a charging network, in addition to major battery investments so that the capability of EVs can increase while costs decrease.

Tesla, for instance, has been in business nearly 15 years and has yet to report an annual profit. The cost of vehicle development and installing plugs in dozens of countries on several continents far outpaces what people are willing to pay for the company's

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sedans and SUVs, even though most markets offer hefty tax subsidies to buyers.

Volvo Car Corp., owned by China's Zhejiang Geely Holding Group, said earlier in July it will begin transitioning its lineup to being exclusively electric or hybrid-electric starting in 2019. The Swedish car maker, however, has a very small presence in all of the major markets and can't afford to make several technology bets.

—Jenny Gross

contributed to this article.

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WORLD NEWS

EU Cautions U.S. Over Russia Sanctions

Bloc threatens action if Washington fails to resolve its concerns over penalties bill

By LAURENCE NORMAN

BRUSSELS—The European Union stands ready to act against the U.S. within days if the bloc's concerns about American legislation to impose new sanctions on Russia aren't addressed, the top EU official said.

The bill, which the House of Representatives passed on Tuesday, would let President Donald Trump penalize European companies working on the development, maintenance, modernization or repair of energy export pipelines.

European officials, while not specifying what actions they could take, say that poses a threat to a range of regional energy projects.

"The EU is fully committed to the Russia-sanctions regime," said European Commission President Jean-Claude Juncker said on Wednesday, adding that "close coordination among allies are at the heart of" making the measures effective.

Mr. Juncker said the bill could have "unintended unilateral effects" on the EU's energy security interests and that the bloc will respond swiftly if its concerns aren't addressed. "America First" cannot mean that Europe's interests come last," Mr. Juncker said.

American lawmakers tried to ease Europeans' concerns, adapting draft legislation to say that any sanctions on pipeline projects would be undertaken "in coordination with allies of the United States," said Sen. Bob Corker (R., Tenn.), chairman of the Senate



Jean-Claude Juncker, the EU Commission president, spoke Wednesday in Brussels about the U.S. bill.

Foreign Relations Committee.

But that wasn't enough for European leaders, who said they would closely follow the U.S. legislative process and be ready to act. European officials have long chafed at U.S. legislation which seeks to target foreign companies with sanctions, saying that runs against international law.

They also worry Mr. Trump could use the legislation as leverage to pressure European governments on other issues, like trade.

Austrian Chancellor Christian Kern slammed the bill as an unacceptable "mixing of political interests with economic ones, at the cost of European jobs."

Against Mr. Trump's wishes, lawmakers passed legislation in an overwhelmingly bipartisan vote on Tuesday that would punish Russia after

the U.S. intelligence community concluded that Moscow had sought to interfere in the 2016 presidential election.

Mr. Trump has expressed skepticism about Russian interference and opposes a portion of the bill that the White House says infringes on his executive authority. Russia also denies it.

The bill was aimed partly at forcing Mr. Trump to seek congressional approval before lifting restrictions. The compromise measure must now pass the Senate, which approved a different version of the bill last month.

Lawmakers could make further changes to the legislation before presenting it to Mr. Trump. The U.S. leader told The Wall Street Journal on Tuesday that he hasn't yet decided whether to sign it into law. It could become law if it

goes unsigned for 10 days.

The sanctions would come on top of others passed by the U.S. and EU after Russia's intervention in Ukraine and its annexation of Crimea in 2014. EU officials say the bloc has paid a higher price from those broad economic sanctions since EU-Russia trade was greater than U.S. economic ties before Ukraine crisis.

The EU and the U.S. have tied the easing of sanctions to Russia's implementation of the 2015 Minsk cease-fire and peace accords. The bloc recently extended its sanctions for an extra six months.

The EU acknowledged U.S. lawmakers had made a number of changes to the draft bill in recent days to lower the risk of American legal action against European firms. German foreign ministry spokesman Martin Schaefer said lobbying from the EU and from Germany had helped improve the draft legislation.

U.S. Plans New China-Tied Curbs

WASHINGTON—The U.S. soon will issue new sanctions against Chinese entities for violating United Nations sanctions against North Korea, a senior State Department official said.

Susan Thornton, acting assistant secretary of the State Department's East Asian bureau, told a Senate Foreign Affairs subcommittee the Treasury Department shortly will be targeting more Chinese entities involved in supporting Kim Jong Un's regime.

Ms. Thornton said the escalation in economic pressure follows the failure of Beijing to take action on its own against Chinese firms and individuals the U.S. warned were in violation of the U.N. sanctions.

The U.S. is pushing the U.N. Security Council to approve fresh punitive actions against North Korea in the aftermath of a July 4 test of a new intercontinental ballistic missile with the potential to reach Alaska.

But amid complaints by the U.N.'s own experts that sanctions compliance among the institution's member countries has been inadequate, many

U.S. analysts say such a multilateral strategy has failed to put a dent in Mr. Kim's aspirations for a nuclear weapon that can strike the U.S.

That is one reason Congress has rallied behind legislation that will require the Trump administration to levy tougher sanctions against North Korea as part of a larger sanctions bill that also targets Russia and Iran. It also accounts in part for the unilateral U.S. action.

"We're definitely in the process of trying to elevate that pressure and change the calculus," Ms. Thornton said.

China, a North Korean ally that shares a long border with the country, is the nation's biggest trade partner. Analysts say cutting off financing for Pyongyang's weapons program and military requires ratcheting up sanctions on Chinese banks, firms and individuals.

"The Chinese are now very clear that we're going to go after Chinese entities if need be," Ms. Thornton said.

The Chinese Embassy in Washington didn't respond to requests for comment, but Beijing has said it opposes U.S. unilateral sanctions against North Korea.

—Ian Talley

The new bill says the president, in making his decision, should "continue to uphold and seek unity with European and other key partners."

However, the EU said it potentially opened the way to punish companies building infrastructure that may transport energy resources to Europe. That includes the maintenance and upgrade of Russian pipelines that transit through Ukraine.

EU Urged To Dismiss Migrant Challenge

By VALENTINA POP

Slovakia and Hungary's legal challenge against a European Union program to distribute migrants from Africa and the Middle East more evenly across the bloc should be dismissed, the top lawyer for the European Court of Justice advised, in a decision that is likely to deepen divisions over the EU's response to the crisis.

Bratislava and Budapest, which has been supported by Poland, argued the EU's 2015 decision to introduce a quota system to relocate migrants across the bloc was unlawful.

But the court's top lawyer, Yves Bot, on Wednesday said that quota system was a proportionate response to the crisis and would help Italy and Greece, the two countries that have been at the forefront of the crisis. The court is expected to issue its final ruling on the issue this year.

The EU's plan was controversial in Central and Eastern Europe, which has had little experience of absorbing Muslim migrants. Governments said protecting Europe's borders should come first.

"We continue to interpret the decision on the mandatory resettlement quota as a decision that contravenes European law," Hungarian Minister of Foreign Affairs and Trade Péter Szijjártó said. "The primary task, duty and responsibility of Hungary's government is to protect the security of the country and of the people of Hungary, and accordingly it will continue to do everything in its power to ensure that illegal immigrants cannot come here," he added.

The Slovak foreign ministry said the opinion isn't binding, suggesting it could be ignored in the final ruling. However, most court opinions are upheld in the final rulings.

The court case comes two years after the European Commission, the EU's executive arm, put forward a binding plan to distribute across the EU as many as 120,000 migrants who were living in Italy and Greece. Fewer than 25,000 people have been moved under the EU's plan.



Demonstrators in Warsaw gathered on Tuesday next to the Supreme Court during a 'Chain of the lights' protest against the government's judicial overhauls.

Bloc Threatens Poland Amid Court Standoff

The European Union warned it could still pursue unprecedented sanctions against Poland, trying to pressure the government as both sides weigh their next moves after the president vetoed legislation to replace the entire Supreme Court.

By Emre Peker in Brussels and Drew Hinshaw in Warsaw

Last week, Poland's parliament approved three laws that would have allowed the government to directly or indirectly re-staff the judicial bench, from the Supreme Court down to small, local courts. Mr. Duda vetoed the heart of that legislation, but allowed the government to now decide who appoints judges to lower, criminal courts.

His veto hasn't allayed fears in Brussels. The laws "would have a very significant negative impact on the independence of the Polish judiciary and would increase the systemic threat to the rule of law," the commission's first vice president, Frans Timmermans, said.

The EU has limited room to maneuver in its showdown with Poland. The ruling party, Law and Justice, says the reforms are needed to purge officials who entered public life during the tainted communist era. Previous warnings have done little to sway the government from its efforts.

and remain a full-fledged member of the union.

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The bloc's most severe punishment—stripping EU voting rights—requires a unanimous decision of all the countries in the bloc, which looks unlikely. It must also weigh how much to criticize the country and face accusations of outsider meddling or to remain silent and take flak for that.

"The EU was designed to shame its members into compliance, but shame is obviously not working for Poland," said Roman Rewald, president of the Lewiatan Mediation Center, a legal institution in Warsaw.

The government remained defiant following the commission's statement. The ruling party said its changes were in line with the Polish constitution.

"We will not tolerate the pressure and blackmail of EU officials," it tweeted.

A majority of Poles oppose the overhaul: In one poll last week, 55% of voters wanted Mr. Duda to veto the bill. But at the same time, the ruling party is Poland's most popular, with about a third of voters behind

it. Many are Poles who say they resent the EU's attempts to guilt their nation into becoming a liberal democracy.

The commission said it is ready to launch an effort to punish Poland, which would begin with asking EU governments to formally warn Poland to reverse course.

The process could eventually escalate to a discussion of stripping Poland of its EU voting rights. But while EU governments would need a four-fifths majority for an initial formal warning, sanctioning Poland would require unanimity.

Hungary has already said it would veto measures against Poland, whose vision for what a European democracy should look like is shared by Budapest.

Mr. Duda has called for a revised Supreme Court bill and said this time he would like to help write it. It is not yet clear if the new bill would also serve to expand government control of the judiciary or help Poland address EU concerns.

"They're determined to

push forward on this," said Paul Ivan, senior policy analyst at the Center for European Policies in Brussels. "It's still a very fluid situation, far from being over."

Warsaw would cross a red line if it dismisses or forces Supreme Court justice into retirement, Mr. Timmermans said. "If such a measure is taken the commission is ready to immediately trigger" the procedure for a formal warning, he said.

The EU is open to dialogue to resolve the issues, Mr. Timmermans said, but he added that Brussels would nevertheless launch legal proceedings over the measures Mr. Duda did sign. That could lead to a fine.

Brussels says Poland's changes to lower courts breach EU law by introducing different retirement ages for female and male judges, and endowing the justice minister with powers to dismiss and appoint court presidents, as well as extending the mandates of judges who have reached retirement age.

WORLD NEWS

U.S. and U.K. Discuss a Deal on Trade

Talks on what Trump calls a 'major' bilateral pact look ahead to Britain's exit from EU

President Donald Trump said Tuesday his administration was negotiating "to do a major trade deal" with the U.K., aiming to have it kick in

*By Jacob M. Schlesinger
in Washington and
Stephen Fidler
in London*

soon after Britain completes its exit from the European Union in early 2019.

"It'll be a big trade deal—much, much more business than we do right now, many, many times," Mr. Trump said in an interview with The Wall Street Journal.

Mr. Trump's enthusiasm for expanding trading ties with the U.K. stood in contrast with his more-critical comments about the European bloc that Britain is leaving. "I have a good relationship with the EU people and all, but they are very, very protectionist," the president said.

Mr. Trump spoke as Britain's trade secretary, Liam Fox, was visiting Washington, formally opening trade talks with administration officials and meeting with members of Congress.

A White House official in a separate interview later elaborated on Mr. Trump's comments, saying that a future U.S.-U.K. deal could cover a wide range of issues, such as agriculture, aviation and financial services. He said "there may be things that we do with the U.K. that are not covered by the EU" under current trading arrangements.

During the interview, Mr. Trump also said his adminis-

tration's long-anticipated curbs on steel imports were still being discussed internally, and that it may be some time before he takes any action—perhaps after higher-priority agenda items like overhauling the tax code are completed.

Earlier this year, Mr. Trump and his commerce secretary, Wilbur Ross, said they would look to impose new steel protections in the name of "national security" by the end of June. But that timetable slipped amid objections from trading partners, domestic steel users and some of Mr. Trump's own aides.

Asked about the status of the tariffs, Mr. Trump said "we don't want to do it at this moment." He added that "we're waiting till we get everything finished up between health care and taxes and maybe even infrastructure," a sequencing that suggests steel action may not take place for months.

"The president said he is waiting for more and more information," the White House official said in explaining the delay. The official added that Mr. Trump is focused on "getting things done right, and in an order that makes sense." He then said: "The first priority for the president and his agenda is tax reform."

Talk of forging a U.S.-U.K. deal works politically for both sides. It enables Mr. Trump to point to terms that could create jobs for Americans and Mr. Fox, a strong opponent of British membership of the European Union, to point to a pact as the sort of agreement that would be impossible with the U.K. inside the EU.

Mr. Trump's enthusiasm for working with an independent Britain marks a sharp turn from the perspective of his predecessor, Barack Obama, who threatened the U.K. before

the June 2016 vote that a Brexit would force the U.K. to the "back of the queue" for trade talks.

The U.K. talks allow Mr. Trump to show progress in his quest to expand trade in certain circumstances he deems in America's interest—not just imposing new trade barriers or trying to rip up or rewrite existing pacts—and to pursue the kind of bilateral trade deal he favors over multilateral agreements. The U.K.'s enthusiasm for negotiating a bilateral agreement with the Trump administration contrasts with other trading partners, like Japan, which has been cool to similar overtures.

Britain's membership in the EU—a customs union that sets common external tariffs—means it can't negotiate in detail a trade deal until it leaves the EU, which will likely happen in March 2019.

EU members haven't objected to the U.K. exploring the prospect of post-Brexit trade deals, which it has also examined with countries like Australia, New Zealand and India. But any U.S.-U.K. deal would also need to be considered in light of what the post-Brexit trade environment between the EU and U.K. would look like.

The British government appears to have reached a consensus that a transition period of some years will be necessary to minimize the trade disruption with the EU, which accounts for about 44% of British exports compared with around 17% for the U.S. The U.S. is one of the few major economies with which Britain runs a trade surplus. The transition is likely to include continued British membership of the EU's customs union.

—Peter Nicholas
contributed to this article.



Liam Fox, the U.K.'s international trade secretary, right, at an American Enterprise Institute event.

British Growth Remains Subdued

LONDON—U.K. economic growth remained subdued in the second quarter, as a modest revival in consumer spending offset shrinking industrial production, a sign that a hoped-for shift toward export-led growth remains elusive.

Economists say businesses—particularly exporters—will need to take the baton from consumers squeezed by rising prices if the U.K. economy is to avoid stuttering just as Britain's exit talks with the European Union get under way.

Quarterly growth stood at 0.3% in the April-June period, the U.K.'s Office for National Statistics said on Wednesday, a slight improvement on the 0.2% growth rate of the preceding quarter, but still less than half the pace of growth at the end of last year.

Growth was also supported by a strong performance from the film industry, which has benefited from tax breaks introduced in 2014, as well as Britons' appetite for blockbusters such as "Pirates of the Caribbean: Dead Men Tell No Tales" and "Wonder Woman."

On an annualized basis, growth accelerated to 1.2%, from 0.9% in the previous three-month period, the ONS said.

The second-quarter expansion was in line with the expectations of economists polled by The Wall Street Journal. The data cover the first three months of the two-year Brexit negotiation period. The U.K. served its exit notice to Brussels on March 29, and negotiations began in earnest last month.

—Wiktor Szary

Ill Baby's Parents Agree to Hospice Transfer

BY JOANNA SUGDEN AND AMANDA COLETTA

LONDON—Charlie Gard's parents agreed Wednesday to take their gravely ill baby to a hospice to die, as a judge granted them a chance to try to find a medical team who would give them more time to spend with him there in his final days.

Connie Yates and Chris Gard are nearing the end of a high-profile legal battle with Great Ormond Street Hospital over the fate of the 11-month-old child, in a wrenching final fight over exactly how and where his life will end.

The couple had hoped to spend their last few days with their son in their own home as his treatment is withdrawn, but the hospital where the boy is on a ventilator said it would be too difficult to provide intensive care there.

As a compromise, Great Ormond Street suggested a hospice, which can offer only a few hours of artificial ventilation before it is removed. The ventilation process requires round-the-clock attention from a clinical team, including a pediatric inten-



Charlie Gard's mother, Connie Yates, center, arrived at the court in London on Wednesday.

sive-care specialist.

Judge Nicholas Francis granted Ms. Yates a chance to find a team that could help him remain alive longer, but ruled that if an agreement couldn't be reached by the parents, Charlie's guardian and the hospital by Thursday at noon, then "matters

have to be taken to their very, very sad conclusion."

"It's in Charlie's best interests to be moved to a hospice" and for his artificial ventilation to be removed when his treating team thinks it appropriate, the judge ruled. The time and place of his death will remain undisclosed until

after it has happened, he said.

Grant Armstrong, an attorney for the family, said that Ms. Yates still felt she could find an alternative.

"She's not a quitter under any circumstances at all," Mr. Armstrong said.

The attorney for the hospital told the court earlier that

Charlie should be moved to the hospice no later than Friday morning.

"The strain on the family and those who are caring for Charlie is simply too much," Fiona Paterson said.

Ms. Yates left the hearing in tears before the judge announced his decision. His father remained at Charlie's bedside during the hearing.

Ms. Yates and Mr. Gard on Monday gave up their months-long fight to take Charlie to the U.S. for experimental therapy after new scans showed his muscular damage was too extensive and the window for treatment to have a chance of success had closed.

The child, who appeared healthy at birth in August, has been in intensive care since October after his movements slowed and he had difficulty breathing. Doctors found he had a rare genetic disorder that affects his muscle strength and brain development and said later that treatment was futile.

The case has drawn worldwide focus in recent weeks, including support for the family's stance from President Donald Trump and the pope.

Hamas Stays on Terrorism List

BY LAURENCE NORMAN

The European Union's top court ruled Wednesday that Palestinian group Hamas should be kept on the bloc's terror list, reversing a lower court decision, but said the striking down of a Sri Lankan terror-group listing was appropriate.

The decisions won't have an immediate impact. Both groups were relisted on new grounds by the EU earlier this year and any funds connected to the groups remain frozen. However, the earlier ruling on Hamas in 2014 had added to tensions with Israel and raised questions about the bloc's counterterrorism work.

In the case of Hamas, the European Court of Justice said the lower court's 2014 decision wrongly demanded stronger evidence from EU member states to keep the group on the terror list.

"We welcome the ECJ ruling, which confirmed the legality of Hamas listing in 2010-2014," the EU embassy in Israel said in a statement. "The EU continues to consider Hamas a terrorist organization; measures restricting its activity remain in force."

The ECJ said while specific evidence must be provided by an EU member state to blacklist a group or person, there were less strict conditions on evidence to maintain that blacklisting. All that was needed to extend the listing was evidence showing that there is a continuing risk of the person or group being involved in terrorist activities. As a result, the lower court was wrong to discard the looser evidence provided on Hamas's continuing terror activities.

However for the Tamil Tigers, the court said that the EU didn't explain why it believed the Sri Lankan group, following its military defeat in 2009, continued to pose a terror risk.

The court therefore confirmed the lower court's decision to annul the freezing of Tamil Tiger funds from 2011 to 2015.

Rajoy Denies Knowing of Alleged Illicit Funds

BY JEANNETTE NEUMANN

MADRID—Spanish Prime Minister Mariano Rajoy testified in court on Wednesday as a witness in a graft trial, focusing national attention on the corruption allegations that have plagued his conservative political party and cost him votes.

Lawyers tried to discern what Mr. Rajoy knew about the finances of his center-right Popular Party when he was a senior party official in the early 2000s, the period the trial centers on.

During nearly two hours of testimony, Mr. Rajoy said he had no knowledge of the alleged illegal financing scheme that helped to fund the party. Mr. Rajoy responded repeatedly that his responsibilities as a party official had been political, not financial. "I have never dealt with economic matters in the party," Mr. Rajoy said.

Mr. Rajoy's court appearance complicates the prime minister's efforts to focus



Mr. Rajoy testified that his role had been political, not financial.

Spaniards' attention on the country's robust economic growth that has taken place on his watch rather than on continuing corruption investigations involving current and former members of his party.

Mr. Rajoy was called as a witness in what is known as the "Gurtel" case and hasn't been accused of wrongdoing. The image of a sitting prime minister testifying in court in a corruption trial, however, was one Mr. Rajoy and his

party had sought to avoid. Mr. Rajoy had asked to testify before a three-judge panel via videoconference, but the court rejected his request.

In some exchanges with lawyers, Mr. Rajoy showed his characteristic dry sense of humor. "That doesn't seem like very brilliant reasoning," Mr. Rajoy said in response to a question he seemed to think was repetitive.

After his testimony, Mr. Rajoy said: "I'm happy to have

collaborated with the courts.

"The Popular Party has had its problems and its stories, just as there have been a lot in other political parties," he added. "We are determined to fight corruption."

Corruption has been a top concern for Spaniards for several years; they named it as the second-greatest problem facing the country after unemployment in a June survey by Spain's Center for Sociology Research.

Mr. Rajoy has tried to emphasize Spain's economic comeback. The economy grew 3.2% in 2015 and 2016, one of the fastest rates among major eurozone countries. Growth is expected to top 3% again this year. Mr. Rajoy became prime minister in 2011, when Spain was in recession, and was reelected in 2016 but lost his parliamentary majority.

Despite overseeing a weak minority government, Mr. Rajoy has been able to approve the 2017 budget, cobbling together support from smaller parties. He has also reached

an agreement on the 2018 expenditure ceiling, paving the way for a potential accord on next year's budget.

However, "there is a risk that further into the parliament it will prove harder to sustain opposition support and we continue to see limited prospects of substantial new economic reform," analysts for credit rating firm Fitch Ratings wrote in a July 21 report. "The government is instead expected to focus on protecting earlier structural reforms, with only limited new measures."

Highlighting Mr. Rajoy's political vulnerability, opposition parties seized on his appearance in court Wednesday. Most major Spanish television stations and media outlets broadcast the prime minister's testimony live.

"Resign," Socialist leader Pedro Sánchez said.

"Spain doesn't deserve a corrupt party living like a parasite off our institutions," said Pablo Iglesias, leader of the far-left Podemos party.

WORLD NEWS

U.S. Puts Sanctions on More Venezuelans

By JOSÉ DE CÓRDOBA

The U.S. government leveled sanctions at 13 high-ranking Venezuelan officials for alleged corruption, human rights violations and undermining the country's democracy, days before a scheduled vote for a constitutional assembly that many believe would deal a death blow to Venezuela's democracy.

The officials targeted by the U.S. Treasury on Wednesday include Tibisay Lucena, the head of the country's electoral agency, as well as the chiefs of the Venezuelan Army, National Guard and National Police.

The U.S. also blacklisted the finance chief of state oil firm Petróleos de Venezuela; Elías Jaua, a leading politician close to President Nicolás Maduro; and Erick Malpica Flores, a nephew of Venezuela's powerful first lady, Cilia Flores.

Under the sanctions, the officials' U.S. assets are frozen and their U.S. visas revoked. The measures also prohibit U.S. citizens and institutions from doing business with them.

The U.S. government warned that any individuals who become members of the constituent assembly to be elected on Sunday risked being added to the U.S. sanctions list.

"The United States will not ignore the Maduro regime's ongoing efforts to undermine democracy, freedom, and the rule of law," said U.S. Treasury Secretary Steven Mnuchin.

The newest round of sanctions comes days after U.S. President Donald Trump called Mr. Maduro a "bad leader who dreams of becoming a dictator" and threatened that the U.S. would take "strong and swift economic action" if the Venezuelan leader followed through with Sunday's planned vote for the constituent assem-



Protesters in Caracas sit by graffiti reading 'Out with Maduro' as a 48-hour general strike called by the opposition began Wednesday.

bly, which is to be tasked with rewriting the constitution.

The Trump administration says Mr. Maduro's push to create the assembly is the final step toward a full dictatorship. "We see July 30th as a critical line that, if crossed, could be the end of democracy in Venezuela," a senior Trump administration official said.

The U.S. put eight Venezuelan Supreme Court justices under similar sanctions in May after the court issued rulings that gutted the country's opposition-led congress. The country's vice president, Tareck El Aissami, was placed on a U.S. Treasury blacklist in February for allegedly aiding drug traffickers, along with financier Samark López.

Mr. Jaua, the Venezuelan

official in charge of creating the constituent assembly, said he had no assets to lose.

"The Empire's sanctions are an acknowledgment of my 34 years of struggle for national sovereignty and for the poor of this Earth. We will overcome!" Mr. Jaua wrote on his Twitter account on Wednesday.

Mr. Maduro's efforts to convene a constituent assembly are being boycotted by Venezuela's opposition. Once elected Sunday, the assembly is set to become the country's supreme political institution, with power to rewrite the constitution and dissolve the opposition-dominated congress.

The opposition has called a two-day general strike—its second in as many weeks—starting Wednesday in a last-ditch at-

tempt to stop the constituent assembly. In Caracas, some government opponents participating in the general strike supported the sanctions, but were skeptical they would matter.

"I don't think it will have an impact on their behavior," said Henry Oliveros, a 24-year-old telecommunications worker.

Mr. Trump and other world leaders have called on Mr. Maduro to abandon the vote, which polls show more than 80% of Venezuelans oppose. Last week, Venezuelans voted in an unofficial referendum whose results showed overwhelming opposition to creating the new assembly.

Mr. Maduro dismissed that referendum as nonbinding, but as the president and his aides move ahead with their plans

to hold Sunday's vote, anxiety about the adverse international reaction has been high inside the Miraflores Presidential Palace, according to people close to the Socialist Party.

It isn't clear, however, whether the new sanctions would fracture Mr. Maduro's backing within the military and government or unify the regime behind the president.

Trump administration officials said expanded sanctions on the country's vital oil industry, which provides 95% of Venezuela's foreign exchange, were possible if Mr. Maduro carried out his plans. "All options are on the table," the senior official said.

—*Ian Talley, Kejal Vyas and Anatoly Kurmanov contributed to this article.*

Avianca to Halt Venezuela Flights

BOGOTÁ, Colombia—Avianca Holdings SA, one of Latin America's largest airlines, said Wednesday it will suspend flights to and from Venezuela, becoming the latest international carrier to drop the increasingly isolated and economically crippled nation.

The Colombia-based carrier cited security and operational concerns, and the need for Venezuela to improve airport infrastructure.

"After more than 60 years of continuous service to Venezuela, we in Avianca regret having to come to this difficult decision, but our obligation is guaranteeing security of the operation," Avianca Chief Executive Hernán Rincón said in a statement.

The announcement comes just as Venezuela's political and economic crisis deepens after four months of deadly protests against President Nicolás Maduro's plans to redraft the constitution.

Avianca joins several other carriers, including United Continental Holdings Inc., Deutsche Lufthansa AG and Air Canada, that have stopped flights to Venezuela in recent years as the country's cash-strapped government struggles to pay debts it owes to companies that service its economy.

Avianca, which flies to Caracas, Venezuela, from Bogotá and Lima, Peru, said it stopped selling tickets on Wednesday, and the routes will be halted after Aug. 16.

—Kejal Vyas

Cardinal to Plead Not Guilty to Abuse Charges

By ROBB M. STEWART



Pope Francis' top financial adviser, Cardinal George Pell, said through his lawyer he wasn't guilty of charges of sexual abuse.

Catholic Church during the past two decades.

The decision to indicate a plea was made to "avoid any confusion or doubt" about the cardinal's intentions, Mr. Richter said after the hearing.

In late June, police in southern Victoria state charged Cardinal Pell with multiple counts of sexual abuse involving multiple complainants, alleged to have occurred in Australia decades

earlier. Details of the charges haven't been disclosed.

From Rome, before his return to Australia, Cardinal Pell said he was innocent of the charges. Pope Francis granted him a leave of absence to clear his name in court, he said.

The pope told reporters last year that he wouldn't comment on the Pell cases "until the justice system passes judgment," adding, "Once it has spoken, then I will speak."

The cardinal was escorted in and out of court by almost a dozen police officers and was applauded by several people each time.

A second room was opened to accommodate those unable to get into the packed courtroom so they could watch the proceedings on a video screen. Outside the court building, a handful of protesters against Cardinal Pell stood among dozens of reporters and cameras.

The next step will be the preliminary hearing, set for Oct. 6, where the judge may give permission to cross-examine witnesses and discuss

areas of dispute. That will be followed by another hearing, when the court will decide whether a jury might convict the accused and whether the case should proceed to a higher court.

Cardinal Pell rose through the ranks of the church after being ordained as a priest in 1966, working in various parishes around Melbourne and serving in senior roles in Catholic education there, according to the Archdiocese of Sydney.

He was ordained as auxiliary bishop of Melbourne's archdiocese in 1987. In 1996, Pope John Paul II appointed him as the seventh metropolitan archbishop of Melbourne before naming him archbishop of Sydney five years later.

In February 2014, Pope Francis appointed Cardinal Pell prefect of the newly created Secretariat for the Economy at the Vatican. He also sits on the international nine-member Council of Cardinals, which advises the pope on overhauling the Vatican and governance of the world-wide church.

China Revamps State Entities

BEIJING—China is close to completing a long-targeted overhaul of operations at its state-owned enterprises, or SOEs, saying a modernization of their corporate structures will be finished this year.

All major companies owned by the central government, excluding financial and cultural firms, will be transformed into limited-liability or joint-stock companies by Dec. 31, according to a plan released by the State Council, or cabinet, Wednesday.

Already, about 90% of these state-owned companies have completed the restructuring, the cabinet said.

As part of the overhaul, companies are setting up boards of directors to make important decisions, such as those related to hiring and compensation, the State Council said.

However, the ruling Communist Party, which currently appoints senior managers at the SOEs, is expected to maintain a strong influence over decision-making at the companies.

The cabinet said the enterprises must ensure the party's "core leadership" role through their appointments of company officers and establishment of party organizations.

The statement came as the government continues efforts to energize China's often-lumbering state companies and make them more competitive, including through combining some into larger entities. Completing this latest wave of restructuring is likely to pave the way for further measures.

Ying Wang, a senior director at Fitch Ratings, said the overhaul was an initial step toward increasing efficiency and improving internal controls at state companies.

A party congress set to be held this fall is expected to further endorse "mixed ownership" structures allowing state companies to sell stakes to attract private capital.

The goal to restructure SOEs was first proposed at a major party meeting in 1993.

State-owned companies, while now much fewer in number, still dominate important sectors of the economy.

—Liyan Qi

AFGHANISTAN

Taliban Strike Base, Killing at Least 26

The Taliban attacked an Afghan army base in southern Kandahar province and killed at least 26 soldiers, the Defense Ministry said, as the insurgent group increases pressure on government forces.

The attack took place as some 60 Afghan soldiers were on duty in Khakrez district, north of the provincial capital Kandahar City, ministry spokesman Mohammad Radmanish said on Wednesday. More than a dozen others were wounded, he said.

Kandahar is the birthplace of the Taliban, and shares a restive border with neighboring Pakistan.

Security in the long-troubled province has deteriorated since most foreign troops withdrew in 2014.

The Taliban claimed responsibility for the assault, saying their fighters had seized military equipment from the base, including Humvees, weapons and ammunition.

It came two days after a Taliban suicide car bombing targeted a minibus carrying govern-

ment employees in western Kabul, killing 31 people and injuring dozens more.

The Taliban regularly target Afghanistan's military and civilians who work for the government, taking advantage of worsening security across the country.

They have been intensifying assaults throughout Afghanistan, putting pressure on President Ashraf Ghani's government, which this week lost districts in Faryab, Paktiya and Ghor provinces.

The U.S. military has in recent months stepped up efforts to back the Afghan government in preventing major territorial losses to the group, dramatically increasing the number of airstrikes it carries out on Taliban positions, as President Donald Trump's administration rethinks U.S. strategy in the country.

—Ehsanullah Amiri

Maronite Christians Allowed to Return

Authorities in the breakaway Turkish Cypriot north of the ethnically divided island of Cyprus say they have lifted restrictions on Maronite Chris-

tians from reclaiming homes and property in villages that have been under Turkish military control for more than four decades.

Wednesday's announcement by the office of Turkish Cypriot leader Mustafa Akinci came three weeks after the

collapse of high-level talks in Switzerland that aimed to reunify the island as a federation.

Authorities said a timetable on when the Maronites—Christians from Syria and Lebanon who came to Cyprus centuries ago—will be allowed to return

will be prepared shortly.

Maronites fled four villages in 1974 when Turkey invaded following a coup by supporters of union with Greece. Some returned to two villages, but two other villages stayed in Turkish army hands.

—Associated Press



DEVASTATION: Rescue workers in Lagos, Nigeria, converged on Wednesday where a four-story residential building had collapsed, leaving at least eight people dead, the Associated Press reported.

CYPRUS

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—Associated Press

U.S. NEWS

Trump Says Tax Revamp Next on Agenda

President expresses disappointment with health care, calls infrastructure a priority

WASHINGTON—On the day the Senate moved on long-promised health-care legislation, President Donald Trump signaled his next priority: overhauling the tax code to push

*By Gerard Baker,
Peter Nicholas
and Michael C. Bender*

corporate rates down and give middle-class taxpayers a break, even if it means some of the wealthiest pay more.

"The people I care most about are the middle-income people in this country, who have gotten screwed," Mr. Trump told The Wall Street Journal on Tuesday, reiterating that he wants to bring down the corporate tax rate to 15%. "And if there's upward revision it's going to be on high-income people."

Sitting behind his desk in the Oval Office, Mr. Trump hopped across a variety of policy and personnel topics over the course of the 45-minute interview.

The president repeated his criticism of Attorney General Jeff Sessions for recusing himself from a probe into Russian meddling in the 2016 election, declining to say the former Alabama senator's job was safe.

He said his front-runners to be the next chairman of the Federal Reserve board of governors early next year would be the incumbent, Janet Yellen, and Gary Cohn, director of the National Economic Council.

On foreign affairs, he said he expected Iran to be found noncompliant with the terms of a landmark nuclear deal

sealed under former President Barack Obama when the issue comes back up for review in September.

And on trade, he said the U.S. and the U.K. are in talks about a comprehensive deal that would be ready as soon as the U.K. exits from the European Union. Mr. Trump's team is also getting ready to renegotiate the North American Free Trade Agreement with Mexico and Canada, though he said he still regards the pact as "one of the truly bad deals."

Mr. Trump also said his administration's long-expected curbs on steel imports were still being discussed internally, though it may be some time before he acts on the issue.

Ticking off what he sees as accomplishments, Mr. Trump mentioned his appointment of Supreme Court Justice Neil Gorsuch, his deregulatory efforts and changes at the Veterans Affairs Department, which has pushed to reduce wait times.

Asked about disappointments, Mr. Trump made a reference to the health-care debate. "I have to see where we are with this," he said in the hours before the Senate voted to advance the debate on its health-care bill. Besides a tax-code overhaul this year, he said he placed a priority on improvements in infrastructure.

His term so far also has been marked by investigations into what U.S. intelligence agencies say was a campaign backed by the Kremlin to influence the presidential campaign in Mr. Trump's favor. Investigations in Congress and by special counsel Robert Mueller are looking into the alleged Russian meddling and whether any members of the Trump campaign colluded, which Mr. Trump has repeatedly denied. Russia has denied any interference.

The Russia investigations of-



President Donald Trump has continued to criticize Attorney General Jeff Sessions.

tens of thousands in Mobile, Ala., one of the largest rallies of the campaign at that point. "He looks at the 40,000 people and he probably says, 'What do I have to lose?'" Mr. Trump said. "So it's not like a great loyal thing about the endorsement."

A Justice Department spokesman declined to comment.

During the interview, Mr. Trump appeared relaxed in the company of close aides, which included his daughter and White House adviser Ivanka Trump; Chief of Staff Reince Priebus; Communications Director Anthony Scaramucci; Hope Hicks, the White House director of strategic communications; and Mr. Cohn.

Mr. Trump praised the arrival of Mr. Scaramucci, who was appointed Friday, suggesting that he would help settle internal unrest and backbiting.

Asked if Mr. Cohn was a candidate to become the next Federal Reserve chairman, Mr. Trump said, "He doesn't know this, but yes, he is."

Mr. Trump said he has "a lot of respect" for Ms. Yellen, praising the decisions to keep interest rates low and crediting her for keeping the U.S. dollar "not too strong." "She is in the running to stay," he said.

Mr. Trump described twin imperatives in overhauling the tax structure: boosting economic growth and easing the tax burden on middle-class families. "I have wealthy friends that say to me, 'I don't mind paying more tax,'" the president said.

Mr. Trump's aides are working with top Republican lawmakers on a proposal that would bring about the first major rewrite of the tax code in 30 years.

—Richard Rubin and Felicia Schwartz contributed to this article.

GOP Tax Principles Set to Be Released

Top congressional Republicans and Trump administration officials plan to release their tax-policy principles at the end of this week, said two people briefed on those discussions.

The plan will include high-level principles, said one of the people.

An administration official said the statement will reflect areas of agreement in the group.

The so-called Big Six officials on tax policy have been meeting for months and were expected to hold their final session Wednesday before the congressional summer recess.

It is unclear what conclusions they will reach and how those will go beyond what they have already said.

The broad strokes—lower tax rates in a deficit-neutral tax-code revamp—have generally been agreed on for months.

What isn't clear yet is how the principles released this week will address the House GOP's plan for border-adjust-

ing the corporate tax. House members have been sticking to that idea—taxing imports and exempting exports—even though it has faced heavy criticism for months from senators and retailers.

The six officials are Treasury Secretary Steven Mnuchin, White House economic policy chief Gary Cohn, House Speaker Paul Ryan, Senate Majority Leader Mitch McConnell, Senate Finance Committee Chairman Orrin Hatch and House Ways and Means Chairman Kevin Brady.

—Richard Rubin

ten have stymied the White House's ability to make progress on its agenda, and Mr. Trump reiterated his recent criticism of Mr. Sessions.

Mr. Trump blamed Mr. Sessions' recusal as the reason the Justice Department named Mr. Mueller as special counsel. Mr. Mueller's appointment

came after Mr. Trump fired former Federal Bureau of Investigation Director James Comey, who had been overseeing the investigation.

When asked whether Mr. Mueller's job was safe, Mr. Trump responded: "I have no comment yet, because it's too early. But we'll see."

He also declined to offer a vote of confidence in Mr. Sessions, who was one of the earliest Washington supporters of Mr. Trump's candidacy. Mr. Trump suggested that his own popularity in Alabama was the reason for Mr. Sessions' endorsement. Mr. Sessions backed Mr. Trump at a rally that drew



Senate Majority Leader Mitch McConnell arrives at the Capitol in Washington, D.C., on Wednesday for a day of debate on health care.

Health Law Survives Repeal Vote

BY KRISTINA PETERSON

WASHINGTON—The Senate on Wednesday blocked a measure to dismantle much of the Affordable Care Act without a replacement ready, as a handful of Republicans joined Democrats in voting against it.

In a 45-55 vote, the Senate rejected a bill that had earlier passed the chamber in December 2015 to repeal much of the 2010 health-care law, with a two-year transition period to give lawmakers time to craft a replacement. That bill was quickly vetoed by former President Barack Obama in early 2016, making it a largely symbolic vote for GOP lawmakers at the time.

The amendment on Wednesday came up short of the 50 votes it needed to pass, with opposition from all Democrats and seven Republicans.

Of the 52 current GOP senators, 49 had voted for the repeal bill in 2015. Sen. Susan Collins of Maine was the only current Republican senator to vote against it at the time.

But many senators have made it clear recently that a repeal of the law known as Obamacare without a ready plan to supplant it threatened to alarm their constituents and destabilize the insurance market.

Democrats said that while

the ACA can be improved, it has provided health insurance to 20 million Americans, and it should be built upon rather than dismantled. Many Republicans say it has resulted in higher premiums and less choice, and that an entirely new approach is needed.

The nonpartisan Congressional Budget Office had estimated that the 2015 repeal bill would leave 32 million more people without insurance coverage by 2026, compared with the current law.

Conservatives in both chambers and President Donald Trump had pressed to repeat the vote on the 2015 bill, though Mr. Trump has recently said he wants to see the Senate pass legislation repealing and quickly replacing much of the ACA.

However, a vote Tuesday on the latest version of the Senate bill rolling back and replacing much of the ACA failed in a 43-57 vote, with nine GOP senators voting against it.

The Senate will continue debating health-care and voting on amendments, with a marathon all-night session of amendment votes expected to begin later this week. If Republicans can't agree on any other plans for repealing and possibly replacing the ACA, GOP leaders are hoping they can pass a "lowest common

denominator" proposal just cobbling together the elements that they all agree on, including repealing the individual and employer mandates and a tax on medical devices.

Senate Majority Leader Mitch McConnell (R., Ky.) pitched that backup proposal on Tuesday. That would knock down the most controversial elements of the ACA, including the requirement that most people pay a penalty if they don't have insurance.

But it would likely increase the number of people without insurance, compared with the ACA, making it a potentially hard sell for centrist senators.

But centrists may like the fact that it would leave the Medicaid program for low-income Americans unchanged, unlike the current bill's \$756 billion in cuts to federal Medicaid funding.

"They're going to see what the broadest measure is that they can get people to support," said Sen. Bob Corker (R., Tenn.).

GOP leaders hope that passing a scaled-back bill as a default would at least start negotiations with House Republicans over their version of a health overhaul, which passed in May, keeping alive the effort to repeal the ACA.

It could also provide the

CBO more time, while those negotiations are under way, to provide an estimate of the cost and coverage impact of some Republican proposals that could be incorporated into the legislation.

Those measures include an additional \$100 billion so that states can assist people who lose Medicaid coverage because of the Republican bill, as well as a proposal to allow insurers to sell less expensive plans with fewer benefits if they also sell more robust plans.

Still, it isn't clear Republicans can secure 50 GOP votes for the scaled-back plan.

Sen. Lindsey Graham (R., S.C.) called the proposal a "political punt." Other senators uneasy over the bill could also emerge as opponents.

Democrats said the "skinny repeal" strategy exposed Republicans' difficulties in coalescing around a health-care plan, despite promising voters for seven years that they would repeal the ACA as soon as they took power in Washington.

"It shows the bankruptcy of Republicans' policy efforts," said Sen. Chris Coons (D., Del.), calling the plan a "naked political move to get it off the floor of the Senate" that "does nothing to move us closer to actually addressing the health-care needs of Americans."

FED

Continued from Page One firmly in place—and with few signs of inflation pressures building despite low unemployment—officials have hinted they are ready to initiate the wind-down earlier and to defer another rate increase until later in the year, which would give them more time to assess inflation data. Fed Chairwoman Janet Yellen is scheduled to answer questions from the media at the September meeting, which would give her an opportunity to explain the committee's thinking if it announces the start date of the portfolio wind-down at that time.

The economy has performed relatively in line with the Fed's expectations so far this year. Global growth has strengthened, while gross domestic product in the U.S. grew at an annual rate of 1.4% in the first quarter. The Commerce Department is set to report its initial estimate of growth during the second quarter on Friday.

Solid earnings and brighter confidence measures have supported major stock indexes this year, and other asset prices, including housing, have advanced steadily higher. Financial conditions have eased despite three interest-rate increases by the Fed in the last three quarters.

Inflation has been the fly in the ointment for the central bank. The Fed's preferred measure of inflation declined in March from a month earlier after a drop in the prices of wireless phone plans. Inflation pressures have remained soft

in the months since then, making it more difficult for Fed officials to dismiss the declines as resulting from one-off factors, as they did after meetings in May and June.

Excluding volatile food and energy categories, the Fed's preferred inflation gauge rose 1.4% from a year earlier in May, down from 1.8% in February.

Ms. Yellen told lawmakers earlier this month "there may be more going on" than a series of idiosyncratic price declines, but she also said it was "premature" to conclude underlying inflation was falling well short of the Fed's 2% target.

The Fed bought more than \$4 trillion in Treasury and mortgage securities during and after the financial crisis to stimulate the economy by holding down long-term rates. Allowing the balance sheet to decline could cause long-term rates to rise.

The Fed stopped adding to its balance sheet in late 2014, but the central bank has been reinvesting the proceeds of maturing assets to keep the holdings steady.

Under the plan to reduce the portfolio, the Fed would set guardrails to allow a pre-set amount of holdings to mature every month without reinvestment. The guardrails would initially be set at a relatively low level—\$10 billion a month—and they would increase every quarter by \$10 billion up to a maximum of \$50 billion.

Officials have said they want the plan to run quietly in the background once it starts. They have sought to avoid a prolonged market reaction to the start of the wind-down.



The Fed, led by Chairwoman Janet Yellen, expects to start reducing its holdings of bonds "relatively soon."

U.S. NEWS

Kushner, Sessions Split on Crime

By BETH REINHARD

President Donald Trump's son-in-law and senior adviser, Jared Kushner, and some Republican lawmakers are discussing potential changes to the criminal-justice system, including to mandatory-minimum sentencing, that could conflict with Attorney General Jeff Sessions' tough-on-crime agenda.

Mr. Kushner met this month with House Judiciary Committee Chairman Bob Goodlatte (R., Va.), continuing a dialogue with lawmakers that began in March with Senate Judiciary Chairman Chuck Grassley (R., Iowa) and Sens. Dick Durbin (D., Ill.) and Mike Lee (R., Utah). Mr. Kushner also has huddled with leaders of organizations involved in criminal justice.

"He's quietly listening to all sides, including outside groups, to understand what's possible and to ultimately be able to make a recommendation to the president," said a White House official familiar with the meetings. "It's a personal issue to him, given his father spent time in prison. He got to know the families and got to see what's wrong with the federal prison system."

Mr. Kushner's father, Charles Kushner, a real-estate executive, was sentenced in 2005 to two years in prison after pleading guilty to tax

evasion.

Mr. Kushner's discussions have included a range of issues, including curbing long mandatory-minimum sentences for nonviolent drug offenders. In contrast, Mr. Sessions is promoting mandatory minimums as a pivotal crime-fighting tool that helps prosecutors get cooperation from suspects and keeps dangerous offenders behind bars. Mr. Kushner has met with Mr. Sessions and is trying to find common ground, according to the White House official.

However, Mr. Sessions appears to have lost favor with the president for recusing himself from a probe into alleged Russian interference in the 2016 election. Mr. Trump has taken to berating Mr. Sessions publicly. On Monday, Mr. Trump referred to Mr. Sessions as "our beleaguered A.G."

"Everyone does see it as a challenge that some people in the White House and Congress want to do criminal-justice reform but are at odds with actions the attorney general is taking," said Greg Mitchell, a federal lobbyist who has worked on criminal-justice issues for years, representing groups that favor shorter sentences.

The attorney general recently scuttled an Obama administration policy discouraging prosecutors from bringing

MICHAEL REYNOLDS/EUROPEAN PRESSPHOTO AGENCY



Jared Kushner and some GOP lawmakers are discussing changes to the criminal-justice system.

charges that carry long sentences for nonviolent, lower-level drug offenders. As an Alabama senator last year, Mr. Sessions helped doom bipartisan legislation backed by Sens. Grassley, Durbin and Lee that would have limited mandatory-minimum sentences for less-dangerous drug offenders.

Mr. Sessions' policies are backed by police unions and prosecutors' groups.

"We're not talking about getting arrested with a joint. We're talking about massive quantities of drugs, and there

are always guns and violence associated with that," said Chuck Canterbury, national president of the Fraternal Order of Police. "I would be surprised to see any legislation related to drug crime pass muster with the attorney general or the president."

Critics of mandatory minimums say they contribute to disproportionate numbers of African-Americans serving time in costly prisons without improving public safety. A number of states, including several led by Republicans,

have revamped or eliminated mandatory-minimum sentencing laws that became popular during the "war on drugs" in the 1980s.

Mr. Grassley, in a recent speech outlining his agenda at the American Enterprise Institute, a conservative think tank, said he is awaiting input from the White House before reviving the sentencing bill.

Supporters cast it as a bipartisan initiative that demonstrates the growing consensus around reducing the prison population.

Attorney General Is Again Criticized

By REBECCA BALLHAUS

President Donald Trump publicly criticized Attorney General Jeff Sessions for the third consecutive day on Wednesday, questioning his decisions regarding the leadership of the Federal Bureau of Investigation.

Mr. Trump has repeatedly aired his frustration this week with Mr. Sessions over his decision in March to recuse himself from the Department of Justice's probe of Russian election meddling.

Mr. Trump on Wednesday criticized Mr. Sessions for not replacing the acting director of the Federal Bureau of Investigation, Andrew McCabe. Mr. Trump suggested Mr. McCabe was sympathetic to Hillary Clinton, Mr. Trump's Democratic opponent in the 2016 election, and tied him to former FBI Director James Comey, whom Mr. Trump fired earlier this year.

Mr. Trump has already tapped a replacement for Mr. McCabe, but the Senate has yet to confirm his pick.

"Why didn't A.G. Sessions replace Acting FBI Director Andrew McCabe, a Comey friend who was in charge of Clinton investigation but got big dollars (\$700,000) for his wife's political run from Hillary Clinton and her representatives. Drain the Swamp!" Mr. Trump tweeted on Wednesday.

In 2015, the political organization of Virginia Gov. Terry McAuliffe and the Virginia Democratic Party gave nearly \$700,000 to the Virginia State Senate campaign of Mr. McCabe's wife, Jill McCabe. Mr. McAuliffe is an influential Democrat with longstanding ties to Mrs. Clinton and former President Bill Clinton.

Latest tweet centers on acting FBI chief, portrayed by Trump as tied to Clinton

Illegal Immigrant to Go on Trial for Murder

By ZUSHA ELINSON

SAN FRANCISCO—During his campaign, President Donald Trump repeatedly pointed to the wrenching story of Kate Steinle—a young woman allegedly murdered by an undocumented Mexican—as a prime example of violent crimes committed by illegal immigrants.

Now, the man accused of killing Ms. Steinle, Juan Francisco Lopez-Sanchez, will soon be on trial, refocusing attention on an issue that Mr. Trump has continued to emphasize as president.

A hearing is scheduled for Friday that may determine whether the owner of the stolen gun used in the killing will testify. The defendant, a repeat felon who was deported five times, has pleaded not guilty to a second-degree murder of Ms. Steinle, 32, while she walked on a pier with her father on July 1, 2015. The single bullet that killed Ms.



Juan Francisco Lopez-Sanchez at his arraignment in July 2015.

Steinle ricocheted off the ground before hitting her, ballistics experts have testified. Prosecutors often face skeptical juries in liberal-leaning San Francisco and anti-Trump sentiment won't help, legal experts said. At the same time, the population's aversion to firearms could benefit the

prosecution, they added.

Mr. Trump and Attorney General Jeff Sessions frequently cited the case as an example of crimes committed by illegal immigrants as they seek to crack down on sanctuary cities like San Francisco and tighten the country's borders.

The case inspired legisla-

tion that is making its way through Congress called "Kate's Law" that would increase penalties for criminal aliens caught re-entering the country. Overall, illegal immigrants are incarcerated at a lower rate than native-born Americans, according to research by the Cato Institute, a libertarian think tank.

Immigration in general either has no effect on crime or is linked to a decrease in crime, according to a recent analysis of 51 studies on the topic conducted by Charis Kubrin, a criminology professor at University of California, Irvine.

Mr. Lopez-Sanchez had been freed from San Francisco County jail on an old drug charge months before the shooting, despite a request from Immigration and Customs Enforcement to the city's sheriff's department that would have enabled the federal agency to take him into custody. The city doesn't honor these requests from ICE.

A spokesman for San Francisco District Attorney George Gascon declined to comment. An attorney for Ms. Steinle's family didn't return requests for comment.

Mr. Trump's frequent commentary on the case may actually help in Mr. Lopez-Sanchez's defense, said Anthony Brass, a former San Francisco prosecutor who now works as a criminal defense attorney. "That favors the defense because people find Trump's views distasteful" in the city, said Mr. Brass.

The FBI said in a statement last year that Mr. McCabe played "no role" in his wife's campaign. The FBI said: "Months after the completion of her campaign, then-Associate Deputy Director McCabe was promoted to Deputy, where, in that position, he assumed for the first time, an oversight role in the investigation into Secretary Clinton's emails."

In an interview with The Wall Street Journal on Tuesday, Mr. Trump expressed his disappointment in his attorney general but declined to say whether he planned to fire the attorney general.

Top Sessions aides said Tuesday that he has no plans to step aside and is focusing on running his department. In May as he became aware of the president's displeasure, Mr. Sessions told Mr. Trump he would be willing to resign, according to people close to the attorney general. Mr. Trump declined the offer.

Mr. Trump has blamed Mr. Sessions's refusal from the Russia probe as the reason the Justice Department named Robert Mueller as special counsel in charge of the investigation. Mr. Mueller's appointment came days after Mr. Trump fired Mr. Comey, who had been heading the probe.

According to a January report from the U.S. intelligence community, Moscow's interference in the 2016 U.S. election was directed by the highest levels of the Russian government. The tactics included hacking state election systems, stealing and leaking information from party committees and political strategists, and using social media and other outlets to disseminate negative stories about Mrs. Clinton and positive ones about Mr. Trump, the report said.

Mr. Trump has called the investigation a "witch hunt" and said no campaign associates colluded with the Russians. Moscow has denied any interference in the U.S. election.

U.S. WATCH

WASHINGTON

Scalise Discharged From Hospital

House Majority Whip Steve Scalise (R., La.), who was shot at a congressional baseball practice last month, has been discharged from a Washington hospital and will now undergo inpatient rehabilitation.

In a statement Wednesday, MedStar Washington Hospital Center said Mr. Scalise "has made excellent progress in his recovery from a life-threatening gunshot wound six weeks ago." The hospital said the congressman was discharged on Tuesday and is "now beginning a period of intensive inpatient rehabilitation." The hospital said the third-ranking Republican is "in good spirits and is looking forward to his return to work once he completes rehabilitation."

The statement didn't say where Mr. Scalise's inpatient rehabilitation will take place. Mr. Scalise's office didn't immediately respond to a request for comment. Mr. Scalise was shot at a baseball field in Alexandria, Va., on June 14. The gunman, James T. Hodgkinson, was killed by police.

—Sharon Nunn

ECONOMY

New-Home Sales Edged Higher in June

U.S. new-home sales rose slightly in June, a signal of gradual recovery in a segment of the market that continues to suffer from severe supply constraints.

Purchases of newly built single-family homes—a narrow slice of all U.S. home sales—increased 0.8% to a seasonally adjusted annual rate of 610,000 in June,

the Commerce Department said Wednesday. The gain was more modest than the 1.5% growth economists had predicted.

Combined with a 1.8% slide in existing-home sales that the National Association of Realtors reported earlier this week, the latest data suggest the lack of supply kept a lid on activity in the crucial spring selling season despite strong housing demand.

New-home sales are volatile and subject to large revisions. The month's slight gain fell well within the 12.1-percentage-point margin of error.

—Laura Kusisto

MINNEAPOLIS

Tighter Body-Camera Rules After Shooting

Minneapolis Mayor Betsy Hodges tightened rules Wednesday on the use of police body cameras following the July 15 fatal shooting of a 40-year-old Australian woman who had called police about a possible assault in her alley. The incident has gained international attention and led to the resignation of Minneapolis Police Chief Janeé Harteau on Friday.

The new policy, which will take effect Saturday, mandates that officers turn on their body cameras as soon as they are dispatched to any call or during any self-initiated activity, including traffic stops. The original Minneapolis policy gave officers more discretion about when to turn on their cameras.

Mohamed Noor, an officer with the Minneapolis Police Department for 21 months, shot Justine Ruszczyk two weekends ago after responding to a 911 call from Ms. Ruszczyk just after 11:30 p.m. state investigators said.

—Quint Forgey



A Pew survey found that 75% of Muslims believe that members of their religion face 'a lot of discrimination.' Above, a Muslim woman at an interfaith prayer service in Flint, Mich.

Discrimination Worries Muslims

BY IAN LOVETT

Muslims in the U.S. say they are anxious about their place in society in the early days of the Trump administration, but nonetheless show signs of optimism about opportunities in America, according to a survey released Wednesday by the nonpartisan Pew Research Center.

The Pew survey found that 75% of Muslims believe that members of their religion face "a lot of discrimination."

More than 70% said President Donald Trump was "unfriendly toward Muslims," a huge jump from the 4% of Muslims who said the same of President Barack Obama in 2011. Nearly half said they had personally experienced discrimination in the last 12 months, up from 40% in 2007.

In 2007, near the end of his second term, George W. Bush also received low approval rat-

ings from Muslims, similar to those Mr. Trump received in this study.

Mr. Trump during his campaign called for a ban on Muslims entering the country. He signed an executive order barring nationals of six Muslim-majority countries from entering the U.S., a move that many Muslims here have decried as discriminatory but that the administration said was needed to fight terrorism. Most of the order is currently on hold, pending a Supreme Court hearing.

Despite their concerns about hostility toward Muslims, those surveyed still held warm feelings for the country. More than 90% said they were proud to be American; 70% said most people can get ahead through hard work.

Pew surveyed more than 1,000 Muslims between January and May of this year by telephone. The margin of error

was plus or minus 5 percentage points.

Researchers said that Muslims' optimism about life in the U.S. likely stemmed, at least in part, from the growing support that members of the public have offered as discrimination and hate incidents against Muslim-Americans have climbed. A growing share of Muslims—49%—said that someone had expressed support for them because of their religion in the past year; 55% now say Americans are generally friendly toward Muslims.

"The Muslim community has evolved such that it is no longer an issue, this idea of being both American and a Muslim," said Ihsan Bagby, an associate professor of Islamic Studies at the University of Kentucky and an adviser to the study. "That ties into the optimism. These ideals, equality and pluralism, can be realized."

Mr. Trump has called the investigation a "witch hunt" and said no campaign associates colluded with the Russians. Moscow has denied any interference in the U.S. election.

IN DEPTH

CHINA

Continued from Page One

Socrates and Ming Dynasty economic policy, Mr. Li writes at length on the superiority of the Chinese political system. Unlike the U.S., where he says charisma is prized over professionalism and money is needed to win office, he argues that China promotes officials based on their performance in spurring economic growth and managing large cities and bureaucracies.

"Among people in my generation, there aren't many of us now who think we should totally study the West," says Mr. Li. "To them, China is already a great country."

The sense that China is on the right track challenges a decades-old tenet of U.S. foreign policy, one that argued exposure to the West would lead Chinese to embrace Western values.

Beacon of strength

In the wake of Brexit and Donald Trump's election, and amid global fears about terrorism, a generation of Chinese patriots like Mr. Li are projecting an assurance about China as a beacon of strength and stability in an uncertain world.

President Xi's signature slogan, the "China Dream," appeals to Chinese who aspire to a middle-class lifestyle and cheer China's return to international prominence. On the global stage, Mr. Xi has portrayed China as an alternative to the West, with a unique political system and culture, and as a leader in areas including trade, inequality and climate change.

"What people are starting to feel is pride. It's the pride of being listened to, or forcing people to listen to you," says Orville Schell, director of the Center on U.S.-China Relations at the Asia Society.

"The idea of greatness for China—because they've experienced weakness—gravitates around the idea of power."

China's government exercises near-absolute authority over education, media and the internet. That, along with determined campaigns to quash dissent, give the Communist Party unparalleled power to frame public debate. As a result, patriotism and pro-government views are amplified. Criticisms tend to get drowned out.

After communications professor Deng Xiangchao posted messages on Weibo in December lamenting the millions who died in Mao Zedong's political campaigns, he was hounded online as a "public enemy," saw his account deleted and was fired by Shandong Jianzhu University for "erroneous remarks."

Writer Lu Yang protested the professor's treatment at the hands of "a gang of ignorant internet goons" in online posts. His Weibo account was also expunged. "The space for free speech in China grows smaller by the day," says Mr. Lu.

A spokesman for Weibo said he wasn't clear on the circumstances surrounding the closure of accounts belonging to Deng Xiangchao and Lu Yang.

More-aggressive forms of nationalism are usually directed at foreign countries seen as standing in China's way. After South Korea agreed to deploy a U.S. antimissile system as protection against North Korea, Beijing condemned the move as endangering Chinese security. Soon some Chinese began posting videos online showing themselves trampling goods from South Korean stores in China. A beef-noodle shop in Beijing advertised that it wouldn't serve South Koreans.

Chinese businesses, students and tourists crisscross the globe in record numbers, and international news features prominently in the media. More than anything, Chinese say, their current patriotic sentiment is built on pride about how rapidly the country has emerged from poverty and how well its economy compares with others.

In seven out of 10 European countries surveyed by the Pew Research Center, including the U.K. and Germany, China is now considered the world's leading economic power, according to data released in July. The gap in global popularity between the U.S. and China has also narrowed dramatically in recent years, with 47% of people now expressing a positive view of China, compared to 49% for the U.S., according to Pew.

A record 328,547 Chinese students were enrolled in the U.S. in the 2015-2016 academic year, up 160% from six years prior, drawn to the quality of the higher education system and eager to bypass China's grueling college-entrance exams. In the past, most would stay on after graduating. Now around 80% choose to return home, where, many say, better job prospects await.

A small survey of 131 Chinese students studying in the U.S., Europe, Australia, Japan and South Korea published in 2014 in the journal China Youth Study found that while most weren't markedly patriotic before leaving China, close to 80% reported feeling more patriotic after going abroad. Roughly two-thirds said they agreed with Mr. Xi's "China Dream."

Chen Hesheng, a 22-year-old recent college graduate, spent a month in a summer study program at the University of

"The space for free speech in China grows smaller by the day," says one writer.

Southern California in Los Angeles in 2014. Two Chinese graduate students were gunned down while sitting in a BMW near campus in 2012. He felt scared to go out at night and shocked at the U.S.'s poor public safety.

Little pinks'

Mr. Chen resents the preaching from the U.S. and other Western governments about democracy and human rights: "Young people aren't convinced that the West is better. Who are you to tell us that it is?"

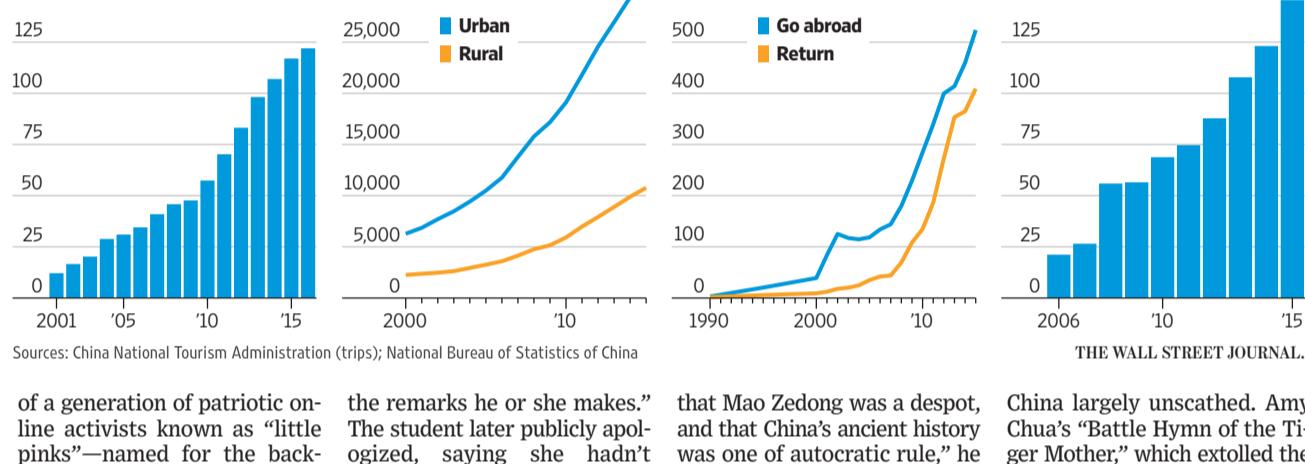
These days, Mr. Chen is part



Blogger Li Xiaopeng, center, studied at Cambridge and Harvard. Now he argues that the Chinese political system is superior to the U.S.'s.

Rising Influence

A growing number of Chinese are traveling and investing abroad as the country becomes wealthier.



of a generation of patriotic online activists known as "little pinks"—named for the background color of a website known for passionate, patriotic political discussions.

Like others in this mostly millennial cohort, Mr. Chen says the internet and travel enable them to see China more accurately. He leaps internet barriers mostly to watch uncensored videos on YouTube and occasionally to counter what he sees as inaccurate views about China on Facebook.

In 2016 he twice joined swarms of mainland activists in posting tens of thousands of pro-China comments on the Facebook pages of Taiwan's president and media outlets seen as favoring the democratically ruled island's formal independence from China—long a hot-button issue for patriotic Chinese.

For Chinese students in the West who take positions that offend their fellow citizens, blowback can be swift. In May, a Chinese graduate at the University of Maryland sparked a furor of online criticism after she praised free speech and America's air quality in a commencement address. Even the country's Foreign Ministry weighed in on the controversy, declaring that "any Chinese citizen should be responsible for

the remarks he or she makes." The student later publicly apologized, saying she hadn't meant to belittle her home country.

For Mr. Li, the urban consultant, his experience overseas was formative.

As a child in rural Sichuan, he lived in a home without running water. Rice was rationed. School closed so students could help with the harvests. Visiting relatives meant walking for hours through fields.

Still, he was raised to be grateful to the Communist Party. His parents, a schoolteacher and a shop worker, gave him Mao's collected writings to inspire him.

After his high score on the politics portion on the college entrance exam landed him a spot studying law at one of the nation's top schools, Beijing's Renmin University, his world view began to change.

Internet access

His more liberal teachers brought their ideas into classroom discussions. "They'd say China has no rule of law, no human rights," he recalls. He had internet access in his dorm room and used circumvention software to reach sites outside China to read uncensored news and commentary. "They said

that Mao Zedong was a despot, and that China's ancient history was one of autocratic rule," he said.

The more Mr. Li learned, the more his certainties about his society crumbled and the more he came to admire the West, with its wealth, its respect for civil liberties and its political checks and balances. He devoured works on the U.S. legal system. The Watergate scandal's toppling of Richard Nixon impressed him.

"We thought the West's political system was really good, and that we should use it to change China," he says. That change would surely come, he says: "We thought it was just a question of time."

Doubts about the West crept in when he spent a half-year at the University of Cambridge as part of his doctorate in economics. Compared with China's brand-new infrastructure, the buildings in most British cities looked shabby. Getting a bank card took days.

A year at Harvard University's Kennedy School as a visiting fellow starting in 2010 accelerated his change in thinking. He was appalled at the number of panhandlers in subway stations and how unsafe he felt.

The U.S. was just emerging from a financial crisis that left

China largely unscathed. Amy Chua's "Battle Hymn of the Tiger Mother," which extolled the benefits of hard-line Chinese parenting, became a best seller. "If Americans admire China so much, maybe the way we saw China before wasn't so accurate," he thought.

He sifted through U.S. census data found online and concluded inequality was weakening America. He saw its divided political system as too in thrall to special interests to serve the broader public.

"For decades, America's politicians have come and gone, and put forward pleasant-sounding slogans about how they'll promote the middle class and social equality. But basically, it's a bad check," he wrote on his blog in December. In a separate posting, he extolled China's scientific achievements, including its No. 1 spot in supercomputing, as evidence of the country's burgeoning strength. "It's astonishing the world!" he wrote.

Seeing the West up close, Mr. Li says, was a defining experience for him. He's fond of citing an expression now common among Chinese youth: Once you leave your country, you love your country. "If you don't go abroad, you don't actually know how great China is," says Mr. Li.

tries in Asia. The wave of fear in Japan began when a cluster of fire ants that came in on a shipping container from China were found in the western port of Kobe.

Later, a container that arrived in the port of Tokyo from southern China brought in over 100 fire ants as well as larvae and eggs. Queen ants have since also been identified, raising fears the insects will build nests and are here to stay.

Shares of pesticide makers have surged on the Tokyo Stock Exchange, and one manufacturer started selling ponchos made from industrial-strength material that allegedly protects the wearer from fire ants.

One problem: identifying what is a fire ant and what isn't.

The self-taught expert who writes the "Fire Ant Police" Twitter feed in Japan said he has responded to hundreds of photos sent in of suspect ants.

"I just want to be helpful and relieve a bit of the people's anxiety," he said in an interview. "As of today, I have not yet been sent a picture of something I believe is actually a fire ant."

Koji Everard and River Davis contributed to this article.

ANTS

Continued from Page One
that there is an annual festival named after them in Ashburn, Ga.

Nevertheless, since Japan first learned that these insects had arrived by hitching rides on foreign cargo, each new discovery has caused another round of breathless official reports, some of which have described the interlopers as foreign "assassins."

No one is saying fire ants are pleasant. A swarm can consume small animals such as frogs, birds and even young livestock. Their sting is comparable to that of a wasp. In rare cases, an allergic reaction results in swelling or, in extreme situations, death.

To some outsiders, however, this island nation may be making a mountain out of an ant hill. "This had to happen sometime," said Adam Cronin, an ecologist at Tokyo Metropolitan University. "The response is a bit of the Japanese overreacting to anything that's a bit scary."

Japan's fevered response is partly the result of a government ministry's report that said the ants were responsible



ports falsely depicting fire ants as murderous," said Mr. Hashimoto.

Joshua Blu Buhs, author of "The Fire Ant Wars: Nature, Science, and Public Policy in Twentieth-Century America," said worries about non-native animals often reflect more general concerns about human immigrants and changes in national character.

He drew a parallel in Japan's experience with how U.S. fire ant infestations in the 1950s were caught up in fears about communism. Some newspapers at the time referred to fire ants as "the red peril" and "fifth columnists," he said.

Japan is a largely homogeneous nation with tight restrictions on immigration. It has been slowly opening its doors to foreign workers as it faces labor shortages.

At an emergency ant-policy meeting last week, Prime Minister Shinzo Abe told government ministers, "We will exert every effort to prevent the infiltration and settlement of fire ants." He added, "It is necessary for everyone in the nation to recognize correctly the characteristics of fire ants and address the matter calmly."

Fire ants are one of the most aggressive types of ant and have spread to several coun-

for 100 deaths a year in the U.S. The ministry backpedaled on July 18, saying it couldn't verify the death figures and had removed the reference.

Around 100 people die in the U.S. from allergic reactions to insect stings every year, according to the American College of Asthma, Allergy and Immunology, an association of doctors. More than half are from bee and wasp stings. It doesn't provide data on casualities caused by fire ants.

After about two dozen fire ants were found in Nagoya in June, sumo wrestlers at a tour-

nament there last week added sandals when outside the ring, upending their tradition. "Better safe than sorry," said one wrestler.

Yoshiaki Hashimoto, an ant expert at the University of Hyogo in western Japan who helped identify the first specimens, said fire ants were probably in Japan already before the confirmed discoveries.

The mild panic here is partly due to sensationalism in the mass media, with some re-

Koji Everard and River Davis contributed to this article.

LIFE & ARTS



THOMAS PITILLI

IF YOU BUY an assigned seat at a theater, sports or concert venue, you get the seat you picked. But an assigned seat on the airline is radically different: Every so often, you don't get it, even when you pay extra for it. Premium-seating fees guarantee nothing.

It's happened to families who see their children reassigned rows away from their parents. It's happened to single travelers when airline computers automatically reshuffle seats on full flights. And it famously happened to political commentator Ann Coulter, who erupted in a Twitter tirade earlier in July after Delta moved her from a preferred aisle seat to a window seat in the same extra-legroom row. Delta roared back, calling her out for attacking employees and the airline over what was at best a minor inconvenience.

Airlines started placing price tags on particular seats—letting fliers pay an ancillary fee for a preferred seat, often with extra legroom—in about 2010. But they didn't really change their procedures at airport gates to match the marketing. That means passengers' expectations often don't match up with reality.

Good gate agents are skilled puzzle-solvers who historically have moved people around liberally. They still have wide latitude despite the seat-assignment advance sales. (In Ms. Coulter's case, Delta said an agent made a mistake while trying to help another customer. It refunded her \$30 fee

THE MIDDLE SEAT | By Scott McCartney

That Airline Seat You Paid for Isn't Yours

Frustrated fliers discover that paying for a preferred seat with extra legroom on their flights guarantees them nothing

for the preferred seat.)

Agents try to seat families together, take care of VIPs, accommodate passengers bumped from first class by air marshals, find seats for high-fare or top-tier fliers and squeeze in passengers from canceled flights. Airlines swap airplanes for particular trips, triggering reshuffling of seats when replacement planes have different seating configurations.

When most seats on a plane were similar, passengers knew seat assignments were fluid. Many tried to game the system by sweet-talking their way to exit rows or even first class. But now passengers think they can buy the rights to a specific seat. If 15F costs \$32 extra and you buy it, you think you own 15F for that flight.

Airlines say that legally, you don't. They can sell you one thing and deliver something else be-

cause the terms and conditions on seat purchases give them discretion. United and American use the same wording in their terms and conditions: "Seat assignments are not guaranteed." Delta says it can reassign seats, paid or not, "at any time, even after boarding of the aircraft, for operational, safety or security reasons. The final decision resides with the ground staff and operating crew on the day of the flight."

Airlines say they attempt to assign the same or similar seat type and location when they make changes. They also try to keep traveling companions together when they are booked in the same reservation. (Tip: If you are traveling together on separate passenger records, call ahead of time and ask the airline to link the two records.)

Delta says it's encouraging agents to confer with customers

and get consent before making a seating change. American says it's studying ways to address what it recognizes is a source of frustration for travelers.

Doug Greenberg, a co-owner of a San Diego storage business, got separated from his 9-year-old son on a June 24 United flight even though they had confirmed seats together. (His wife and infant were on a separate passenger record.) United substituted a larger plane for a Houston-to-Jamaica leg of the trip and the family was scattered.

When he asked United agents why they seated a child alone when they had the age in the passenger record, the agents blamed an automated system. "This is really just a complete lack of thoughtfulness for the customer's needs," Mr. Greenberg says. "A 9-year-old should never be taken and

seated in another section of the plane."

A United spokeswoman says the airline regrets it was unable to seat the Greenbergs together.

Jim Hatch, a Philadelphia consultant, booked a trip to Tampa, Fla., for himself, his wife and an adult daughter with Down syndrome. He paid extra for preferred seats on American so they'd be sure to sit together. In an emergency, his daughter would need assistance.

It turned out the March flight was switched from an A320 to a smaller A319, and American told him seats would be assigned at the gate. The seats were in the last row, where legroom is tighter, but together. He checked on the return flights a week later and discovered they no longer had any seats on that flight, let alone their paid preferred seats. When seats were assigned, they were not together, but a gate agent reseated them to three seats together in the last row again.

"It's tremendously frustrating," Mr. Hatch says.

American refunded the full cost of the seat fee, \$121, after he complained, and they each got 5,000 miles.

American spokesman Josh Freed says the airline reserves a few seats—often the last row, among others—on all flights for gate agents to assign so they can keep families together after changes like aircraft switches or canceled flights.

BURNING QUESTION | By Heidi Mitchell

DOES LISTENING TO MUSIC HELP YOU FOCUS?



better while hearing that rather than a genre you don't like. "If you enjoy heavy metal, you might be more focused when you listen to it," says Dr. Pantelyat, who studies how music can be used as medicine and how musicians should be treated for occupational ailments. However, loud and fast sounds also have been shown to be fairly distracting.

The distractions increase when words en-

ter the picture. "If you add lyrics, you're activating the Wernicke area, where language is processed, and other parts of the temporal lobe, and this may divert your attention or possibly overload the brain's attentional capacity," he says. "Imagine listening to two languages at the same time while working. Of course that's distracting."

Lots of studies have suggested that music

can light up many different parts of the brain. "Music activates as many, if not more, parts of the brain at the same time than any other activity," Dr. Pantelyat says. This includes the nucleus accumbens, the so-called pleasure center; the caudate nuclei, which are involved in movement planning; and the temporal plane, which is in the heart of the Wernicke area.

Around 80% of people process language on the left, or the analytical, side of the brain, Dr. Pantelyat says, and everyone processes music on both sides of the brain. Increased connectivity in the parts of the brain that understand and produce language has been observed in people who studied music for as little time as two years. That may make it harder for those who "speak" the language of music to focus on other language-related tasks—but it may also have other benefits that aren't clear.

"I've been playing violin since I was 7, and I personally find it hard to disengage from actively processing any music analytically, and my colleagues say the same," he says. He finds that music distracts him from work.

The Work Playlist

Dr. Pantelyat says that if you accept that music can make a person feel happy or sad, then you can see how it can influence attention.

However, the effects of listening to music are highly individual and based on experience and pleasure. When trying to focus, Dr. Pantelyat says, listen to music that you enjoy that doesn't have lyrics or settle for ambient noise: "Just put the pedal to the metal and avoid any other ongoing narrative in the brain."

CAN LISTENING TO MUSIC while preparing a presentation or doing homework help you concentrate? One expert, Alexander Pantelyat, an assistant professor of neurology and the co-founder and co-director of the Johns Hopkins Center for Music and Medicine, sounds off on music's relationship to language—and whether background music can help you focus on a task.

The Mozart Effect

A study published in the journal *Nature* in 1993 showed that listening to specific music can affect spatial task performance, though the reasons remain unclear. The theory was called the Mozart Effect because the researchers used Mozart's Sonata for Two Pianos in D major in their study, which involved 36 students. Several follow-up studies have suggested that Mozart's music may have a small, positive short-term effect on the ability to draw conclusions about objects from limited visual clues. The original studies were on adults; later research included babies. Some of the findings were so popular that in 1998 the governor of Georgia proposed earmarking more than \$100,000 to buy Mozart tapes and CDs for parents of newborns to increase their babies' IQs.

The problem, Dr. Pantelyat says, is that the Mozart Effect hasn't been shown to have clear benefits beyond the 10 to 15 minutes during which subjects in studies were engaged in tasks.

Could There Be a Slayer Effect?

If you're drawn to a particular type of music, such as classical, you're more likely to focus

OPINION

REVIEW & OUTLOOK

Trump Throws Brexit a Lifeline

Brexit is not going well, to judge by Wednesday's data showing slowing economic growth and disarray within the British government over negotiations with Brussels. That leaves Donald Trump, of all people, acting as a white knight by inviting a bilateral U.S.-U.K. trade deal.

"It'll be a big trade deal—much, much more business than we do right now, many, many times," Mr. Trump told our Journal colleagues of the potential trade agreement. The remarks came as Britain's Secretary of State for International Trade Liam Fox was in Washington to start negotiations. This is a welcome contrast to Barack Obama's pre-Brexit warning that Britain would be at the back of the trade queue.

Mr. Trump and his advisers seem to understand better that Washington should negotiate with whomever is willing and able to talk. Attempts to negotiate a trade agreement with the European Union as a whole—the Transatlantic Trade and Investment Partnership, or TTIP—have foundered largely because European leaders failed to explain the benefits of trade to their voters. If British leaders are more motivated, so much the better.

A bilateral U.S.-U.K. deal is also a chance to overcome some of TTIP's pitfalls. The intractable problem has been regulation—the different product-safety standards, food-hygiene rules and industry-specific regulations that amount to trade barriers without tariffs.

America's market-based approach is so different from the EU's top-down tendencies that the two sides struggle to recognize each other's rules as equivalent for trading. Washington-London talks will benefit from more similar attitudes toward regulation. In theory, they should be able to negotiate unprecedented opening in regulating service industries.

Yet the bilateral talks are already meeting obstacles. An early flashpoint is chicken. Brussels resisted opening the EU to many American

The U.S. offers the U.K. a chance on trade, if Gove doesn't chicken out.

agricultural products amid dubious concerns about the safety of genetically modified organisms (GMO) and the use of chlorine to wash raw chicken. Mr. Fox said Tuesday Britain would allow the import of chlorine-washed chickens under a trade deal.

Yet Wednesday morning, Environment Minister Michael Gove warned he would oppose allowing imports of chlorine-washed chickens, supposedly on animal-welfare grounds. If Brits imitate Europeans in their aversion to American agriculture, bilateral talks will struggle. Mr. Fox and his colleagues need to make the case for science-based regulation to voters.

Meanwhile, Britain will be hostage to domestic U.S. politics on financial services. Washington resisted attempts to include banking and finance in TTIP because Treasury worried that coordinating with Brussels on financial rules would undermine the Dodd-Frank Act, which has discouraged some European banks from operating in the U.S. Cooperation with Britain will be easier, but significant differences remain on such core matters as whether to ban proprietary trading (America's Volcker Rule) or merely sequester it from retail banking (Britain's Vickers Rule).

Washington needs to reform Dodd-Frank lest it undermine negotiations for free trade in services. Republicans in Congress want to do so, and Mr. Trump's regulators have leeway to do it without legislation. But Britain can help by pressing the point in bilateral talks.

No one should doubt the political value of the trade lifeline Mr. Trump threw to Britain this week, which includes an implied warning to Brussels that the EU could be left behind if it botches Brexit talks by taking a punitive approach to Britain. But Brexiteers should not assume that a bilateral deal will be easy. Both sides need to get busy on domestic reforms to give the talks the best chance of success.

A GOP Gallows Reprieve

Louisiana Republican John Kennedy cracked to Politico this week that "the sight of the gallows focuses the mind," and perhaps that explains why after months of group therapy Senate Republicans finally voted Tuesday to open debate on repealing ObamaCare. Whatever the impetus, the vote kept GOP reform hopes alive and may have saved the GOP Congress.

The 51-50 vote—with Vice President Mike Pence breaking the tie—was as close as it gets but vindicates Majority Leader Mitch McConnell's decision to force Senators to be accountable. Maine Senator Susan Collins's defection was expected, and at least she was consistent with her opposition to repeal in 2015.

The same can't be said for Alaska's Lisa Murkowski, who also voted against allowing even a debate on repeal. We look forward to her explaining how this squares with her May 2016 press release in which she "called for action in the Senate to repeal and fix this unworkable law." She added that "while a full repeal of the law would be the best course of action, it is simply not possible under the Obama Administration." Apparently she only meant that when her vote didn't matter.

Democrats continued their pattern of total resistance, but Mr. McConnell corralled every other Republican to pass the bill under the Senate's arcane reconciliation rules. John McCain made a heroic entrance after his recent diagnosis with brain cancer to cast a necessary vote. And perhaps his fortitude inspired reluctant colleagues to take responsibility after seven years of repeal promises.

Senate Republicans avoid a political self-hanging—for now.

Ron Johnson of Wisconsin cast the 50th vote, though only after a visibly tense conversation on the Senate floor with Mr. McConnell. Mr. Johnson has been unhappy with the Majority Leader's consultation, and he fears the bill won't repeal as much of the law as it should. But Mr. Johnson has always said that ObamaCare propelled him to leave private business and run for the Senate in 2010, and killing debate would have blocked any chance at even partial repeal.

The Senate will now move to debate and an amendment vote-a-rama, and where that ends nobody knows. One vote to watch would repeal ObamaCare with a two-year window to replace it, which is similar to a bill that 51 Senate Republicans voted for in 2015. We'll see how many have changed their minds.

The GOP will need enormous discipline to defeat poison-pill amendments—from Democrats and maybe some Republicans—to emerge with a bill that can get 50 votes at the end of the debate. Toward that end GOP leaders began floating the possibility of passing a "skinny bill" version of reform. This could include killing the individual and employer mandates and perhaps the medical-device tax. But it wouldn't include the House bill's biggest prize, which is Medicaid reform.

This would be disappointing, but it beats failure and would allow the bill to go to a House-Senate conference. Republicans could then work out how much reform the politics will bear. They might keep in mind that the political gallows they avoided on Tuesday can always be reconstructed—and will be if they renege on this core campaign promise.

Congress can kill Cordray's payoff to his trial-lawyer funders.

The rule would cause many firms to stop using arbitration since they would have to spend more defending class actions. The CFPB estimates that financial companies would spend between \$2.62 billion and \$5.23 billion over the next five years—much of which would go to attorneys—to defend some 6,000 class actions.

Ohio Senator Sherrod Brown, another plaintiff-bar favorite, cites Wells Fargo, which was found to have opened millions of unauthorized accounts in the names of its customers. But Wells Fargo agreed to settle the case on a class basis for \$142 million—twice as much as estimated consumer out-of-pocket losses—because arbitrating individual disputes could have cost much more. The bank also paid \$185 million to regulators and agreed to refund fees for unauthorized accounts.

Mr. Cordray wants to build a nationwide plaintiff-lawyer fund-raising base for his Ohio campaign. And he may hope that a few Republican Senators like South Carolina's Lindsey Graham will sink the repeal resolution for their trial-bar campaign donors. But if Republicans stand together on repeal, the CFPB would be prohibited from ever issuing a similar rule. Republicans can strike a blow for the rule of law and against a major progressive cash source for Democrats with a single vote.

Repealing the Arbitration Rule

Consumer Financial Protection Bureau chief Richard Cordray has been on a regulatory tear as he prepares to run for Governor in Ohio. But many of the Obama appointee's midnight rule-makings need not see the light of day—for instance, his arbitrary ban on mandatory arbitration that the House voted to repeal on Tuesday.

The Congressional Review Act lets a majority of both chambers rescind a final agency rule issued in the past 60 legislative days. The 231-190 House vote overturns the CFPB's new rule prohibiting class-action waivers in virtually all financial consumer-service agreements. Twenty-four GOP Senators have introduced a similar resolution.

Mr. Cordray said the ban would protect consumers, but his own agency's study suggests otherwise. Consumers who prevailed in arbitration recovered on average \$5,389, while those who joined class actions received \$32. Trial lawyers on average raked in \$1 million.

Most claims can't be litigated on a class basis—though trial attorneys try—and arbitration provides an affordable and expeditious alternative. Companies typically pick up most if not all of the filing, administrative and arbitrator costs. Consumers usually obtain relief within two months, while class actions typically take years to resolve.

James Comey Is Maxwell Smart



BUSINESS WORLD
By Holman W. Jenkins, Jr.

Terry McAuliffe, governor of Virginia and former prolific Clinton fundraiser, is no idiot.

In response to a general question about Hillary Clinton's post-election deportation, he not only turned a recent Politico podcast discussion to Russia's election meddling but zeroed in on fake Russian intelligence implicated in FBI chief James Comey's election interventions.

Why this underplayed episode, among all the overplayed theories of Russian meddling, might weigh on his mind is no mystery. Put aside the obvious objection that if Mrs. Clinton had been a better candidate, she would have won. Joshua Green, author of "Devil's Bargain," says internal Trump polls showed a clear view of the race's final days. Voters who liked neither candidate broke decisively for Mr. Trump after Mr. Comey's Oct. 28 letter reopening the investigation into Mrs. Clinton's email server.

Nate Silver at FiveThirtyEight.com, reached the same conclusion using public surveys: "Hillary Clinton would probably be president if [Mr. Comey] had not sent a letter to Congress on Oct. 28."

Mr. Comey has attributed his serial interventions to the Arizona tarmac meeting of Bill Clinton and Attorney General Loretta Lynch. A Washington Post headline blared: "Now we know: Bill Clinton cost his wife the presidency."

Except that, in later reporting by the Post and other new organizations, it wasn't the tarmac meeting at all; it was planted Russian intelligence about Attorney General Lynch that led to Mr. Comey's intervention.

This story actually makes a lot more sense. The public knew about the tarmac meeting. Voters were already factoring it in. If the Justice Department worried how its Clinton decision would play, it could have leaked the Comey recommendation. It could have authorized him to speak publicly.

Plenty of Hillary surrogates, from President Obama on down, stood ready to lend credibility to a decision not to prosecute Mrs. Clinton. Mr. Comey's unprecedented, protocol-violating step simply wasn't required.

It's far more likely that Mr. Comey conceived of his intervention as a *counterintelligence operation*. Hillary would win. Russia's fake email about Ms. Lynch conspiring to prevent a Hillary indictment would become public and be used by Trump partisans and America's adversaries to discredit her victory. Therefore he would neutralize this Russian threat by clearing Mrs. Clinton himself. In doing so, it now appears he accidentally secured Mr. Trump's win.

Free yourself from any hindsight bias: All actors at the time were convinced Hillary would win; for U.S. offi-

cials, the urgency was to protect Mrs. Clinton's inevitable presidency from Russian dirty tricks.

Mr. McAuliffe, in last month's podcast, opined flatly that Russia also expected Mrs. Clinton to win and wanted to destabilize her presidency.

Mr. Comey gave mumbly assent to the "intelligence community's" now-claim that Russia wasn't just trying to weaken Mrs. Clinton but elect Donald Trump, arguing that in a two-person race, hurting one necessarily helps the other.

This is implausible. Against all polling, Russia wouldn't have thought trying to elect Mr. Trump a good investment. In effect, this claim about Russian motives is another counterintelligence operation by our own intelligence community to distract from its botched counterintelligence operation that elected Mr. Trump.

How his botched mission to safeguard a Clinton presidency elected Trump.

To be clear, we're not talking about a conspiracy exactly, but about intelligence leaders adjusting their statements and emphases on the fly to pretty up an embarrassing picture.

Nonetheless, the effect has been not unlike that of a counterintelligence operation mounted against a duly elected president.

Let's have a dose of realism. Other countries take an interest in our leadership decisions; we take an interest in theirs. We'd say the U.S. actually did a pretty good job of inoculating itself against Russia's interest in our recent election. Hillary and her surrogates tirelessly flogged an apparent Trump-Putin affinity to her advantage. Mrs. Clinton's mistake was devoting too many of her resources to the wrong states.

Mr. Comey's intervention was the exception. Voters weren't told about his Russian concern. They couldn't factor it into their big picture of the election. What was the exact nature of the planted info? How did it come into U.S. hands? (For the record, Mr. McAuliffe speculated, wildly, that "treasonous" Americans must have helped Russia devise its intelligence ruse.)

A verb from the Nixon era is "stone-wall"—to hold back the truth in any way possible. It's useful to recall that what the FBI handed over to Special Prosecutor Robert Mueller was a "counterintelligence investigation"—an inquiry into the facts of Russia's meddling, not a criminal investigation seeking something, anything to pin on Mr. Trump.

If Mr. Mueller doesn't see the importance of coming clean on the Comey intervention (whether or not he wants to acknowledge that the Comey intervention may have elected Mr. Trump), then Mr. Mueller is part of the stonewall.

Why Israel Removed The Metal Detectors

By Daniel Pipes

Palestinian Authority President Mahmoud Abbas's Fatah Party announced Saturday that the "campaign for Jerusalem has effectively begun, and will not stop until a Palestinian victory and the release of the holy sites from Israeli occupation." Fatah demanded the removal of metal detectors and other security devices from the entrance to the Aqsa Mosque on the Temple Mount. A week earlier two Israeli policemen were killed by terrorists who had stashed their weapons inside the mosque.

The Fatah statement was illogical and hypocritical. Many mosques in Muslim-majority countries use the same security technology to protect worshipers, tourists and police. Yet Mr. Abbas managed to force the Israeli government to remove them. He did it by deflecting attention from the policemen's murders and stoking fear of a religious conflagration with vast repercussions.

The Temple Mount crisis highlights three factors that explain why a steady 80% of Palestinians believe they can eliminate the Jewish state: Islamic doctrine, international succor and Israeli timidity.

Islam carries with it the expectation that any land once under Muslim control is an endowment that must inevitably revert to Muslim rule. The idea has abiding power: think of Osama bin Laden's dream of resurrecting Andalusia and Turkish President Recep Tayyip Erdogan's hopes of regaining influence over the Balkans. Palestinians consistently report their belief that the state of Israel will collapse within a few decades.

A confrontation over the Temple Mount excites this expectation because it reaches far beyond the local population to arouse the passions of many of the world's 1.6 billion Muslims. The most prominent Muslim leaders and institutions overwhelmingly supported Fatah's position on the Temple Mount security provisions. Islamic voices outside the pro-Palestinian consensus are rare. Palestinians rejoice in their role as the tip of an enormous spear.

Israel's security services timidly avoid taking steps that might upset the Palestinians. This soft approach results not from starry-eyed idealism but from an exceedingly negative view of Palestinians as unreformable troublemakers. The police, intelligence agencies and military agree to just about anything that ensures calm while rejecting any initiative to deprive the Palestinians of funds, punish them more severely or infringe on their many prerogatives.

The Israeli security establishment knows that the Palestinian Authority will continue to incite and sanction murder even as it seeks to delegitimize and isolate the state of Israel. But those security services emphatically prefer to live with such challenges than to punish Mr. Abbas, reduce his standing and risk another *intifada*. The collapse of the Palestinian Authority and a return to direct Israeli rule is the security services' nightmare. Mr. Abbas knows this, and this week's fiasco demonstrates that he isn't afraid to exploit Israeli fears to advance his dream of debasing and eventually eliminating the Jewish state.

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Mr. Pipes is president of the Middle East Forum.

OPINION

How to Negotiate With the Taliban

By Javid Ahmad

Washington's experts nearly all agree that the U.S. should seek a political, not a military, solution to the war in Afghanistan. As the Trump administration revamps its strategy after months of wrangling, this would mean a negotiated settlement with the Taliban is the only way out.

Unfortunately, the conventional wisdom in Washington is wrong. Such ideas not only embolden the Taliban and its patrons, but also undercuts the Afghan war effort and insults America's sacrifices in Afghanistan.

The Trump administration needs to pursue a strategy that simultaneously engages the Taliban on the battlefield and at the negotiating table. This requires the administration to undertake several important steps.

The Trump administration shouldn't be so ready to give up the military option.

First, clarify the longstanding ambiguities between various players in the Afghan war theater. Who is fighting whom and who is the common enemy? Is there an interlocutor that can serve as a neutral conciliator?

Washington views the Afghan war largely as an internal struggle between the Afghan government and the Taliban. For Afghanistan, it's an undeclared war waged by Pakistan, which exploits the Taliban as a proxy to advance its own odious agenda. To Pakistan, the war is part of its historic enmity with India; Afghanistan is but the competing ground. As for the Taliban,



U.S. soldiers with an M-77 howitzer at Bost Airfield in Afghanistan.

they expect in a negotiated settlement for them to renounce the Taliban. There's no guarantee Pakistan will cooperate unless its India-centric insecurities are mitigated. Reports suggesting multiple approaches to Afghan policy within Pakistan's army adds another complicating layer to the talks.

Engaging the U.N. would give the talks transparency and international legitimacy, ensuring through a U.N.-mandated mechanism how any future deal might hold. Under a trilateral framework, the U.S. would also help assuage some of the tensions between Afghanistan and Pakistan and create an island of trust between the two countries. Washington should also bolster likeminded voices inside Pakistan's civilian apparatus.

Third, to create conditions for a reasonable negotiated settlement, the U.S. should authorize its commanders on the ground to extend drone strikes to Taliban headquarters in Pakistan's Quetta and North Waziristan areas. Taliban leaders have been energized recently not only by their territorial gains in Afghanistan, but also signs of Western fatigue with the country and the political mess in Kabul. Targeting the Taliban leaders in their Pakistani safe havens would likely strain their relationship with their patrons in Islamabad and send a powerful message that time is running out.

The U.S. has spent far too much money in Afghanistan, but not all of it was wasted. A settlement or grand bargain with the Taliban under current conditions would mean throwing away hard-fought gains.

Mr. Ahmad is a nonresident fellow at the Atlantic Council's South Asia Center and at West Point's Modern War Institute.

which considers the Kabul government a puppet regime, the fight is between Islam and the West; its demand is nothing short of a complete U.S. withdrawal from Afghanistan. A confluence of criminal patronage networks and a large Afghan drug enterprise adds to the puzzle.

This poses significant challenges for peace talks. But one thing remains clear: The Taliban has been for the past 16 years at the center of the fight against both the U.S. and Afghan forces. Kabul has pursued its own "fight, fracture, talk" strategy, to little success so far. The Taliban has been fragmented, but not to the extent that Kabul had hoped.

One problem is that, despite frictions within the insurgency, the Taliban has no single pro-peace voice or a messenger who could authoritatively speak for the group to negotiate peace. Neither does it have a leader who can coalesce the Taliban around a negotiated deal and deliver on it.

Nor would any Taliban leader freely engage with the Afghan govern-

ment without Pakistan's consent, for fear of reprisals from Islamabad. A cursory look into past instances show Pakistan has marginalized, detained or killed Taliban members who pursued peace talks without its blessing. It has also torpedoed entire peace efforts when its needs were unmet.

Second, the Trump administration should establish a trilateral U.S.-Afghanistan-Pakistan dialogue, focusing on peace talks with the Taliban with one important caveat: Enlist the United Nations as a third-party interlocutor.

Talks with the Taliban are always shrouded in secrecy. Other than the identity of its leader, little else is known: who are the actors in the new Taliban movement; which groups are reconcilable, which are not; how much influence do the various group leaders carry; whether those leaders can, in fact, make decisions on behalf of the insurgency.

Equally important is to know the views of those who run Pakistan's Afghan policy about what accommoda-

Brexit and the Disunited Kingdom


POLITICS & IDEAS
By William A. Galston

I met last week with Robin Niblett, director of the London-based Royal Institute of International Affairs, widely known as Chatham House. It was a bracing discussion.

Regarding his country's domestic scene, Mr. Niblett said that "I've never seen British politics as chaotic as it is now." The two major parties, he declared, are "tearing themselves apart."

The disastrous snap election undermined Theresa May's authority. If she had prevailed by the margin she expected when she called it, many new members of Parliament would have supported her approach to Brexit. Instead, more than half of the Conservatives' diminished parliamentary ranks probably favor remaining in the European Union.

Although a leadership challenge could occur this fall, there is no obvious candidate around whom the party is prepared to rally.

Many members of parliament from the opposition Labour Party were just as disappointed by the election results. They had hoped that a poor outcome would help them oust their hard-left leader, Jeremy Corbyn, whom they regard as an inconceivable prime minister. Instead, they got the worst possible outcome: Labour's performance was strong enough to undercut the anti-Corbyn effort but too weak to form a government.

In Mr. Niblett's view, Labour probably will be stuck with Mr. Corbyn for the next five years, during which the party will continue to struggle with the tension between its upscale, urban-based professional supporters and anti-immigration, pro-Brexit working-class voters.

This disarray comes at the worst possible time. The U.K. and EU have less than two years to negotiate the terms of their separation. Because Mrs. May's authority is so diminished, it will be impossible for Britain to do so from a position of strength. Instead, each step will have to be fought out among contending Conservative factions as well as outside forces. The

business community, for example, is intensifying its pressure on cabinet ministers to shape a post-Brexit world compatible with its core interests.

The British public is gradually awakening to the implications of its decision to leave the EU. As with all hangovers, it isn't much fun. The public's desire to have its cake and eat it too is giving way to reality.

"There is only one Brexit," declared Mr. Niblett—hard Brexit. If Brexit goes through, Britain won't be a member of the common market or the customs union. If it wants to end the free flow of labor from EU countries and regain sovereignty over its own affairs, Britain will have to pay the price.

Because this price is higher than many people understood a year ago, said Mr. Niblett, "There is a sense emerging that Brexit may not go through." While separation from Europe remains the most likely outcome, the current Parliament lacks the authority to ratify the eventual deal. The odds of a second referendum are small but rising. If the people are asked to render judgment on

terms of an actual agreement—rather than an abstract concept—who knows what they will do?

On Europe's relations with the U.S., Mr. Niblett was equally trenchant: "Once you say 'America First,'

'I've never seen British politics as chaotic as it is now,' says an expert.

you can't take it back." Soothing remarks from senior officials don't make much difference.

The idea of the U.S. as the ever-present guardian of Europe "doesn't have the currency it once did." Europeans are becoming more comfortable, instead, with the idea that America serves as an "insurance policy of last resort" and that they will have to take more responsibility for themselves. "Europe is growing up," he said, and that's not altogether a bad thing.

It remains to be seen whether the institutions designed to foster Euro-

pean cooperation will prove equal to the task. Europe may be moving out of the woods economically, but it remains politically fragile. Economic growth won't efface concerns about immigration, identity and sovereignty that have come to the fore during the past decade. A divided Europe will find it hard to take on the added responsibilities that "America First" imposes.

In the end, said Mr. Niblett, "the values dimension is what's most worrying." Along with his repeated criticisms of the EU, Donald Trump's support for Poland's Law and Justice Party and for Hungarian Prime Minister Viktor Orbán's hard-line immigration policy have led increasing numbers of Europeans to wonder whether the U.S. remains aligned with them on political fundamentals. In the immediate wake of Mr. Trump's visit to Warsaw, the Polish government's move to curb the independence of the Constitutional Court underscores these doubts.

Such a breach in the unity of the West would represent the ultimate success of the long game Vladimir Putin is playing.

Repeal the U.S. Budget Control Act

By Tom Cotton

We need Congress to do its job," President Trump said Saturday at the commissioning ceremony for the USS Gerald R. Ford. "Pass the budget that provides for higher, stable and predictable funding levels for our military needs that our fighting men and women deserve."

The president is right, but what's standing in the way is the Budget Control Act of 2011. So why don't we repeal it already?

The Budget Control Act of 2011 was ill-conceived from the start. Rather than attack America's spending problem at its root, the law only clipped a few stray leaves off the branches. In the early Obama years, the federal deficit spiraled out of control, reaching \$1.4 trillion in 2009 before settling in around \$1.3 trillion for the next two years. Entitlement programs—which, combined with interest payments on

the national debt, make up two-thirds of federal spending—are the key driver of our long-term debt challenges.

But President Obama refused to address this problem and instead made a deal with Senate Majority Leader Harry Reid and House Speaker John Boehner—neither of whom is in office today—to squeeze some savings from the remaining one-third of the budget, what's called "discretionary" spending.

The BCA put budget caps on discretionary spending for 10 years, ending in 2021, and established a 12-member congressional "supercommittee" to find at least \$1.2 trillion in additional savings over that same 10-year window. The law stipulated that should the committee fail, there would be an across-the-board cut, or "sequester," to keep spending below the caps. Half the savings would come from the defense budget and half from nondefense spending, meaning the military would absorb 50% of the cuts, even though it accounts for only about 16% of all spending.

The BCA proved flawed in execution as well. To no one's surprise, the supercommittee deadlocked. In 2013, a sequester took effect, though the spending cuts were short-lived.

It's true that after the BCA became law, there was a modest decline in federal spending: from \$3.6 trillion in 2011 to \$3.5 trillion in 2012 and \$3.4 trillion in 2013. But this diet proved as short-lived as most others. By 2015, federal spending was back to \$3.6 trillion, and it's been growing ever since.

Why? Because in 2013 and again two years later, Congress raised the BCA's budget caps. We already know how 2017 will end. In September, Congress will pass what's known as a continuing resolution, which essentially freezes spending at last year's levels. Later in the fall, congressional leaders will meet behind closed doors to write a two-year budget deal that again raises the BCA caps. In December, Congress will pass a massive omnibus

spending bill with all sorts of not-so-goodies slipped in undetected. Then, in December 2018, there'll be another omnibus, and the cycle will likely repeat in 2019-20.

How do we know? Because that's exactly what Congress did in 2013-14 and in 2015-16.

This bust-and-boom budgeting cycle—in which Congress pretends for years to adhere to budget caps until it frantically raises them at the last minute—cripples the military's long-term planning abilities. Pentagon planners have to buy year by year, when it takes decades to do something as basic as build a Navy ship.

It's inexcusable to keep this charade up when we have only 275 ships—former chief of naval operations Adm. Jonathan Greenert has testified that the Navy needs 450—in a world that's growing only more dangerous. It's irresponsible not to write a budget and stick to it based on current needs and threats.

The law's defenders say repealing the BCA would increase spending, but spending is already increasing. A cap is a cap only if you stick to it. Repealing the BCA in itself wouldn't increase spending. It would be up to Congress to set spending levels, as the Constitution envisions. Besides, it'd be far better to write a budget out in the open—instead of through backroom deals—and repealing the BCA would be the first step toward reviving the long-dormant budget process.

So there's no need for my colleagues to fear a future without the BCA. The 112th Congress wasn't the Constitutional Convention, and the Budget Control Act isn't the Constitution. It's a flawed law whose repeal is overdue. It's time to stop the Kabuki theater, get down to business, and build the military this country needs and the troops deserve.

Mr. Cotton, a Republican, is a U.S. senator from Arkansas.

Pardons Aren't Only For the Guilty

By Brian C. Kalt

The news broke last week that President Trump and his legal team are exploring the extent of his pardon powers. In the ensuing discussion, a widespread misunderstanding kept cropping up—one that is understandable but important to correct.

A pardon, the misunderstanding goes, entails a declaration of some underlying guilt, so that if the president pardoned his aides, he would be acknowledging that they had done something wrong.

This isn't true. While the overwhelming majority of pardons are issued as forgiveness for guilty people, the authority to pardon also includes the power to exonerate the innocent. A president could issue a pardon while saying: *This investigation has run amok. The charges are bogus; my people are innocent. I have the power to stop this, and I'm going to use that power.*

The Supreme Court's 1915 'imputation of guilt' doesn't mean what Trump foes think it does.

I would strongly disapprove of Mr. Trump's issuing a pardon like this. But if he did so, people would be free to draw their own conclusions. The president and his tens of millions of supporters could follow this alternative script.

A common source for the notion that a pardon requires underlying guilt is an out-of-context quotation from the U.S. Supreme Court's 1915 decision in *Burdick v. United States*. The justices held that George Burdick, a newspaper editor, could reject a presidential pardon whose purpose was to strip him of the right against self-incrimination and compel him to reveal sources.

The court's comment that a pardon "carries an imputation of guilt; acceptance a confession of it" was a general empirical observation, made in the service of a peripheral part of the argument—what lawyers call "dicta." It was not a finding of law that pardons are only for the guilty.

The president's power to pardon is based on the notion that the criminal-justice system doesn't always work perfectly. Pardons provide a safety valve.

In almost all cases the imperfection is that a contrite guilty person who long ago served his sentence is worthy of having his civil rights restored. Most federal pardon applications go through the Justice Department's Office of the Pardon Attorney, which requires applicants to wait until they have been out of prison for at least five years, and typically to accept responsibility for their crimes.

But there are other circumstances in which safety valves may be needed, and presidents have the authority to bypass the usual process. A president may think that people in prison should be released earlier, such as when President Obama commuted the sentences of hundreds of nonviolent drug offenders. A president may think that people who have not even been charged or convicted should avoid the possibility of prosecution, such as when President Carter pardoned hundreds of thousands of Vietnam-era draft evaders, or when President Ford pardoned Richard Nixon.

And a president may think that an innocent person deserves exoneration. Consider Ford's pardon of Iva Toguri d'Aquino. She had been convicted of treason in 1949 and served six years in prison for broadcasting anti-American propaganda from Japan during World War II as Tokyo Rose. But d'Aquino was no traitor; the case against her was based on perjury suborned by federal officials. After investigative journalists publicized the truth, Ford issued her a full and unconditional pardon. He had the power to clear her name, and he used it.

This year, Indiana Gov. Eric Holcomb kept a campaign promise to pardon Keith Cooper, who had been wrongfully convicted and imprisoned for 10 years. The premise of the pardon was that Cooper was innocent.

There would be a huge difference between Ford's and Mr. Holcomb's pardons and President Trump's preemptively pardoning his aides, declaring them innocent and ravaging the Mueller investigation. The latter would be completely unacceptable—if not impeachable—to much of the country, myself included. But that would be a political problem. His assertion of his aides' innocence would present no *legal* contradiction at all.

Mr. Kalt is a law professor at Michigan State University and author of "Constitutional Cliffhangers: A Legal Guide for Presidents and Their Enemies" (2012).

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LIFE & ARTS

MUSIC

Donald Fagen's New Backup Band

The Steely Dan co-founder prepares to tour the U.S. and Japan with the Nightflyers

BY MARC MYERS

DONALD FAGEN needs to keep busy. Starting Aug. 3, the 69-year-old co-founder of Steely Dan will tour for two months in the U.S. and Japan with the Nightflyers, his newly formed backup band. Like many classic rockers today, Mr. Fagen is hitting the road in part to pay bills once covered by album sales.

"When the bottom fell out of the record business a bunch of years ago, it deprived me of the luxury of earning a living from records," he said. "I don't sell enough albums to cover the cost of recording them the way I like to. For me, touring is the only way to make a living."

Mr. Fagen formed Steely Dan in 1972 with guitarist Walter Becker, pioneering a form of rock that incorporated modern jazz and soul. With Mr. Fagen as lead singer and keyboardist, many of their songs, including "My Old School," "Deacon Blues" and "Hey Nineteen," were odes to hipster subcultures and social outcasts. Albums such as "Katy Lied," "Aja" and "Gaucho" were the results of long periods in the studio with session musicians. It was an expensive business model given that Messrs. Fagen and Becker stopped performing in 1974 and didn't resume until the 1990s.

In addition to helping financially, Mr. Fagen's coming Nightflyers tour will allow him to expand creatively. "Walter wanted to have a light summer," he said. "Touring alone lets me play songs from my four solo albums and cover other artists' material, which I don't get to do with Steely Dan."

Mr. Fagen also will perform new songs. "One is a noir thing I wrote recently called 'Hardboiled Life.' Another is about '50s film creeps—guys who only went to see foreign films. People who now go to film school, I guess."

Touring without Mr. Becker is



Donald Fagen, in green chair, and, clockwise from left, Nightflyers Will Bryant, Lee Falco, Brandon Morrison and Connor Kennedy. At right, Mr. Fagen, in leather jacket, alongside Steely Dan co-founder Walter Becker in 1977.

nothing new. Mr. Fagen did so for two of his four solo albums, and he assembled a touring band with Steely Dan musicians in 2006. He also performed with Michael McDonald and Boz Scaggs in 2010 and 2012 as the Dukes of September.

But the Nightflyers are a little different. Four of the five musicians are in their 20s, which Mr. Fagen says presents exciting challenges. "These guys are used to jamming, so their spontaneity adds a new kind of energy and looseness to the music. They have a lot of juice."

The idea for the Nightflyers began in 2014 when Mr. Fagen spotted guitarist Connor Kennedy playing with organist Will Bryant, bassist Brandon Morrison and

drummer Lee Falco at the annual Bob Dylan Birthday Celebration concert in Woodstock, N.Y.

"The following year I performed with them up there and we played a few local gigs," he said. "They also backed my stepdaughter (and singer-songwriter) Amy Helm." Ms. Helm is the daughter of the late Levon Helm and Libby Titus, who is now Mr. Fagen's wife.

Earlier this year, when Mr. Fagen suggested they tour, Mr. Kennedy and the other musicians were ready. "We've always been into Donald's music," he said. "We don't have a jazz background, but we love making the music our own thing."

The Nightflyers were named for Mr. Fagen's 1982 debut solo album, "The Nightfly," which reached #11



on Billboard's album chart and was nominated for seven Grammys.

As the idea of a late-summer tour took hold, Mr. Fagen decided to add a fifth Nightflyer—Zach Djanikian, a friend of the other band members who sings harmony and plays saxophone and guitar.

Gravitating to Woodstock in the

2000s when they were in their teens, many of the Nightflyers were exposed to folk, bluegrass and rock through a network of musicians from the 1960s and '70s who lived in the area and performed there.

"These guys are kind of like me," Mr. Fagen said of the band. "I'm half trained and half self-taught. Which I think is a good way to develop an original feel. I was defined by my limitations. As a kid, I had what they now call ADHD and a bit of dyslexia, so I had trouble reading music. I learned the way most jazz musicians have since the 1940s—by imitating records."

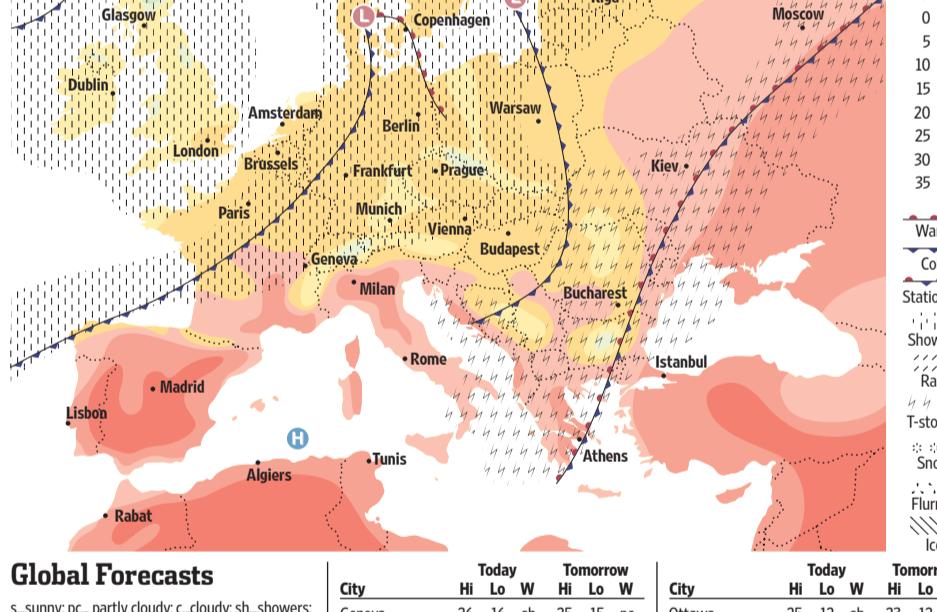
Several weeks ago at Levon Helm Studios in Woodstock, Mr. Fagen and the Nightflyers rehearsed several songs from Mr. Fagen's solo albums ("Miss Marlene," "Green Flower Street," "Countermoon" and "New Frontier"). The band also took on Steely Dan songs ("Green Earrings," "Bad

Sneakers," "Home at Last" and "Dirty Work") and covers of the Rolling Stones' "Beast of Burden" and the Beatles' "I'll Cry Instead."

Other cover songs are planned for the tour. "I put Chuck Berry's 'You Can't Catch Me' in a minor key and changed the feel," Mr. Fagen said. "We're also doing the Grateful Dead's 'Shakedown Street.' It's a really nice, funky tune."

Before taking a break, the band rehearsed "Dirty Work." At the end, one of the Nightflyers suggested adding a higher vocalized "oh yeah" to broaden the harmony. Mr. Fagen, seated at an electric Yamaha keyboard, thought it through for a few seconds. "Yeah, that's good," he said. "Let's do that."

Weather



Global Forecasts

s...sunny; pc...partly cloudy; c...cloudy; sh...showers;

t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

Today Hi Lo W Tomorrow Hi Lo W

City Hi Lo W Today Hi Lo W

Amsterdam 20 15 pc 20 15 sh

Anchorage 18 13 pc 16 12 c

Athens 31 24 pc 31 22 s

Atlanta 33 23 t 32 23 t

Bahrain 47 30 s 48 32 s

Baltimore 30 22 pc 28 20 t

Bangkok 32 25 t 32 26 pc

Beijing 29 22 c 28 21 c

Berlin 23 14 c 21 14 sh

Bogota 18 10 pc 18 10 c

Boise 33 19 pc 36 20 s

Boston 25 19 pc 25 18 r

Brussels 21 13 pc 21 15 sh

Buenos Aires 23 16 pc 24 16 pc

Cairo 39 26 s 38 25 s

Calgary 32 14 s 25 12 s

Caracas 33 27 pc 33 27 pc

Charlotte 32 22 pc 29 21 t

Chicago 28 18 t 27 17 s

Dallas 38 27 s 38 27 s

Denver 29 16 t 31 17 t

Detroit 28 20 t 25 16 sh

Dubai 45 36 s 44 36 s

Dublin 17 10 sh 17 11 sh

Edinburgh 16 11 sh 17 12 sh

Frankfurt 22 13 sh 22 14 sh

AccuWeather.com

The WSJ Daily Crossword | Edited by Mike Shenk



HIGH STANDARDS | By Alice Long

- Across**
- 1 See 50-Across
 - 5 Grounds for a Medal of Honor
 - 10 Stadium surface
 - 13 Bow in movies
 - 15 Letter three after 57-Down
 - 16 It may be shot in the open
 - 17 One can perform a giant swing on it
 - 19 Words with profit or loss
 - 20 Encourages to misbehave
 - 21 Firefox feature
 - 23 "What'd I tell you!"
 - 24 Equivalent of four rods
 - 27 Cause of a shootout
 - 28 Switch magazines, say
 - 30 Clay pigeon launcher
 - 33 Shucker's workplace
 - 35 Potter, for one
 - 37 Ring outcome
 - 38 Iron targets
 - 40 Potent java, slangily
 - 41 Nonexistence
 - 43 Like much blues music
 - 45 Neophyte
 - 46 Driving-amid-obstacles competition
 - 47 Weaken
 - 49 About
 - 50 Repeated five times, a song by 1-Across
 - 53 Spot for MacBook medics
 - 56 Stud feature
 - 59 Put away
 - 60 Set higher standards, and what you must do five times in this puzzle
 - 63 Deli delicacy
 - 64 Political attack
 - 65 Really hot

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

- 66 Crumb claimer
- 67 Onetime Edison employee
- 68 Carboneade, e.g.
- Down**
- 1 Not quite smart
- 2 Virtual journals
- 3 Harbor sight
- 4 Early birds, say
- 5 Prussian preposition
- 6 Qty.
- 7 Took for the summer, perhaps
- 8 Eyeball
- 9 Capital southwest of Gibraltar
- 10 Competition begun in the mid-1950s
- 11 Solemn words
- 12 Lacking life
- 14 Dye group
- 18 Ready for shipping out
- 22 Nabisco bestseller
- 25 Reactor part
- 26 Stiff 17th-century collars
- 29 Decorate a copperplate
- 31 One Israeli out of five
- 32 Many an emailed document
- 33 "Works for me!"
- 34 Receptionist's reassurance
- 35 Cull
- 36 Sea spot
- 37 Explosive initials
- 39 Hit the buzzer?
- 42 Home to some wild camels
- 44 They speak up
- 46 Cujo's affliction
- 48 Explode
- 51 Blot lightly
- 52 Get on the soapbox
- 53 Fancy do
- 54 School near Windsor
- 55 Matching
- 57 Letter three before 15-Across
- 58 Was attractive
- 61 Mineo of movies
- 62 Paleozoic, for one

Previous Puzzle's Solution

ACME	TMAN	SCARE
LOAN	ARTY	HUMOR
VANDALISM	OTTER	
ATTIRE	EPEES	
SAVANNAHS	AMOS	
ETTE	PARADE	
SPA	ERGS	BUYER
TAKEADAVANTAGEOF		
AURAL	EYER	RNS
BLOTTTO	RAGE	
SANE	WINDVANE	
RANTO	ARIANA	
IRWIN	MOVINGVAN	
QUIET	ANIL	MEGA
SENSE	YEAS	ASST

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THE WALL STREET JOURNAL.

Thursday, July 27, 2017 | B1

Euro vs. Dollar 1.1634 ▼ 0.13%

FTSE 100 7452.32 ▲ 0.24%

Gold 1249.00 ▼ 0.22%

WTI crude 48.75 ▲ 1.80%

German Bund yield 0.559%

10-Year Treasury yield 2.285%

Glaxo CEO Slashes R&D Projects

Research to focus on four disease areas; drugmaker maintains long-term outlook

BY DENISE ROLAND

LONDON—**GlaxoSmithKline** PLC axed more than 30 drug-research projects to focus on four key disease areas, in a push by new Chief Executive Emma Walmsley to sharpen the company's research-and-development operations.

U.K.-based Glaxo said Wednesday it will now focus its research on respiratory dis-

eases, HIV and other infectious diseases, cancer and immuno-inflammatory conditions.

The company plans to pour more investment into 16 drug candidates that it believes stand the best chance of becoming big sellers, while shelving 13 drug-development programs and around 20 early-stage research projects.

Glaxo's low research productivity is viewed as a fundamental problem by investors, who have been stung by some high-profile failures in recent years.

Glaxo—until now—has had a very broad research pipeline, unlike many peers who have pruned their own pipelines to



Emma Walmsley became chief executive of Glaxo on April 1.

focus on a few key disease areas. Ms. Walmsley said that spreading its bets too thinly had hurt Glaxo's competitive edge, but that research investment would stay roughly the same overall.

The biggest research area to face the cut is rare diseases, which Ms. Walmsley's predecessor Andrew Witty had highlighted as a promising one. Glaxo said it was deciding how best to unload these projects, which include research into new gene therapies that recently produced a cure for children born with a rare immune-system condition known as "bubble-boy disease."

That move runs counter to the broader industry, which is in general putting more investment into rare diseases. That is because such drugs—often the only option available for the rare disease in question—can command sky-high prices, and many companies view them as a safer bet than developing drugs in highly competitive areas. Several of Glaxo's rivals, such as **Shire** PLC, **Sanofi** SA and **Pfizer** Inc., have prioritized rare-disease drugs.

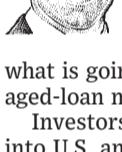
Other shelved drug development programs span a broad range of ailments like liver disease, heart failure and

Please see GLAXO page B2

HEARD ON THE STREET

By Paul J. Davies

Leveraged Loans Too Popular an Investment



Imagine just asking for a rate cut on your loan and getting it.

Well, that is what is going on in the leveraged-loan market this year.

Investors have been piling into U.S. and European loans for riskier, often privately backed companies. One reason loans are attractive is protection against rising interest rates: Lenders get interest calculated from a base rate linked to central-bank rates, plus a fixed spread. So, when the Federal Reserve raises rates, the interest a loan investor receives goes up, too.

But that doesn't work when borrowers can cut the spread, and this year that has proved startlingly easy to do. Take **Tipico**, a little-known German gambling group that sold a majority stake to private-equity firm **CVC Capital Partners** last summer. CVC's investment was backed with €620 million loan (\$722.2 million), which started with an interest rate of 5.5% on top of a fixed minimum 1% rate for Euribor, the market-base rate in Europe.

In March, that loan was repriced to just 3.5% with a minimum for Euribor of zero. With base rates negative in Europe, that amounts to a 3-percentage-point cut in borrowing costs for Tipico less than a year after it first got the loan. CVC also increased the loan size, first to €700 million, then this month to

Please see HEARD page B2



Investors want energy producers to keep their budgets under control in a tricky financial environment. A Shell facility in Russia.

Foxconn To Build Factory In U.S.

BY TRIPP MICKLE AND REBECCA BALLHAUS

Foxconn Technology Group, which helped turn China into the center of the global electronic supply chain, is setting up shop in the U.S., with plans for a \$10 billion plant in Wisconsin to make display panels used in televisions and other products.

The plan, which was to be formally announced at a White House ceremony Wednesday afternoon, marks the first major U.S. investment for Foxconn, the world's largest contract manufacturer of electronics and the maker of iPhones and other gadgets for Apple Inc. The factory is the first in a series of U.S. investments planned by Foxconn, which also owns **Sharp** Corp., the White House said.

The plant will initially bring 3,000 jobs to Wisconsin and could eventually create as many as 13,000, a White House official said. A senior White House official cast Foxconn's decision as reflective of the benefits of President Donald Trump's policies, including "buy America principles" and a "commitment to pass major tax reform and infrastructure spending." Mr. Trump carried Wisconsin in last year's election with a campaign that promised, in part, to bring manufacturing jobs to the U.S.

The president, who routinely invites CEOs to meet with him at the White House to showcase his emphasis on jobs, has vowed to revive U.S. manufacturing and frequently singled out companies for criticism for building plants outside the country. Yet many corporations have plowed ahead with plans to move factories to Mexico.

The announcement confirms plans reported Monday by The Wall Street Journal, which previously reported that Foxconn was exploring investments in seven states, including Illinois, Indiana, Michigan, Ohio, Pennsylvania and Texas. Some of those states were pivotal to Mr. Trump's victory in 2016 and are home to many of the working-class voters who were seen as core to his win.

Mr. Trump also foreshadowed Foxconn's plans in an interview with the Journal Tuesday. In the same interview, he said that Apple Chief Executive Tim Cook had committed to build three big manufacturing plants in the U.S., a surprising statement on which Apple declined to comment. A White House official said those plants were separate from the planned Foxconn facility.

Big Oil Is Urged to Show Restraint

By SARAH KENT

nies returned to billion-dollar profits after years of losses or anemic earnings.

Now, said Jags Walia, senior portfolio manager at Dutch pension-fund manager APG Asset Management, "there's no room to take your foot off on capital discipline."

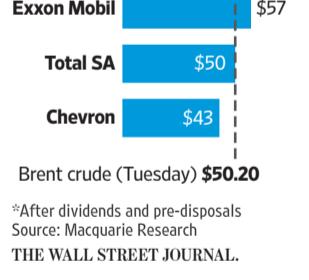
"I think that would be quite unforgivable," said Mr. Walia, whose fund invests in several large oil companies, including Exxon, Shell and **BP** PLC.

It is a call for big oil companies to keep their businesses steady in a tricky financial environment.

International oil prices were up nearly 10% in the second quarter compared with the same time last year. But prices are still likely too low for many companies to cover spending and dividends with cash, or break even. At the same time, the companies have to keep finding new oil to re-

Cash Crunch

Estimated 'break even' oil price for 2018, in dollars a barrel*



*After dividends and pre-disposals

Source: Macquarie Research

THE WALL STREET JOURNAL

ter a flurry of acquisitions inflated its investment plans for 2017 and pushed up the oil price at which the company could break even to \$60 a barrel. The company's shares declined 4% after the February announcement. It has since said it is working to drive down its break-even oil price to between \$35 to \$40 a barrel by 2021.

It isn't just BP: The number of new projects approved this year across the industry is expected to creep up to between 20 and 25 from just 12 in 2016, according to Edinburgh-based consultancy Wood Mackenzie.

The oil companies declined to comment ahead of their earnings reports.

But they have moved to tackle the challenges. BP's costs are down 40% since 2013 and it has vowed to maintain a budget cap of \$17 billion a year

Please see OIL page B2

School Gets Windfall in Snap IPO

BY GEORGIA WELLS

MOUNTAIN VIEW, Calif.—Simon Chiu has been wrestling with an unusual dilemma: how the Catholic high school he leads should spend one of the most extraordinary windfalls in Silicon Valley.

What to do with the money. Students speculated they wouldn't have to pay tuition next year. Parents asked whether annual fundraisers, including a Christmas boutique sale, were still necessary. Some advisers urged school officials to construct a new

chapel and science laboratories.

It is exceedingly rare to net such a huge return in an initial public offering. In fact, most venture-capital bets fail. Between 1990 and 2010, about 60% of such wagers lost or were losing money, according to an analysis by investment firm Cambridge Associates. Saint Francis' bet returned more than 2,200 times the initial investment based on Snap's valuation at the time of the IPO.

"We are blessed," Mr. Chiu said in his first interview about how Saint Francis will spend the money. "But we don't want to become a cautionary tale."

The school sold two-thirds of its shares, for roughly \$24 million, in the IPO. The rest is subject to a late-July lockup. Concerns about stake sales by big investors after the expiration of the lockup period and intensifying competition from Facebook Inc. have weighed on

Facebook Profit Rises 71% On New Advertising Formats

By DEEPA SEETHARAMAN

Facebook Inc. on Wednesday said profit rose 71% in the second quarter, as the social-media giant developed new products to offset concerns about slowing growth.

The company reported earnings per share of \$1.32, up from 78 cents a year ago and compared with the \$1.12 a share projected by analysts polled by FactSet. Net profit was \$3.9 billion in the second quarter, up from \$2.3 billion a year ago.

Quarterly revenue rose 45% to \$9.3 billion from the prior year's \$6.4 billion. Analysts polled by FactSet expected Facebook to record quarterly revenue of \$9.2 billion.

Facebook's formidable ad business, along with Alphabet Inc.'s Google, soaked up 99% of the online ad industry's growth last year, according to Pivotal Research.

But while growth is still rapid, Facebook has warned that the number

of ads in its news feed—it's primary source of revenue—is hitting a ceiling. Last year, Facebook predicted that growth would slow in the second half of 2017.

Now, Facebook is under pressure to show that it has a plan to make money beyond the highly lucrative news feed.

This month, it started showing ads in its Messenger chat app and introducing ads in Marketplace, a Craigslist-like feature in the core Facebook app. Facebook has also been testing "ad breaks" in the middle of Facebook videos and ramping up ads in its photo-sharing app Instagram.

The amount advertisers paid for clicks on Google fell 23% in the second quarter, in part because Google is selling more inexpensive ads on YouTube, rather than its premium search ads.

Facebook plans to spend as much as 50% more this year to entice users to spend more time on its platforms.



MARCO JOSE SANCHEZ/ASSOCIATED PRESS
Haughey Family Student Center
Saint Francis High School in Mountain View, Calif., hit the jackpot with its investment in Snap Inc.

Saint Francis High School in Mountain View, Calif., hit the jackpot with its investment in Snap Inc.

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	E
Advanced Micro Devices	Exxon Mobil
.....
B8	B1
Akamai Technologies	F
.....	Facebook
B8
Alibaba Group	Fidelity Investments
.....
B4	B7
Amazon.com	Ford Motor
.....
B4	B3,B8
Anheuser-Busch InBev	G
.....	General Motors
B8
AT&T	GlaxoSmithKline
.....
B8	B1
Baidu	J
.....	Janus Henderson Group
B4
Boeing	JBS
.....
B3,B8	JD.com
Boston Beer	J&F Investments
.....
B8	L
BP	LVMH Moet Hennessy
.....
B1	Louis Vuitton
C	N - P
Charles Schwab	New York Times
.....
B7	B3
Chevron	Nintendo
.....
B1	B4
Chipotle Mexican Grill	R
B2	Royal Dutch Shell
Citigroup	S
.....	Sanofi
B8
Coca-Cola	Saudi Aramco
.....
B3,B8	Shire
Dow Chemical	Snap
.....
B8	T
E	Tencent Holdings
Bird, Stephen	TIAA
.....
B8	Time
Brito, Carlos	Tipico
.....
C	Total
Cairns, Matthew	21st Century Fox
.....
B8	B3
Cook, Tim	
.....	
B4	
Cortes, Francisco	
.....	
B3	
D	
de Larouzière, Olivier	
.....	
B8	
Ding Xia	
.....	
B4	
Droller, Kari	
.....	
B7	
E	
Ells, Steve	
.....	
B2	
F - G	
Fritz, Janet	
.....	
B7	O' Hanley, Ronald

B5	B3
Gero, Malli	Quincey, James
.....
B5	R
Gilvary, Brian	Roper, Martin
.....
B2	H
Grubbs, Heather	Hackett, Jim
.....
B7	B3
Hah, Robert	Hah, Robert
.....
B4	B4
Harding-Rolls, Piers	Harding-Rolls, Piers
.....
B4	K
Kenney, Jason	Kumar, Rakhi
.....
B2	B5
Ko, Richard	Walnia, Jags
.....
B4	B1
Kumar, Rakhi	Walmsley, Emma
.....
B5	B7
M	Wylde, Kathryn
McDonald, Brian	Y
.....	Yarrington, Patricia
B7
O - Q	Youngberg, Brian
.....
B2	Z
O'Hanley, Ronald	Zerah, Charles
.....
B5	B8

INDEX TO PEOPLE

B	
Bird, Stephen	Gero, Malli
.....
B8	B5
Brito, Carlos	Gilvary, Brian
.....
B8	B2
C	Grubbs, Heather
.....
B7	B7
Cairns, Matthew	Hackett, Jim
.....
B8	B3
Cook, Tim	Hah, Robert
.....
B4	B4
Cortes, Francisco	Harding-Rolls, Piers
.....
B3	B4
D	K
de Larouzière, Olivier	Kenney, Jason
.....
B8	B2
Ding Xia	Ko, Richard
.....
B4	B4
Droller, Kari	Kumar, Rakhi
.....
B7	B5
E	M
Ells, Steve	McDonald, Brian
.....
B2	B7
F - G	O - Q
Fritz, Janet	O'Hanley, Ronald
.....
B7	B5

HEARD

Continued from the prior page
€890 million.

This was done without lenders getting a penny in fees or compensation for lost interest.

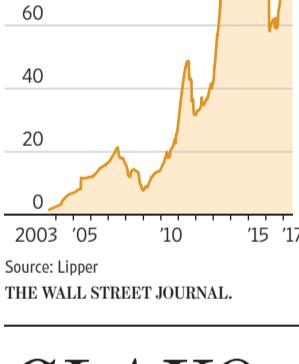
Tipico is a standout case for such a large cut to its interest costs, which started high mainly because Tipico was unknown. But many companies have cut loan costs by 0.5 to 1 percentage point and some by more.

When Tipico repriced, what changed was that investors could see a track record of cash flows. Some companies that reprice loans have cut debt-to-earnings multiples. But for many,

Pile-Up

Total assets in U.S. loan funds

\$120 billion



Source: Lipper

THE WALL STREET JOURNAL.

nothing has changed other than the strength of investor demand for debt.

U.S. retail funds alone have taken in \$14 billion this year, lifting total assets to \$96 billion, according to Lipper. The biggest U.S. loan exchange-traded funds are the Powershares Senior Loan Portfolio ETF and the SPDR Blackstone GSO Senior Loan ETF, according to ETF Database. Insurers, pensions and securitization vehicles are flooding in, too.

Repricing activity is dominating loan markets in the U.S. and Europe. More than \$260 billion of loans were repriced in the first quarter, outstripping loan issuance of \$247 billion, according to S&P Global LCD. In the second quarter, too, repricing remained much higher than normal.

Investors have little power, because loans are repayable without penalty any time after the first six months, typically. That is different from a bond, which has a fixed maturity. When demand is strong, any investor that declines the lower yield risks seeing another buyer take their place, and many are battling to keep their money invested.

However, the more that yields get squeezed, the harder it will be for loan funds to make the returns promised to investors—and the more that investors will realize loans might not be the guard against rising rates they had hoped.

The company also cut its full-year guidance after spending \$130 million on a priority review voucher, which grants it a six-month review process from the U.S. Food & Drug Administration, instead of the standard 10 months. Glaxo bought the voucher from an unidentified drugmaker in the second quarter, and has used it to speed the agency's review of the company's new two-drug HIV regimen.

Glaxo now expects adjusted earnings per share to rise 3% to 5% at constant exchange rates, having previously guided for an increase of 5% to 7%.

Priority review vouchers are awarded by the FDA to incentivize the development of drugs for neglected diseases. But a secondary market has sprung up where the original awardee can sell the voucher to others at prices that can reach several hundreds of millions of dollars.

The steep cost of the voucher contributed to Glaxo posting a net loss of £180 million in the quarter. That compared with a £435 million loss a year earlier, when the company took a £1.8 billion write-down after a sharp decline in the value of the pound following the U.K.'s Brexit vote.

The drugmaker said revenue increased 12% to £7.32 billion, thanks to growing sales for several new drugs and vaccines. Analysts had expected a net profit of £1.14 billion and revenue of £7.27 billion.

Glaxo shares fell 2.6% to £15.46 on Wednesday.

BUSINESS NEWS

Coke Alters Its Diet Lineup

Beverage maker plans to bring Zero Sugar brand to the U.S. as it fights flat volumes

BY JENNIFER MALONEY

Coca-Cola Co. is replacing Coke Zero in the U.S. with another diet soda in an effort to hold on to consumers cutting back on sugary drinks.

Coca-Cola Zero Sugar, which the Atlanta-based company said Wednesday has been a strong seller in Europe, the Middle East and Latin America, will become available in the U.S. in August.

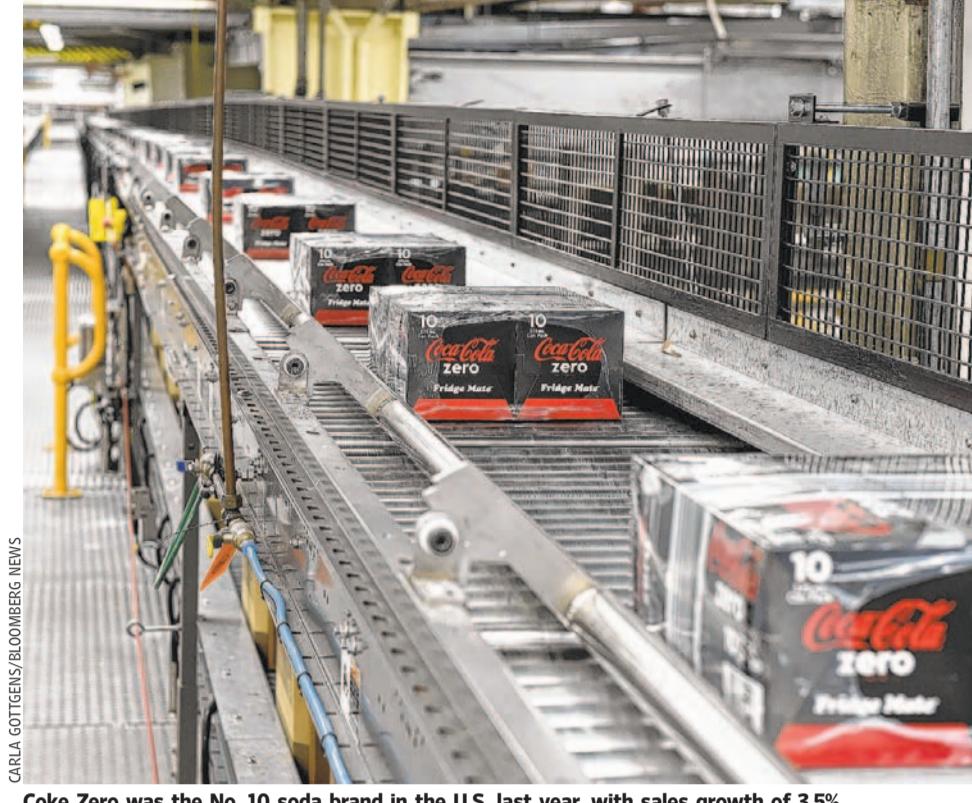
Although both diet sodas are sugar-free and contain the same artificial sweeteners, Coca-Cola said Zero Sugar tastes more like original Coke and looks more like it, too, with a red circle on cans and bottles in contrast with Coke Zero's black design.

In a conference call Wednesday, Coca-Cola Chief Executive James Quincey said the new recipe "will actually help people stay in the Coca-Cola franchise." Zero Sugar, which like Coke Zero is sweetened with aspartame and acesulfame K, was first introduced last year in the U.K.

The company launched Coke Zero in 2006, but gains by that product haven't compensated for a broad decline in consumption of aspartame-sweetened Diet Coke, said Mr. Quincey, who took over the beverage giant in May. Rather than switching to Coke Zero or Diet Coke, fans of original Coca-Cola can now "stay with the brand they love. It just comes with a couple of variants—one with sugar and one without sugar," Mr. Quincey said on a call with journalists.

Coke has been aiming to cut sugar from its products and diversify beyond soda as more countries implement taxes on high-calorie beverages to combat rising rates of obesity and diabetes, and as consumers switch to healthier beverages.

The Zero Sugar name is in-



Coke Zero was the No. 10 soda brand in the U.S. last year, with sales growth of 3.5%.

tended to better communicate to consumers that it contains no sugar. But Susan Cantor, chief executive of branding firm Red Peak, which isn't involved with the new Coke product, said some shoppers might find it confusing.

The company is sidelining Coke Zero, which was launched in 2006.

"Sugar is a bad word these days, so I question their thought process in putting it so prominently on the package," she said. "This could possibly call attention to the very ingredient that they have eliminated."

While shifting away from sugary drinks, many consumers are also rejecting artificially sweetened diet sodas, posing a challenge for soda giants trying

to introduce lower-calorie options. Low- and no-calorie cola sales fell 5% by volume in North America last year, according to Euromonitor.

Coke Zero was the No. 10 soda brand in the U.S. last year, with sales growth of 3.5%, according to Beverage Digest, an industry tracker. Diet Coke, meanwhile, was the third-biggest brand but is losing fizz, with a 2% drop in sales.

Mr. Quincey, who earlier this year laid out a plan to transform Coke into "a total beverage company," said new product launches in the second quarter included premium juices in China and "higher-value" smoothies in Europe. The company is experimenting with reformulating low-calorie versions of many of its sodas to make them taste better, he said. Coca-Cola's low- and no-calorie soda volume notched percentage gains in the mid-single digits during the latest quarter, the company said.

Coke on Wednesday raised

its full-year earnings outlook, forecasting adjusted earnings per share to be flat to down 2%; its previous guidance was for a decline of 1% to 3% on an adjusted basis, which excludes among other factors the company's divestment of bottling operations.

Coke's beverage volumes during the latest quarter were flat world-wide as growth in developed markets like Mexico and Spain offset weakness in Latin American markets.

In all, Coke reported second-quarter profit of \$1.37 billion, or 32 cents a share, down from \$3.45 billion, or 79 cents a share, a year earlier. Last year's quarter included the company's now-divested bottling business. On an adjusted basis earnings fell to 59 cents a share. Revenue fell 16% to \$9.7 billion, but organic revenue, which excludes the effects of acquisitions, divestitures and currency rates, grew 3%

—Imani Moise contributed to this article.

Ford's Shares Take a Hit as Guidance Is Revised Lower

BY CHRISTINA ROGERS

Ford Motor Co.'s net income rose slightly in the second quarter due to a better-than-expected tax rate and healthy financing-arm profits, but Wall Street reacted negatively to revised full-year guidance, sending the stock down roughly 2% in afternoon trading.

The lower stock performance illustrates the challenges facing new Chief Executive Jim Hackett, who is trying to address concerns about the company's ability to weather softer conditions in the U.S. market.



Ford Focus compact cars at a Chicago dealership. Auto makers face new challenges in the U.S.

The Dearborn, Mich., auto maker on Wednesday said the lower tax rate, strong pricing on pickup trucks and SUVs, and strengthening conditions for its **Ford Credit** lending arm led to a \$2 billion net profit for the second quarter, a 4% improvement over the same period a year ago.

However, the company issued new 2017 guidance, indicating weaker pretax profits than originally forecast.

Ford is now projecting adjusted earnings per share between \$1.65 and \$1.85, equating to \$7.8 billion to \$8.7 billion on a pretax operating basis. That is below Ford's

previous outlook of \$9 billion for full-year 2017 and far lower than the \$10.4 billion earned last year.

Mr. Hackett was hired in May after the board ousted Mark Fields, who had delivered a string of healthy profits over a three-year tenure as CEO but failed to deliver a clear vision of how the company will confront a slate of changes threatening to reshape the auto industry. Ford's stock price also struggled under Mr. Fields, and analysts expressed concern about a weakening profit outlook.

A former office-furniture executive who until recently ran Ford's smart mobility unit, Mr. Hackett is spending his first 100 days on the job reviewing all corners of the auto maker's business in an effort to craft a comprehensive turnaround plan that will help steer the company through the U.S. auto industry's next downturn and speed development of new technologies, such as electric cars and autonomous vehicles. Company executives are expected to release details of the plan this fall.

Ford has already embarked on an aggressive cost-cutting strategy that should generate roughly \$3 billion in savings this year.

HNA Ends Pursuit of Stake in U.S. Firm

BY JULIE STEINBERG

Chinese conglomerate **HNA Group** Co.'s planned \$416 million purchase of a stake in a Los Angeles-based in-flight entertainment company has collapsed, the companies said, as the U.S. tightens scrutiny of Chinese deals.

Global Eagle Entertainment Inc. and HNA affiliate **Beijing Shareco Technologies** Co. terminated the deal because they couldn't get approval from the Committee on Foreign Investment in the U.S., the body that vets foreign investments for national-security

concerns, before a deadline set in their original investment agreement, Global Eagle said in a securities filing Tuesday.

The companies said in November that they would form a joint venture focused on in-flight entertainment and that HNA's affiliate would initially invest about \$103 million, resulting in a 9.9% stake, and later increase the stake to 34.9%.

HNA has another deal pending before CFIUS—as the U.S. body is known—to buy a controlling stake in hedge-fund investing firm **SkyBridge Capital** from financier Anthony

Scaramucci, who last week was named White House communications director.

People involved in the CFIUS process say many of their deals are facing months-long delays,

as the committee receives record numbers of filings while still lacking key personnel and direction from President Donald Trump's administration on how to approach deals—especially from China.

HNA has gained CFIUS clearance before, in its deals to acquire technology distributor **Ingram Micro** Inc. and to buy a 25% stake in Hilton Worldwide Holdings Inc.

Boeing Shares Jump On Strong Quarter

BY DOUG CAMERON

potential for profitably building an all-new twin-aisle jet seating more than 200 passengers.

Boeing shares have climbed by almost 50% this year as investors gain confidence that the rise in global airline passenger traffic will ensure that airlines follow through on all of the jet orders placed in recent years with the U.S. company and rival **Airbus SE**, which reports Thursdays.

The surge in Boeing's stock Wednesday made it the largest component in the Dow Jones Industrial Average. In late trading, Boeing shares were ahead 9.9% at \$233.46.

Boeing plans to lift stock buybacks to \$10 billion this year and will return all of its free cash to shareholders in the form of repurchases and dividends.

Boeing reported quarterly profit of \$1.76 billion, or \$2.89 a share, swinging from a \$234 million loss a year ago that was weighed down by charges on its commercial and military programs.

The company still expects to deliver 760 to 765 jetliners this year, and Mr. Muilenburg said plans to deliver aircraft to airlines in Iran next year remain on track.

Boeing boosted its 2017 earnings guidance for the second time this year, adding 60 cents for a range of \$9.80 to \$10 a share.

—Ezequiel Minaya contributed to this article.



The aircraft maker swung to a profit in the second quarter.

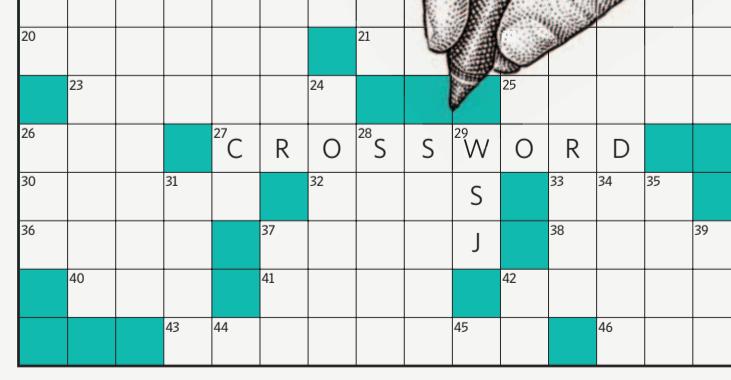
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NOTICE FOR HYBRID ANNUITY (ONLINE) TENDER E-Tender Notice No. 21 For 2017-18 NOTICE INVITING BID

Package No. AM 24 Dated: 13/07/2017

Subject:- RFP for Improvement of Roads in the Amravati District in Maharashtra State For Two Laning Road / Two Laning Road with paved shoulders under MRIP Package AM -24 on Hybrid Annuity Mode.

The Government of Maharashtra had entrusted to the Authority the development, maintenance and management of state highways and Major District Roads of State of Maharashtra. The Authority had resolved to augment the existing road for Improvement to Amravati Ring Road Section Badnera to Power House and Rahatgaon to Camp Short Road to M.S.H. 14 to Join SH-280 (SH 299 & 302), Improvement to Amravati Kathora Pusada Shirala Chandur Bazar Road in Amravati district to joining Riddhapur Religious place to Amravati (MDR-27), Improvement to Parawada Chikhaldara Ghatang Road Joining Chikhaldara Tourist place (SH 305 & MDR 8), Warud Gavankund Bahada Jarud Mangruli Kachurna Haterna Road, Km. 0/00 to 31/700 including diversion and Morshi Pala Salbardi Dongaryawali Dapori Road Km 0/00 to 15/600 (Road connecting to citrus Processing Project and Pilgrimage Centre) in the state of Maharashtra by [Two Lanning / Two Lanning with paved shoulders thereof] (the "Project") on design, build, operate and transfer (the "DBOT Annuity" or "Hybrid Annuity") basis, and has decided to carry out the bidding process for selection of [a private entity] as the Bidder to whom the Project may be awarded.

Brief particulars of the Project are as follows:

Name of the State Highway /Major District Road Improvement to roads	Length (in Km)	Estimated Project Cos
A) Amravati Byepass from Badnera to Power House & Rahatgaon to Camp Short Road MSH-14 to SH-280 (SH-292 & SH-302)	148.645 Km.	Rs. 349.66 Crore
B) Amravati Kathora Pusada Chandur Bazar (Taluka Head Quarter) to join Riddhapur Piligrimage place MDR-27		
C) Parawada Chikhaldara Ghatang SH-305 & MDR-8 joining Chikhaldara Tourist Place.		
D) Warud Gavankund Bahada Mangruli Kachurna Haterna MDR-45 & Morshi Pala Salbardi Dongaryawali Dapori MDR-66 Roads joining Orange Processing Plant and Pilgrimage Place.		

The complete BID document can be viewed / downloaded from e-procurement portal of [https://maharashtra.etenders.in] from Dt.20.07.2017 to Dt. 18.09.2017 (up to 23.00 Hrs.IST) Bid must be submitted online only at [https://maharashtra.etenders.in] during the validity of registration with the [Maharashtra Government e-Tendering Portal] being managed by portal / website i.e. [https://maharashtra.etenders.in] on or before 18.09.2017 upto 23.00 hours IST). Technical submissions of the Bids received online shall be opened on 25.09.2017 to 29.09.2017 (at 18.00 hours IST).

Bid submitted through any other mode shall not be entertained. However, Bid Security, proof of online payment of cost of bid document, Power of Attorney and joint bidding agreement etc. as specified in Clause 2.11.2 of the RFP shall be submitted physically by the Bidder on or before 25.09.2017 (at 11.00 hours IST). Please note that the Authority reserves the right to accept or reject all or any of the BIDs without assigning any reason whatsoever

Sd/-

(S. R. Jadhav)

Executive Engineer,
Public Work Division, Amravati

DGIPR 2017-2018/1729

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(A Government of India Enterprise)
Procurement – Project & Pipelines
Pipeline Projects South (Bangalore Office)

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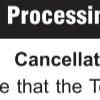
GLOBAL NOTICE INVITING E-TENDER

HPCL invites digitally signed & sealed (encrypted) E-tenders under two bid system (online bids only) from eligible Bidders with following details :

Tender No	Tender Description	Pre-Bid meeting Details	Due date for bid submission
17000019-HD-11994	Composite Works for Laying of Onshore and Offshore Pipeline for OSTT - SS Jetty Sub-Sea Pipeline Project at Vishakapatnam	04.08.2017 from 11:00 hrs at Vishakapatnam	18.08.2017 upto 15:00 hrs IST

The complete tender document including EMD, Bid Qualification Criteria (BQC) etc. can also be viewed at our web site www.hindustanpetroleum.com under tender section: link "Tenders & Contracts". All further revisions, clarifications, corrigenda, addenda, time extensions etc. to above tender will be hosted on above HPCL websites only. Bidders should regularly visit this website to keep themselves updated.

Manager - Procurement



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RESERVE BANK OF INDIA
www.rbi.org.in

Tender for Supply of Currency Verification & Processing Systems (CVPS) on Lease basis**Cancellation of earlier Global Tender Notice**

We advise that the Tender Notice dated May 12, 2017 for Supply of Currency Verification and Processing Systems on Lease basis stands cancelled. All bidders for the aforesaid Tender may take note of the cancellation.

Issuance of new Tender Notice

Reserve Bank of India, Department of Currency Management, Central Office, Mumbai invites tenders for Supply of Currency Verification and Processing Systems on Lease. The Bid document is available from July 22, 2017 and can be downloaded from the "Tender" section of our website (www.rbi.org.in). Last time and date for submission of bids is 1500 hrs. on August 07, 2017

Chief General Manager
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Amazon Makes Hiring Push

Online retailer to boost U.S. workforce as it gets ready for holidays in a tight labor market

By LAURA STEVENS

Amazon.com Inc. aims to fill 50,000 new positions in the U.S. by hosting a giant job fair next week, where it will be making offers on the spot.

The event, scheduled for Aug. 2 in a dozen locations around the country including 10 of its warehouses, shows how Amazon is pushing to make good on its pledge to hire 130,000 full- and part-time employees, as it competes with other logistics companies for hard-to-find workers.

With fulfillment of the hiring pledge, which is targeted for mid-2018, the online retailer's U.S. workforce would swell to around 300,000, compared with 30,000 in 2011.

Still, the current logistics labor market is tight, according to supply-chain industry executives. The crunch is expected to worsen as retailers and logistics companies start preparing for the holiday-shopping season, for which hiring can begin as early as September.

"It's clear people have choices. That is obvious," said John Olsen, vice president of Amazon's world-wide operations human resources. Amazon is counting on competitive



An Amazon fulfillment center in Fall River, Mass. The company wants to fill 50,000 new U.S. jobs.

wages, benefits and programs like one that pays for tuition to attract job candidates, he said.

Nearly 40,000 of the newly offered jobs are full-time at the company's fulfillment centers, including some facilities that will open in the coming months. Most of the remainder are part-time positions available at Amazon's more than 30 sorting centers. Starting wages for the hourly workers vary based on location. For example, a full-time warehouse position starts at \$13 to \$14 an hour in Baltimore, while a similar job near Tampa in Ruskin,

Fla., starts at \$11.

Wages have been rising rapidly in the logistics industry as companies increasingly compete for the same workers, said Brian Devine, senior vice president at ProLogistix, one of the largest logistics-staffing companies in the U.S. Unemployment rates in some major logistics hubs are lower than they were a year ago ahead of the holiday season, considered the peak period for e-commerce-related employment, when hundreds of thousands of seasonal workers are added to the ranks.

"We continue to order more and more stuff online," Mr. Devine said. "The workers that used to work in the retail stores, now we need those same workers in warehouses."

But because warehouses tend to be grouped together in areas with good access to highways, airports and population, "there aren't enough people to fill all these jobs," he added.

Amazon's warehouse job-fair events, held coast-to-coast, will introduce applicants to current Amazon workers and allow them to tour the warehouse, Mr. Olsen said.

Nintendo Signals Trouble

By TAKASHI MOCHIZUKI

TOKYO—Nintendo Co. kept its sales forecast for the Switch console unchanged despite strong demand, reflecting what analysts said is a supply bottleneck that could hurt the company during the year-end holiday season.

Kyoto-based Nintendo said Wednesday it sold 1.97 million units of the handheld-console hybrid game machine in the April-June quarter and is sticking to its forecast of 10 million for the current fiscal year, which ends next March.

That would bring cumulative sales since the console's March 3 debut close to 13 million, short of analysts' forecasts of more than 15 million by March 2018. Analysts said the April-June sales figure wasn't bad but could have been better if Nintendo had been able to deliver more units. Demand is strong, with game fans in some cases lining up for blocks to get their hands on a Switch.

Some people involved in Nintendo's supply chain said there are manufacturing problems. A Nintendo spokesman declined to comment on that but said the company is doing its best to make more units.

Piers Harding-Rolls, an IHS Markit analyst, said he still ex-



Nintendo sold 1.97 million Switch consoles in the latest quarter.

pects Nintendo to beat its annual forecast, "but it all depends on supply into the market."

Since the Switch's introduction, demand has kept rising, thanks to a lineup of popular games such as "The Legend of Zelda: Breath of the Wild" and "Mario Kart 8 Deluxe."

The shortage of machines has driven some consumers to pay a premium to get one from resellers.

Yuki Noro, a 46-year-old freelance consultant in Tokyo, said she paid ¥53,000 (\$474) for a console whose retail price is ¥29,980.

"My son wanted one. I said,

'Fine,' because Nintendo's TV ad said the price was about ¥30,000," she said. "Then I wasn't able to find it anywhere. But I had made a promise, so I had to pay extra. It's truly an unhappy decision I want to forget immediately."

In the April-June quarter, the first of its fiscal year, Nintendo reported an operating profit of ¥16.2 billion (\$144.8 million) on revenue of ¥154.1 billion, a turnaround from a year-earlier loss of ¥5.1 billion as the company phased out its unpopular Wii U console.

Net profit totaled ¥21.3 billion, compared with a loss of ¥24.5 billion.

BUSINESS WATCH

WHOLE FOODS**Sales Decline Again At Grocery Chain**

Whole Foods Market Inc. said Wednesday that comparable sales fell again in the latest quarter, extending a streak going back two years as the natural grocer faced up to tougher competition.

Same-store sales fell by 1.9% during its fiscal third quarter ended July 2, compared with a year ago. Whole Foods plans to sell itself to Amazon.com, and has promised to reverse the sales losses by the end of its current fiscal year in September.

John Mackey, the company's chief executive and co-founder, said same-store sales turned positive in the last three weeks of July.

Whole Foods reported several hours ahead of schedule after a J.P. Morgan Securities LLC analyst released some of the company's earnings numbers in a research note.

A Whole Foods spokeswoman said an earnings table was inadvertently posted on the company's website while testing its "functionality." It was removed minutes later. The company decided to release its results two hours later, after receiving inquiries about the incomplete numbers from news

outlets. Net profit fell to \$106 million in the quarter from \$120 million a year earlier. Per-share earnings dipped to 33 cents from 37 cents.

—Heather Haddon

LVMH

Waning Terror Fears Help Boost Net Profit

French luxury conglomerate LVMH Moët Hennessy Louis Vuitton said net profit in the first half of the year jumped 24%, fueled by strong sales across its portfolio of brands.

LVMH's net profit for the half was €2.12 billion (\$2.47 billion).

Revenue for the period rose 15%.

Handbag maker Louis Vuitton, LVMH's flagship brand, led the way, posting strong sales growth, the company said.

LVMH, the world's largest luxury-goods company, has ridden the wave of a rebound in the global luxury market after two off years marred by terror attacks in Europe and a pullback by Chinese shoppers. Tourism has grown as terror fears have waned, fueling high-end shopping sprees around the world.

—Nick Kostov

TIME INC.

Publisher Explores Sale of U.K. Division

Time Inc. has hired an investment bank to explore a possible sale of its Time Inc. UK division and is in early-stage discussions with potential buyers, according to a person familiar with the situation.

The move is part of the magazine publisher's efforts to sell off noncore assets after deciding against a sale of the entire company in April.

The U.K. division's brands include Horse & Hound, Country Life, and Decanter, according to its website. It also publishes such fashion and beauty titles as InStyle and Marie Claire UK.

—Jeffrey A. Trachtenberg



FINANCE & MARKETS

SEC Warns on Digital Coin Sales

Regulator aims to curb offerings and clarify its authority over nascent sector

BY PAUL VIGNA
AND DAVE MICHAELS

The Securities and Exchange Commission moved to restrain a hot new fundraising method involving sales of digital coins, saying rules meant for everyday stock sales may apply to these offerings, too.

The comments Tuesday were the first from the SEC specifically to address initial coin offerings, a nascent area in which more than \$1 billion has been raised this year, but which has also been criticized for a lack of standards.

The SEC's report will likely "chill the waters a bit for these offerings," said David B.H. Martin, a senior counsel at Covington & Burling LLP who was formerly a top SEC official.

The price of bitcoin and ether, the two most popular cryptocurrencies, fell after the announcement.

The SEC report was related specifically to a coin offering that debuted last summer called DAO, which raised more than \$150 million for an investment fund before a hacker



The SEC report will likely 'chill the waters a bit,' says one former agency official of the industry.

exploited its code and stole \$55 million. The commission decided against pursuing an enforcement action against the DAO's creators, but rather used the report to clarify its authority over the burgeoning market and to raise awareness of potential problems.

The SEC report is just a "shot across the bow," said Marco Santori, a partner at the law firm Cooley LLC, who has advised a number of startups

on coin offerings. "The interesting question is not whether the DAO was a security—it was—it's whether the other stuff is a security."

The SEC wrote that DAO became the functional equivalent to a share of stock because it offered investors the potential for a return on their investment.

In an initial coin offering, a company, usually associated with the digital-currency sec-

tor, creates a bitcoin-like coin and offers it to the public.

In effect, they are like a cross between traditional initial public offerings and crowd funding.

These offerings have become more common this year, with more than 70 different startups using the structure to raise money.

Many of the coins are designed to be used with an online service, and many of the

more recent offerings have stressed that they are not equity or securities but "utility coins," and do not carry any of the shareholder rights of equity or debt. Many startups even barred U.S. investors from their offerings, out of concern about how the SEC would rule on them.

Tuesday, the SEC said "the definition of a security under the federal securities laws is broad, covering traditional notions...such as a stock or bond, as well as novel products or instruments where value may be represented and transferred in digital form."

Many of the coin-offering tokens fell in value Tuesday before the SEC's report and continued falling after it. Some were down 20% to 30%, according to Coinmarketcap.com. Specifically, Status was down 28%, iconomi was down 25%, veritaseum was down 22%. EOS was down 16%, and gnosis was down 15%. Of the top 50 coins by market value, 46 were in the red, the website said.

The report doesn't exonerate all other initial coin offerings, or ICOs, that happened before the SEC weighed in with its view on the DAO, according to a person familiar with the agency's thinking. The SEC continues to scrutinize other initial coin offerings, the person said.

Euro Highest Against Franc Since 2015

BY BRIAN BLACKSTONE

ZURICH—The euro hit its highest level on Wednesday versus the Swiss franc since the Swiss National Bank abandoned its currency ceiling in early 2015, providing a reprieve for the SNB, which has spent vast sums on capping the currency's strength.

Brighter prospects for the eurozone economy and expectations that the European Central Bank will soon begin winding down its asset-purchase program have boosted the euro against a broad basket of currencies, including the U.S. dollar and franc.

The exchange rate is particularly important for Switzerland as an export-dependent economy. A big share of its exports goes to the eurozone and a weaker franc will make its goods cheaper there. It will also ease pressure on the SNB to intervene in currency markets.

The SNB has accumulated around 700 billion francs (\$735 billion) in foreign currency reserves through its efforts to weaken the Swiss currency, though its reserves have stabilized in recent months.

The euro traded at 1.1165 francs midafternoon in Europe after fetching as much as 1.1176 earlier in the day. This is the highest since the SNB stunned financial markets by dropping the franc ceiling Jan. 15, 2015.

The cap was announced in September 2011, when the SNB said it would intervene in markets to keep the euro from weakening below 1.20 francs. When it dropped the peg, the euro dived against the franc and has slowly recovered since then. The franc is still relatively strong. It remains about 7% higher against the euro than it was when the franc ceiling was in place.

RBS to Spend Over \$1 Billion to Appear EU

BY MAX COLCHESTER

Royal Bank of Scotland Group PLC will spend more than £800 million (\$1.04 billion) on measures to increase competition in the U.K. banking market to atone for breaking European Union rules following its bailout during the financial crisis, the U.K. government said Wednesday.

After its 2008 taxpayer rescue, RBS was told to split out 300 branches, to be sold to a competitor or launched as a stand-alone bank, with the aim of boosting competition in the U.K. and offsetting the impact of the £45.5 billion of state money used to prop up the bank. But RBS gave up on the branch sale earlier this year, saying it was too complicated. The U.K. Treasury,

sury, which controls a 71% stake in RBS, and the European Commission have since been negotiating on a suitable remedy.

On Wednesday the European Commission said it signed off on a plan that aims to transfer a 3% market share in the U.K. small business banking market from RBS to competing banks. The package will cost RBS £833 million, ac-

cording to the U.K. Treasury. RBS said it would take an extra provision of £50 million in its accounts to cover the costs.

The European Commission's proposals build on suggestions laid out by the U.K. government earlier this year. These include getting RBS to hand money to other British banks so that they could lure small-business customers away from

the Scottish lender. This was alongside an RBS fund that these banks can tap to help improve their franchises.

Investors are watching negotiations closely as its resolution is seen as a key step toward the bank finally restarting dividends. If signed off by the College of Commissioners, the EU will adopt its formal decision in the autumn.

Firms Rebuff State Street Bid For More Women Directors

BY JUSTIN BAER
AND JOANN S. LUBLIN

Roughly 400 publicly traded American companies with no women on their board ignored a request to make a bigger effort on gender diversity when approached by one of the largest asset managers in the world.

Index-fund giant State Street Global Advisors, which oversees more than \$2.5 trillion in assets, had pledged in March to throw its weight behind the issue this year. The company then found 468 companies it owns shares of in the U.S. lacked a single female board member. Of that group, the Boston-based firm said about 400 companies failed to address gender diversity in any meaningful way.

The money manager, a unit of custody bank **State Street Corp.**, then voted against the re-election of directors charged with nominating new board members at each of these companies.

The paucity of women directors has drawn more scrutiny in recent years, emerging as a rallying cry for investors seeking to improve companies' governance standards. Progress has been slow. Nearly a quarter of the companies in the Russell 3000 index lack a female director, according to ISS Analytics, a unit of Institutional Shareholder Services.

"The fact that you have over 400 companies was surprising to me," said Rakhi Kumar, head of asset stewardship as State Street Global Advisors.

Boards have been slow to add women for various reasons, including their infre-

quent turnover and preference for experienced chief executives. But there also has been limited pressure from big institutional investors.

State Street hopes to change that picture.

Primarily a manager of exchange-traded funds and other passive investments, the firm reviewed companies within the Russell 3000 Index in the U.S., the U.K.'s FTSE 350 and S&P/ASX 300 in Australia. State Street, which owns a combined 3,500 stocks in those three indexes, said it contacted a total of 476 companies in those countries.

The paucity of women directors has drawn more scrutiny in recent years.

Health-care companies were the worst performing group, accounting for about a quarter of those with no women on their boards.

2020 Women on Boards, an organization that is working to bring out better gender diversity, praised State Street's action this proxy season.

The votes set an example for "companies that may talk about diversity but don't take action," the group's president, Malli Gero, wrote in an email.

In a report last week, 2020 Women found that nearly half of the 75 biggest initial public offerings of the last three years featured companies that lacked board women when they first sold shares to the public.

State Street is among the

largest passive fund managers in the world—a sector that is amassing significant governance power as investors pour billions into lower-cost index-tracking funds like ETFs. Since those investments are through passive vehicles, it doesn't have the ability to simply sell shares in a company. Instead, the firm has to use its voting power to enact change.

"There are terrific longitudinal studies that show gender diversity leads to better performance," said Ronald O'Hanley, chief executive of State Street Global Advisors. "If there is clear evidence companies aren't making progress, or not attempting to make progress, we will use our power of vote."

Fellow passive investment giant BlackRock Inc. backed eight shareholder proposals this spring promoting gender diversity. In five of those instances, the money manager voted against the nominating chairman's re-election.

"We are an engagement-first company," a BlackRock spokesman said. "We meet with 1,500 companies a year to talk about a variety of issues. We do that because we believe a vote against a director or management is the end of the engagement process."

State Street isn't alone in its efforts to add gender diversity to corporate America. The 30% Club, which started in the U.K. and has since expanded globally, encourages companies to promote more women throughout their ranks and chairmen to put more women on boards. Notably, very few of the companies with no female board members came from the U.K.

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BANKRUPTCIES

UNITED STATES BANKRUPTCY COURT, SOUTHERN DISTRICT OF NEW YORK
In re WESTINGHOUSE ELECTRIC Co., Chapter 11
COMPANY NUMBER: Case No. 17-10751 (MEW)
Debtors:) Case No. 17-10751 (MEW)
(Jointly Administered)

NOTICE TO DEFENDANT FOR FILING PROOFS OF CLAIM

TO ALL PERSONS AND ENTITIES WITH CLAIMS AGAINST THE DEBTORS SET FORTH BELOW:

Name of Debtor, Case Number, Tax Identification Number, Other Names Used by Debtor in the Past 8 Years: Westinghouse Electric Company LLC, 17-10751, 52-2140933; CE Nuclear Power International, Inc., 17-10752, 06-1548833; Fauske and Associates LLC, 17-10753, 27-1028538; Field Services, LLC, 17-10754, 72-1482550; Nuclear Technology Solutions LLC, 17-10755, 20-2061921; PaR Nuclear Holding Co., Inc., 17-10756, 35-2451586, CBA Stone & Webster International Inc., Stone & Webster, Inc., 17-10760, 10-70676, 1515440; Toshiba Nuclear Energy Services Inc., 17-10761, 27-0998735; PCI Energy Services LLC, 17-10758, 37-1589100; Shaw Global Services, LLC, 17-10759, 35-2410346; Shaw Nuclear Services Inc., 17-10760, 26-1962650; Stone & Webster Asia Inc., 17-10761, 72-1481348, CBA Stone & Webster Construction Inc.; Stone & Webster International Inc., 17-10762, 27-1028735; WEC Specialty Inc., 17-10763, 52-1672348; WEC Carolina Energy Solutions, LLC, 17-10767, 27-1032022; WEC Engineering Services Inc., 17-10768, 27-1033135; WEC Specialty LLC, 17-10770, N/A; WEC Welding and Machining, LLC, 17-10771, 27-1028759; WECTEC Contractors Inc., 17-10772, 72-0944618; WECTEC Global Project Services Inc., 17-10773, 47-5576222; WECTEC Staffing Services LLC, 17-10775, 81-0854135, StaffCo; Westinghouse Energy Systems LLC, 17-10776, 47-5240328; Westinghouse Industry Products International Company LLC, 17-10777, N/A; Westinghouse Technology Licensing Company LLC, 17-10779, N/A; Westinghouse Technology Licensing Company LLC, 17-10780, 51-0395961.

On June 28, 2017, the United States Bankruptcy Court for the Southern District of New York (the "Court"), having jurisdiction over the chapter 11 cases of Westinghouse Electric Company LLC and its debtors-in-possession, debtors and debtors in possession in the above-captioned chapter 11 cases (collectively, the "Debtors") entered an order (the "Bar Date Order") establishing September 1, 2017 at 5:00 p.m. (prevailing Eastern Time) as the last date and time for each person or entity (including without limitation, individuals, partnerships, corporations, joint ventures, and trusts, but not governmental units (as defined in section 101(27) of the Bankruptcy Code) ("Governmental Units")) to file a proof of claim ("Proof of Claim") based on prepetition claims, including, for the avoidance of doubt, secured claims, priority claims, and claims arising under section 503(b)(9) of the Bankruptcy Code, against the Debtors listed above (the "General Bar Date"); and (ii) September 25, 2017 at 5:00 p.m. (prevailing Eastern Time) as the last date and time for each Governmental Unit to file a Proof of Claim based on prepetition claims against any of the Debtors (the "Governmental Bar Date"), and together with the General Bar Date, the "Bar Dates".

The Bar Date Order provides that the procedures set forth below for the filing of Proof of Claim apply to all claims against the Debtors (other than those specifically excluded) that arose prior to March 29, 2017, the date on which the Debtors commenced their cases under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code").

If you have any questions relating to this Notice, please contact Kurtzman Carson Consultants LLC ("KCC") at (877) 634-7127 (toll free) or (424) 236-7223 (international toll) or by e-mail at westinghouseinfo@kccllc.com or <http://www.kccllc.net/westinghouse/inquiry>.

YOU SHOULD CONSULT AN ATTORNEY IF YOU HAVE ANY QUESTIONS, INCLUDING WHETHER YOU SHOULD FILE A PROOF OF CLAIM.

3. WHO MUST FILE A PROOF OF CLAIM. You must file a Proof of Claim based on a claim arising from an executory contract or unexpired lease, you must file a Proof of Claim based on such rejection by the later of (i) the Bar Date, and (ii) such date as the Court may fix, which date shall not be less than 30 days following the date of entry of an order approving the rejection of such executory contract or unexpired lease, or you will be forever barred from doing so for any holder of a claim. Notwithstanding the foregoing, if you are a party to an executory contract or unexpired lease and you wish to assert a claim with respect to unpaid amounts accrued and outstanding as of March 29, 2017 pursuant to that executory contract or unexpired lease (other than a rejection damage claim), you must file a Proof of Claim for such amounts on or before the Bar Date unless an exception identified above applies.

4. WHERE AND WHEN TO FILE A PROOF OF CLAIM. Proofs of Claim must be filed either (i) electronically through KCC's website <http://www.kccllc.net/westinghouse> under the link entitled "Submit Electronic Proof of Claim (EPOC)" (the "Electronic Filing System") or (ii) by delivering the original Proof of Claim form by hand, or mailing the original Proof of Claim form, as follows:

(a) by overnight courier, hand delivery or first class mail to **Westinghouse Claims Processing Center, c/o KCC, 2335 Alaska Avenue, El Segundo, CA 90245** OR (b) by hand delivery to: United States Bankruptcy Court, SDNY, One Bowling Green, New York, NY 10004-1408.

Proofs of Claim will be deemed timely filed only if **actually received** by KCC, or the Court, (i) at the addresses listed above or (ii) electronically through the Electronic Filing System, on or before the Bar Date. Proofs of Claim may not be delivered by facsimile, telecopy, or electronic mail transmission (other than Proofs of Claim filed electronically through the Electronic Filing System).

5. WHAT TO FILE. If you file a Proof of Claim, you must file a Proof of Claim form by (i) written in the English language; (ii) in the form provided with this Notice (the "Form of Claim") or Official Form 410; (iii) sent forth with specificity the legal and factual basis for the alleged claim; (iv) include supporting documentation for the claim or an explanation as to why such documentation is not available; and (v) be **signed** by the claimant or, if the claimant is not an individual, by an authorized agent of the claimant.

IF YOU ARE ASSERTING A CLAIM AGAINST MORE THAN ONE DEBTOR, AND YOU MUST IDENTIFY ON YOUR PROOF OF CLAIM THE SPECIFIC DEBTOR OR DEBTORS, YOU MUST IDENTIFY THE CASE NUMBER OF THAT DEBTOR'S BANKRUPTCY CASE. A LIST OF THE NAMES OF THE DEBTORS AND THEIR CASE NUMBERS IS SET FORTH ABOVE.

You must file a Proof of Claim to the extent that you own complete social security numbers

MARKETS DIGEST

Nikkei 225 Index**20050.16** **▲ 94.96**, or 0.48%

High, low, open and close for each trading day of the past three months.

Year-to-date
52-wk high/low
All-time high**382.74** **▲ 1.97**, or 0.52%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

Apr. May June July

17500 18000 18500 19000 19500 20000 20500

STOXX 600 Index**382.74** **▲ 1.97**, or 0.52%

High, low, open and close for each trading day of the past three months.

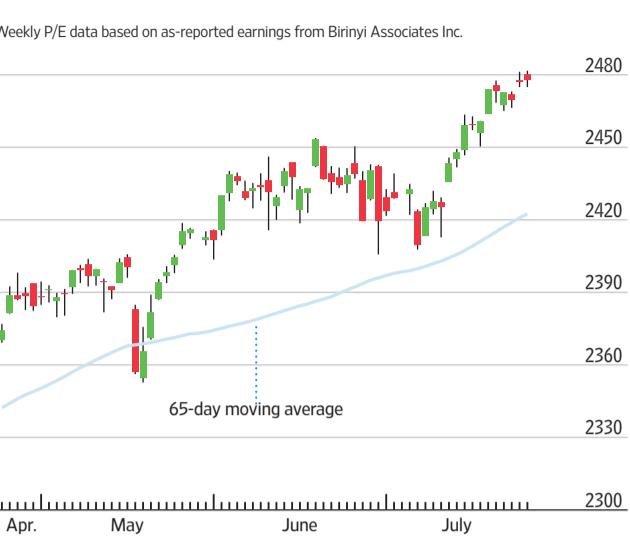


Apr. May June July

365 370 375 380 385 390 395

S&P 500 Index**2477.83** **▲ 0.70**, or 0.03%

High, low, open and close for each trading day of the past three months.



Apr. May June July

2300 2330 2360 2390 2420 2450 2480

International Stock Indexes

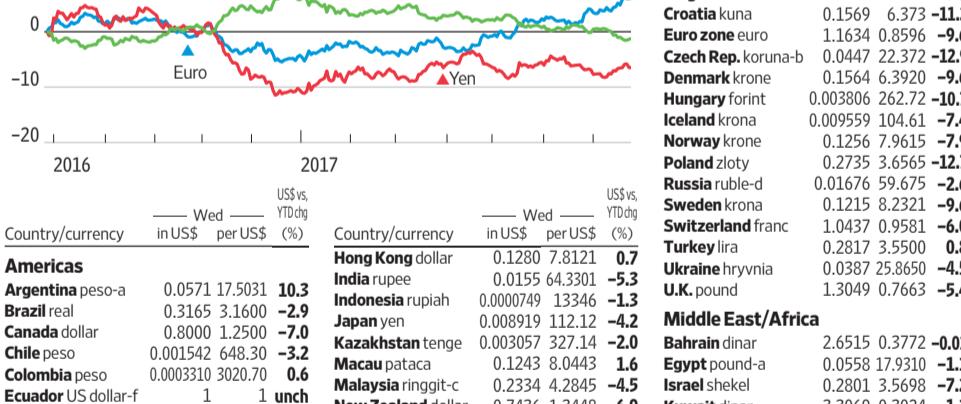
Data as of 4 p.m. New York time

Region/Country	Index	Close	Net Chg	% chg	52-Week Range	Low	Close	High	YTD % chg
World	The Global Dow	2850.80	6.38	▲ 0.22	2384.24	2852.86	12.8		
	MSCI EAFE	1929.24	3.52	▲ 0.18	1471.88	1956.39	12.4		
	MSCI EM USD	1063.61	1.92	▲ 0.18	691.21	1064.27	33.9		
Americas	DJ Americas	597.45	0.49	▲ 0.08	503.44	597.93	10.6		
Brazil	Sao Paulo Bovespa	65319.86	-347.76	-0.53	55695.52	69487.58	8.5		
Canada	S&P/TSX Comp	15232.53	30.16	▲ 0.20	14319.11	15943.09	-0.4		
Mexico	IPC All-Share	51551.19	-162.19	-0.31	43998.98	51772.37	12.9		
Chile	Santiago IPSA	3822.64	-1.57	-0.04	3120.87	3837.15	18.6		
U.S.	DJIA	21716.60	103.17	▲ 0.48	17883.56	21742.70	9.9		
	Nasdaq Composite	6425.29	13.12	▲ 0.20	5034.41	6432.38	19.4		
	S&P 500	2479.44	2.31	▲ 0.09	2083.79	2481.69	10.7		
	CBOE Volatility	9.40	-0.03	-0.32	9.04	23.01	-33.0		
EMEA	Stoxx Europe 600	382.74	1.97	▲ 0.52	327.02	396.55	5.9		
	Stoxx Europe 50	3132.54	7.52	▲ 0.24	2720.66	3279.71	4.1		
Austria	ATX	3243.10	30.86	▲ 0.96	2166.58	3251.07	23.9		
Belgium	Bel-20	3952.70	50.94	▲ 1.31	3362.71	4055.96	9.6		
France	CAC 40	5190.17	29.09	▲ 0.56	4293.34	5442.10	6.7		
Germany	DAX	12305.11	40.80	▲ 0.33	10092.53	12951.54	7.2		
Greece	ATG	830.21	-12.84	-1.52	546.95	859.78	29.0		
Hungary	BUX	35564.90	278.76	▲ 0.79	27001.48	36280.07	11.1		
Israel	Tel Aviv	1453.64	-1.59	-0.11	1372.23	1490.23	-1.2		
Italy	FTSE MIB	21577.56	120.11	▲ 0.56	15923.11	21828.77	12.2		
Netherlands	AEX	527.72	3.03	▲ 0.58	436.28	537.84	9.2		
Poland	WIG	62362.29	387.59	▲ 0.63	46052.49	62853.78	20.5		
Russia	RTS Index	1020.60	10.54	▲ 1.04	898.05	1196.99	-11.4		
Spain	IBEX 35	10575.40	52.00	▲ 0.49	8229.40	11184.40	13.1		
Sweden	SX All Share	568.10	3.24	▲ 0.57	483.91	598.42	6.3		
Switzerland	Swiss Market	8990.34	52.44	▲ 0.59	7585.56	9148.61	9.4		
South Africa	Johannesburg All Share	54836.19	337.08	▲ 0.62	48935.90	54914.02	8.3		
Turkey	BIST 100	107206.16	165.49	▲ 0.15	71792.96	107749.80	37.2		
U.K.	FTSE 100	7452.32	17.50	▲ 0.24	6615.83	7598.99	4.3		
Asia-Pacific	DJ Asia-Pacific TSM	1669.58	0.81	▲ 0.05	1405.52	1674.19	17.4		
Australia	S&P/ASX 200	5776.60	50.00	▲ 0.87	5156.60	5956.50	2.0		
China	Shanghai Composite	3247.67	3.99	▲ 0.12	2953.39	3288.97	4.6		
Hong Kong	Hang Seng	26941.02	88.97	▲ 0.33	21574.76	26941.02	22.5		
India	S&P BSE Sensex	32382.46	154.19	▲ 0.48	25765.14	32382.46	21.6		
Japan	Nikkei Stock Avg	20050.16	94.96	▲ 0.48	16083.11	20230.41	4.9		
Singapore	Straits Times	3336.72	8.89	▲ 0.27	2787.27	3336.72	15.8		
South Korea	Kospi	2434.51	-5.39	-0.22	1958.38	2451.53	20.1		
Taiwan	Weighted	10419.11	-44.04	-0.42	8902.30	10513.96	12.6		

Source: SIX Financial Information/WSJ Market Data Group

Currencies

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



Country/currency	Wednesday	Wednesday	US\$ vs.	Wednesday	US\$ vs.	Wednesday	
	in US\$	per US\$ (%)		in US\$	per US\$ (%)		
Americas							
Argentina peso-a	0.0571	17.5031	10.3	Hong Kong dollar	0.1280	7.8121	0.7
Brazil real	0.3165	3.1600	-2.9	India rupee	0.0155	64.3301	-5.3
Canada dollar	0.8000	1.2500	-7.0	Indonesia rupiah	0.0000749	13346	-1.3
Chile peso	0.001542	648.30	-3.2	Kazakhstan tenge	0.003057	327.14	-2.1
Colombia peso	0.000330	3020.70	0.6	Macau pataca	0.1243	8.0443	1.6
Ecuador US dollar-f	1	1 unch		Malaysia ringgit-c	0.2334	4.2845	
Mexico peso-a	0.0563	17.7533	-14.4	New Zealand dollar	0.7436	1.3448	-6.9
Peru so	0.3078	3.2487	-3.1	Pakistan rupee	0.0095	105.325	0.9
Uruguay peso-e	0.0351	28.480	-3.0	Philippines peso	0.0198	50.613	2.0
Venezuela bolivar	0.09879	10.12	1.3	Singapore dollar	0.7345	1.3614	-5.9
Asia-Pacific				South Korea won	0.0008937	1118.98	-7.4
Australia dollar	0.7922	1.2623	-9.1	Taiwan dollar	0.065500	153.61	3.5
China yuan	0.1480	6.7558	-2.7	Thailand baht	0.02986	33.490	-6.6

Sources: Tullett Prebon, WSJ Market Data Group

Key Rates

	Latest	52 wks ago

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The Mile High City Is in Rarefied Air

Financial firms facing high costs in coastal cities shift jobs inland to places like Denver

BY ASJYLYN LODER

Wedge into a rent-controlled two-bedroom apartment near San Francisco's famed Haight-Ashbury neighborhood and already overrun by their son's toys, Kari Droller and her husband weighed having a second child against the skyrocketing costs of a larger home nearby.

Instead, Ms. Droller, managing director of **Charles Schwab** Corp.'s exchange-traded-fund platform, put in for a transfer to Denver, joining a tide of financial professionals who are forsaking high-cost coastal meccas for America's inland cities.

Traditional finance hubs have yet to recover all the jobs lost during the recession, but the industry is booming in places like Phoenix, Salt Lake City and Dallas. The migration has accelerated as investment firms face declining profitability and soaring real-estate costs.

The market's shift to low-cost passive investing—in which funds aim to match the returns from an index—compounds those difficulties, pushing firms to look for new ways to cut costs.

Charles Schwab is emblematic. Since announcing its relocation strategy in 2013, the company has shrunk its San Francisco headquarters to fewer than 1,300 people, a 45% decrease. Its 47-acre campus south of Denver is now Schwab's largest office, employing almost 4,000 people. An expanded office in Austin, Texas, will be completed next year, and construction is under way on a new location near Dallas.

"San Francisco is a wonderful place, but unfortunately it's an expensive place from a real-estate standpoint," said



Denver's investing sector is expanding at twice the national average, bolstered by the expansion of the ETF industry.

Brian McDonald, a senior vice president for Schwab. "So we had to identify other places where we could make things work."

While the finance industry has been relocating entry-level jobs since the late 1980s, today's moves are claiming higher-paid jobs in human resources, compliance and asset management, chipping away at New York City's middle class, said Kathryn Wylde, president and chief executive of the Partnership for New York City, a nonprofit that represents the city's business leadership.

"This industry isn't just a bunch of rich Wall Street guys," Ms. Wylde said. "It's a big source of employment that's disappearing from New York."

Mass relocations can be messy. Some people don't want to leave big cities despite the costs. Not all employees are invited to make the move,

Ms. Wylde said. Those who stay behind are often left without a job. For a number of employees, remaining near family outweighs the cost savings of moving to another city, and companies often lose good employees in the process.

When **Partners Group** AG said last year that it would relocate its San Francisco operations to Denver, 60% of its 34 San Francisco employees declined to make the move and had to find jobs elsewhere, according to a spokeswoman.

Still, the trend shows few signs of slowing. Denver's investing sector is expanding at twice the national average, bolstered by the expansion of the exchange-traded-fund industry. **Janus Henderson Group** PLC, which owns VelocityShares ETFs, is based in the tony Cherry Creek neighborhood, while ALPS, one of the largest ETF distributors in the U.S., is based near the city's

sects representing 4,000 potential jobs, including a lending firm from San Francisco and a potential 1,200-job expansion by a New York-based firm, said Janet Fritz, spokeswoman for the Metro Denver Economic Development Corp.

On the banks of the South Platte River, not far from where Denver got its start as a gold rush town, financial-services company **TIAA** is renovating its 1,500-person office. After completing a new call center in 2013, Fidelity has expanded its staff near Denver to 800 people. Accounting and advisory firm **PricewaterhouseCoopers** plans to expand its area staff, too. Partners Group expanded its temporary offices as its Denver workforce increased to 80 people, including workers who requested relocation from its offices in New York, Houston and overseas.

The population boom has had some unwelcome side effects. With more than 1,000 people moving to Denver every month, traffic jams routinely clog area highways, and the housing market has become one of the most fast-moving in the country. Even with prices at records, homes sit on the market for just seven days before finding a buyer, according to Redfin, a Seattle-based residential real-estate brokerage.

And while Denver home prices reached a record in June, they are still far below San Francisco.

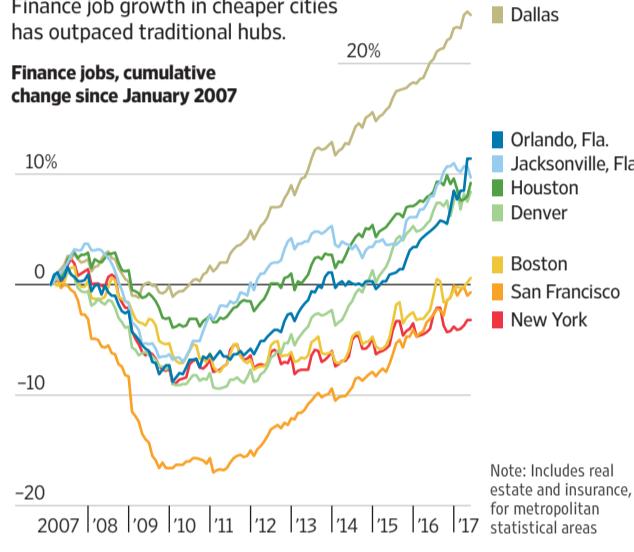
"If you're talking to someone who's been in Denver, they'll say it's getting unaffordable, but if you're coming from San Francisco, the reverse sticker shock is wonderful," Ms. Droller said.

She and her husband bought a four-bedroom house in the city's Platt Park neighborhood for \$680,000. Friends back in San Francisco paid almost twice that for a two-bedroom apartment. Their oldest son has a yard to play in, and their second child, a boy, was born in June.

Wall Street Heads West

Finance job growth in cheaper cities has outpaced traditional hubs.

Finance jobs, cumulative change since January 2007



Source: Bureau of Labor Statistics

Note: Includes real estate and insurance, for metropolitan statistical areas

THE WALL STREET JOURNAL.

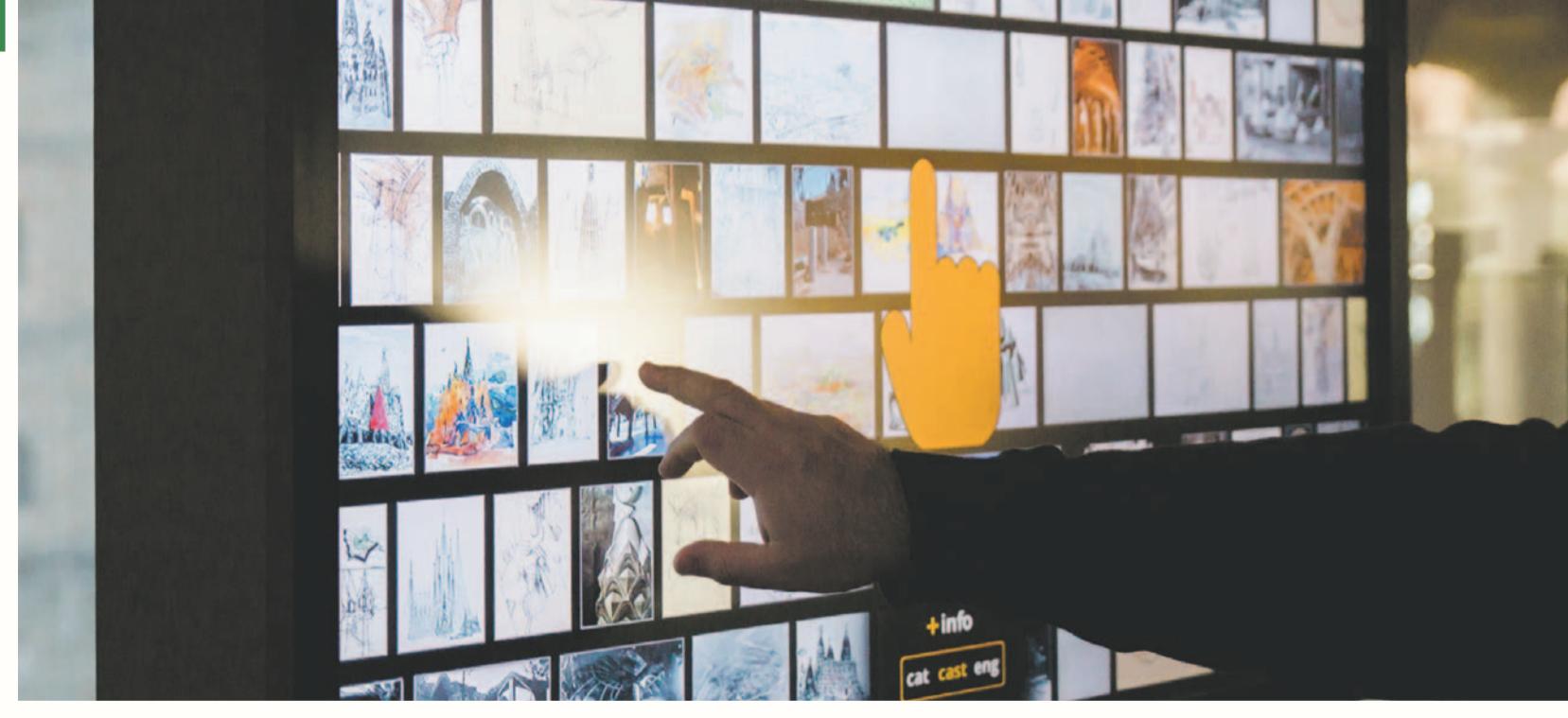
art museum.

When industry group Women in ETFs opened a new chapter in Denver, the goal was 50 members in the first year, said Heather Grubbs, a

vice president of marketing for **Fidelity Investments**. At the inaugural meeting in January, 135 people signed up.

The Denver region is competing for 12 new finance proj-

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MARKETS

A Famous ECB Speech Revisited

Draghi's 'whatever it takes' pledge wasn't followed by marked improvement for all

By MIKE BIRD AND CHRISTOPHER WHITTALL

Five years ago, European Central Bank chief Mario Draghi took the stage in London to give the speech that ushered in the beginning of the end of the Continent's sovereign-debt crisis.

Several features of the financial panic that had characterized the previous two years began to subside almost immediately after he spoke. But five years later, the economic performances of the bloc's members are hugely varied, and the recent recovery has been painfully slow.

On July 26, 2012, Mr. Draghi offered his assurances that the ECB wouldn't allow the eurozone to collapse, with one key sentence standing out: "Within our mandate, the ECB is ready to do whatever it takes to preserve the euro and believe me: It will be enough."

The speech signaled the ECB's announcement a week later that it could conduct "outright open market operations," buying unlimited eurozone government bonds from investors to reduce their yields and preserve the eurozone.

The reaction in eurozone government-bond markets was rapid. Yields on the bonds of the most-fragile economies began to fall: Spanish and Italian 10-year bond yields dropped 1.5 percentage points over the rest of 2012.

It was "the inflection point," said Charles Zerah, a fixed-income fund manager at asset manager Carmignac. Mr. Draghi's speech bought time for European politicians to put in place bailout funds and begin to fix the Continent's ailing banking system, he added.

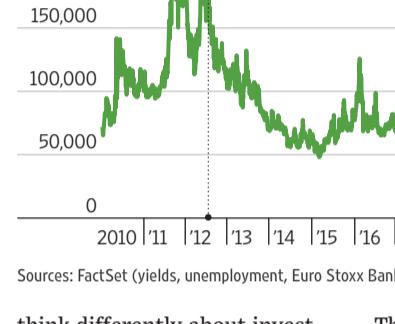
As a result, "we started to

Eurozone's Turning Point

Five years after Mario Draghi's speech ushered in the end of the region's sovereign-debt crisis, the recovery has remained painfully slow as performance by bloc members varies.

The price of insuring European corporate debt slumped after the speech.

Itraxx Europe, annual cost to insure \$10 million in debt



Sources: FactSet (yields, unemployment, Euro Stoxx Banks); IHS Markit (Itraxx Europe)

think differently about investing in European assets," said Mr. Zerah.

The speech is seen as pivotal to reducing the risk of a eurozone breakup. With a promise to intervene in precarious debt markets, the ECB gave investors a reason to stop fleeing from Europe's riskier bonds.

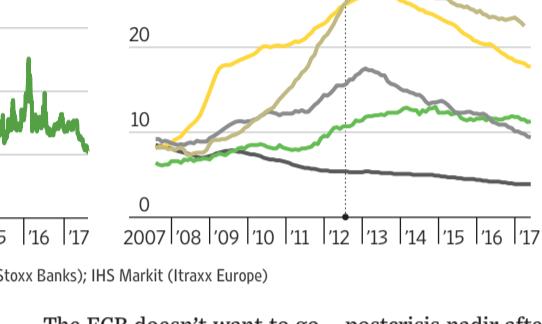
Perceptions that a country would exit from the eurozone in short order never returned to the heights that they reached in the summer of 2012. But neither did markets revert to the prefinancial crisis era, when Greece borrowed at roughly the same cost as Germany.

10-year bond yields for Italy and Spain began declining relative to their German equivalent in mid-2012.



Markets recovered quickly but a huge divergence is still clear in unemployment rates.

Germany Italy Spain Portugal Greece



Sources: FactSet (yields, unemployment, Euro Stoxx Banks); IHS Markit (Itraxx Europe)

The ECB doesn't want to go back to the days of "artificially low" borrowing costs, said Olivier de Larouzière, head of interest rates at Natixis Asset Management.

Stress in corporate-debt markets was high around the time of Mr. Draghi's speech and declined afterward, never subsequently returning to the 2011-12 levels.

The summer of 2012 marked the absolute postcrisis low for the eurozone's banks, which held huge proportions of the government debt at risk of default.

But the speech didn't solve their problems. Bank stocks practically returned to their

postcrisis nadir after the U.K.'s vote to leave the European Union, when yields fell to their most negative levels on record.

While sovereign-bond spreads recovered quickly, and European companies no longer struggle to find finance, the real economy has bounced back far less quickly.

Immediately before the financial crisis, the unemployment rates of Germany and Greece were separated by less than a percentage point.

Unemployment has fallen in most countries, though less notably in Italy, but extreme regional divergence persists.

The ECB's commitment to intervention didn't spark an

immediate recovery for the eurozone, which remained in recession until the middle of 2013.

The eurozone's gross-domestic-product growth is only now starting to match the U.S.'s, five years after the sovereign-debt crisis began to subside.

"Whatever it takes" was a defining moment for the market, the turning point in terms of fighting the crisis, when the redenomination risk was priced out of government bonds," said Matthew Cairns, senior strategist at Rabobank.

"But even now," he said, "growth has really yet to pick up to the levels that the ECB would like to see it at."

Dow Hits Record; Fed Hurts Dollar

By RIVA GOLD AND AMRITH RAMKUMAR

U.S. stock indexes rose to record highs Wednesday, holding their gains after Federal Reserve officials voted unanimously to leave interest rates unchanged and signaled that the central bank could start shrinking its balance sheet "relatively soon."

WEDNESDAY'S MARKETS

The dollar slid after the Fed decision. The WSJ Dollar Index, which measures the U.S. currency against 16 others, was down 0.6% late in New York. It had been up about 0.1% earlier in the day. Analysts said the dollar was hurt by tweaks to the central bank's language about inflation that leaned to the dovish side on rates.

Corporate earnings reports continued to come in ahead of Wall Street expectations, boosting shares.

The Dow Jones Industrial Average advanced 97.58 points, or 0.45%, to 21,711.01. The S&P 500 edged up 0.03%, and the Nasdaq Composite added 0.2%. All three indexes closed at all-time highs.

Boeing jumped 9.9% after the aerospace giant beat profit expectations and raised its guidance for the year. **Advanced Micro Devices** rose 4.6% after the chip maker reported a climb in revenue that beat analyst expectations. After releasing quarterly results, shares of **AT&T** rose 5%, while **Coca-Cola** shares gained 1.1%.

U.S. oil rose 1.8% to \$48.75 a barrel after data showed U.S. crude supplies fell more than expected last week.

The Stoxx Europe 600 climbed 0.5% to 382.74.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

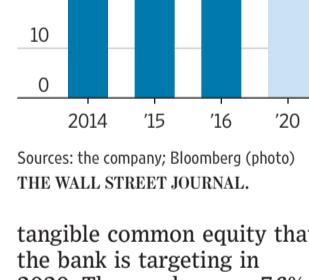
WSJ.com/Heard

Email: heard@wsj.com

Citigroup Sets High Bar for Itself

Getting Back To Growth

Citigroup's global consumer banking revenue



Sources: the company; Bloomberg (photo)

THE WALL STREET JOURNAL



Michael Corbat, Citigroup CEO

constant-currency terms. Particularly on the consumer side, this looks optimistic.

Citigroup acknowledges that revenue has been weak in this business for years but notes it has risen 4% over the past 12 months. To keep this growth spurt going for years, the key drivers will be credit-card lending in the U.S., 10% annual growth for its Mexico business and expansion of wealth-management services in markets across Asia.

Responding to a questioner who was skeptical of the Mexico growth target, Stephen Bird, head of the global consumer business, said it is based on just 2% economic growth in Mexico. Deepening penetration of credit cards and other financial products will allow the bank to grow faster, he argued.

In Asia, Citigroup's plan to court on wealthy clients is similar to that of many competitors, including Swiss private banks, other global commercial banks and ambitious local lenders in Singapore and Hong Kong. Not everyone will succeed.

Finally, relying too much on credit cards and other unsecured consumer loans, in the U.S. and elsewhere, carries the risk of more defaults.

Citigroup Chief Executive Michael Corbat and his team deserve credit for turning around a huge, struggling financial giant. Whether they can now execute on an ambitious plan for global growth is far from certain.

—Aaron Back

OVERHEARD

Put down that fancy bottle of "craft" beer and take a closer look—not at the contents but whether it carries the logo of the Brewers Association.

Members "continue to turn the beer industry on its head by putting community over corporation and beer before the bottom line" says the group's president.

Someone forgot to tell that to **Martin Roper**, chief executive of **Boston Beer** Co., which brews Sam Adams. The bona fide craft brewer highlighted returning to growth and cost savings in a recent earnings call—much the same message as from **Carlos Brito**.

Mr. Brito runs the company that owns brands such as Goose Island and Wicked Weed, which beer drinkers might have mistaken for craft brews.

They aren't, according to the Brewers Association because they are owned by megabrewer **Anheuser-Busch InBev**.

Your taste buds have been deceiving you.

GM and PSA Are Ready to Tighten Belts

Near-death experiences have a way of concentrating the mind on what matters. Maybe this is why **General Motors** and French group **PSA** look better placed for the looming automotive downturn than many car makers with prouder brands.

The companies, which both have required government bailouts within the past decade, have in common an unusually keen focus on costs and profitability.

GM has spent the year so far shedding struggling businesses outside its core North American market. Meanwhile, its North American operating margins have climbed to levels previously considered unattainable, 12.2% in the second quarter.

Peugeot maker PSA's revival since its 2014 bailout is even more remarkable. On Wednesday it astonished with a first-half adjusted operating margin of 7.3% in the core automotive division. The shares jumped 5% in morning trading.

Investors are excited not just because of what this means for PSA's existing business, but also because PSA is in the process of buying GM's Opel. Chief Executive Carlos Tavares said Opel would be "an additional lever to reduce costs."

Much is made of the need for car makers to invest in electric powertrains, autonomous tech and car-sharing apps. But as the U.S. market rolls over and Europe's recovery slows, reinventing the industrial business so it can cope with lower sales is just as important.

"Disruption is the key word," Mr. Tavares told investors Wednesday. He was talking about lowering costs, not competing with Tesla.

—Stephen Wilmot

U.S. Shale Threatens Chemical Element of Aramco's IPO

ital investment in U.S. manufacturing in 2016 went to chemical plants, while nearly \$200 billion of new projects are being planned or under construction. Net U.S. petrochemical exports could increase nearly 10-fold to \$110 billion over the next decade, according to consulting firm IHS Markit.

With U.S. producers set to dominate the petrochemicals sector in the Western hemisphere in the next 10 years, Saudi Aramco will need to pin its hopes on the Asian market, specifically China. But Asian refining capacity, much of it with new petrochemical plants attached, is

rising rapidly—led by China, which is already flooding Asian markets with diesel.

China's oil-refining capacity has risen sharply in recent years. In 2016, it was nearly 15% higher than the nation's actual petroleum consumption. Chinese refiners have in turn been exporting their surplus, dragging down regional oil-product prices. The prospect of poor investment returns given this overcapacity is one reason why Aramco has been wavering over a planned \$20 billion refining and petrochemical joint venture with Malaysia's **Petronas**, or Petronas.

By the time Aramco has ramped up downstream capacity—it plans to nearly triple petrochemical output by 2030—if may find it has diversified from one oversupplied market—crude—into another—petrochemicals.

The home page of Sadara Chemical Co., Aramco's flagship chemical project in the Persian Gulf built with **Dow Chemical**, has "Game Changer" in a large font. With the U.S. now poised to emerge as both a crude-oil and petrochemical powerhouse, the game has certainly changed—just not in Aramco's favor.

—Nathaniel Taplin



Aramco's corporate pavilion at a petroleum gathering in Istanbul this month.

KOSTAS TSIRONIS/BLOOMBERG NEWS