

THE WALL STREET JOURNAL.

DOW JONES | News Corp **

THURSDAY, JULY 27, 2017 ~ VOL. XLI NO. 231

WSJ.com

ASIA EDITION

As of 12 p.m. ET

DJIA 21716.60 ▲ 0.48%

NIKKEI 20050.16 ▲ 0.48%

STOXX 600 382.74 ▲ 0.52%

BRENT 50.94 ▲ 1.47%

GOLD 1247.20 ▼ 0.36%

EURO 1.1634 ▼ 0.13%

DLR \$112.12 ▲ 0.21%

What's News

Business & Finance

The U.K. said it would ban the sale of cars powered by traditional internal-combustion engines by 2040, joining other European regulators in a bold push toward populating roads with electric cars. **A1**

GlaxoSmithKline axed more than 30 drug-research projects to focus on four key disease areas, in a push to sharpen its R&D operations. **B1**

Viacom is in talks to acquire Scripps Networks, in what would be the boldest bet yet by CEO Bakish. **B1**

The SEC said rules meant for everyday stock sales may apply to initial coin offerings, a hot fundraising method. **B5**

HNA's planned \$416 million purchase of a stake in Global Eagle Entertainment collapsed after the deal couldn't get approval. **B3**

Copper prices closed at the highest level since May 2015 on Tuesday, buoyed by optimism over China. **B8**

Ford Motor's net income rose slightly in the second quarter, but its stock fell after it revised full-year guidance. **B2**

Boeing raised its full-year profit guidance and outlined plans to pay some pension liabilities early. **B3**

Nintendo kept its sales forecast for the Switch console unchanged despite strong demand, reflecting what analysts said is a supply bottleneck. **B4**

World-Wide

Republicans' effort to overhaul the U.S. health-care system, repealing the Affordable Care Act, entered a new phase. **A1**

The EU stands ready to act if its concerns about the U.S. bill to impose new sanctions on Russia aren't addressed. **A3**

Trump said his next priority is overhauling the tax code to push corporate rates down and give middle-class taxpayers a break. **A6**

The U.S. will issue new sanctions against Chinese entities for violating UN sanctions against North Korea. **A5**

The EU ruled that Hamas should be kept on the bloc's terror list. **A3**

The Federal Reserve signaled it could launch its plan to shrink its bond portfolio after officials meet in September. It kept rates steady. **A6**

The Taliban attacked an Afghan army base and killed at least 26 soldiers. **A4**

Kushner and some Republican lawmakers are discussing potential changes to the criminal justice system. **A7**

Trump said that his administration was negotiating a major trade agreement with the U.K. **A4**

Pope Francis' finance chief will plead not guilty to multiple charges of sexual abuse leveled against him in Australia. **A5**

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China: RMB28.00; Hong Kong: HK\$23.00;
Indonesia: Rp25,000 (incl PPN);
Japan: Yen620 (incl JCT); Korea: Won4,000;
Malaysia: RM750; Singapore: S\$5.00 (incl GST)

KDN PP 9315/10/2012 (032725); MCI (P)
NO. 066/01/2017; SK MENPEN RI NO. 01/
SK/MENPEN/SCJ/1998 TGL 4 SEPT 1998

ISSN 0377-9920 4 12 3 1
9 770377 992000

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What's News

Business & Finance

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 actions taken under Mr. Trump 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

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

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may find they are often legally 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 proprie-

tary 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.

Mr. Trump may be distracted by investigations into his campaign's links to Russia or cable news, but that really doesn't matter to regulators who have enormous freedom to act without any input from the White House. A shift in the political winds can also prompt agency staff, companies and individuals to fall in line. Amicus Therapeutics, a biotech company, recently applied for approval of a drug treating a rare genetic disorder without the additional clinical trial the Food and Drug Administration had previously demanded, a sign the agency's new commissioner, Scott Gottlieb, is pushing faster approvals.

Now that the Department of Homeland Security is prioritizing deportation, far fewer illegal immigrants are attempting to enter the U.S., judging by reduced apprehensions at the Southwest border.

There are of course real-

life limits to executive 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.

from putting all the money in the school's endowment to spending the full amount on new buildings.

The school decided to place the bulk of the IPO proceeds in its endowment, where it will be used to bolster financial aid for lower-income families. The school also plans to expand its financial-aid program to include middle-class families, which the school considers to be those with an annual income of about \$150,000 to \$200,000. Tuition next year will cost \$17,980.

Unlike the school's venture-capital fund, the endowment sticks largely to conservative investment strategies.

Some money went to a bonus fund for teachers, who each received \$8,000 on average. The school is now considering plans for a new chapel and classrooms.

Meantime, the school plans to continue its fundraising campaigns, the school's spokeswoman said.

Mr. Eggers said other schools in the area have called him for advice on how to start venture-capital funds similar to that at Saint Francis. It is doable but makes the most sense in only a handful of regions, including New York, Boston and Los Angeles in addition to Silicon Valley, he said. What schools need are donated seed money to create the fund and four or five plugged-in investors to advise it.

Mr. Eggers tries to temper expectations: "I don't think you can count on another Snapchat happening."

THE WALL STREET JOURNAL.
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Hong Kong
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Frankfurt: 49 69 29725390; London: 44 207
842 9600; Paris: 33 1 40 17 17 01; New York:
1-212 659 2176.
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Printers: Hong Kong: Eurom Limited, 2/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, Hong Kong; Indonesia: PT Gramedia Pustaka Jaya, Palmerah Selatan 22-28, Jakarta 100-805; Korea: JoongAng Ilbo, 100 Seoamun-ro, Jung-gu, Seoul, 100-814; Publisher/Printer: Song Pi-Ho, Malaysia: Dasa Cetak (M) Sdn Bhd, Lot 2, Jalan Sepana 15/3, Off Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor, Malaysia; ROC No: 0488855; Singapore: Singapore Press Holdings Limited, 2 Jurong Port Road SPH Print Centre Singapore 619088

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USPS 337-350; ISSN 0377-9920

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SNAP

Continued from Page One
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."



Kevin Makley, former president.

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 Snap's shares in the past few months.

The shares on Tuesday fell 1.4% to \$13.89, down 18% from the IPO price, diminishing the value of Saint Francis' remaining holdings.

The investors who advise the school's venture-capital fund, a group largely composed of former students and parents, cautioned Mr. Chiu that Snap's shares could be volatile after the IPO and told him to pay no heed to share-price moves during the lockup period.

The school hasn't yet decided what to do when the lockup expires but plans to re-evaluate the rest of its Snap holding with the aim of maximizing the value of the remaining shares within a reasonable amount of time.

Saint Francis doesn't plan to hold on to its shares of Snap long-term, a spokeswoman said. Typically, venture-capital funds sell their shares in companies that list on exchanges because these funds aren't focused on the public markets.

Saint Francis' jackpot almost didn't happen. The school began investing in startups in the '90s at the behest of two parents in the venture-capital industry. In 2012, the fund they created chose Snapchat at the urging of

Barry Eggers, a parent at the school and one of the fund's advisers, who had noticed his children were glued to the app. His firm, Lightspeed Venture Partners, was Snapchat's first investor.

The stake quickly became a headache, recalled Kevin Makley, who was the school's president when the investment was made. Early reports suggested people used Snapchat, which became popular because it deleted messages and photos after they were shared, to exchange nude photos of themselves—a poor fit with Saint Francis' image. In 2013,

Snapchat co-founder Reggie Brown sued Snap and its investors—including the school's fund—claiming ownership in the company. Snapchat settled with Mr. Brown a year later. It changed its name to Snap last year.

Saint Francis' fund nearly sold its stake in 2014 to a firm that was willing to pay \$5.5 million. At the last minute, an adviser to the school's fund called Mr. Makley to warn against the sale. "Why won't this little investment go away?" Mr. Makley recalled thinking at the time. As the investment grew in value, Mr.

Makley said he became "all smiles."

After news emerged that Snap was working on an IPO, school officials started realizing how big their payoff could be. Saint Francis, which has 1,750 students in grades nine to 12, sits in one of the wealthiest parts of the country, but the potential payout far outstripped its \$25 million endowment and nearly equaled its \$34.7 million annual operating budget.

Mr. Chiu, Saint Francis' president since 2015, met with other decision makers in February to weigh everything

from putting all the money in the school's endowment to spending the full amount on new buildings.

The school decided to place the bulk of the IPO proceeds in its endowment, where it will be used to bolster financial aid for lower-income families. The school also plans to expand its financial-aid program to include middle-class families, which the school considers to be those with an annual income of about \$150,000 to \$200,000. Tuition next year will cost \$17,980.

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Mr. Eggers tries to temper expectations: "I don't think you can count on another Snapchat happening."

ENGINE

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 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 stiff-

ening rules in China, California and the European Union. Volkswagen AG, Honda Motor Co. and Daimler AG are among 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

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 within days if its concerns about the U.S. bill to impose new sanctions on Russia aren't addressed, European Commission President Jean-Claude Juncker said on Wednesday.

The bill, which was passed Tuesday, includes provisions allowing President Donald Trump to sanction European companies who work on the development, maintenance, modernization or repair of energy export pipelines—language European officials believe could apply to a range of current energy projects.

The EU executive's top officials said they would keep a close eye on the legislative process and will be ready to act swiftly if and when needed.

"The EU is fully committed to the Russia-sanctions regime. However G-7 unity on sanctions and close coordination among allies are at the heart of" making the measures effective, Mr. Juncker said. "The U.S. bill

could have unintended unilateral effects that impact the EU's energy security interests," he added.

"This is why the Commission concluded today that if our concerns aren't taken into account sufficiently, we stand ready to act appropriately within a matter of days. 'America First' cannot mean that Europe's interests come last," Mr. Juncker said.

In an overwhelmingly bipartisan vote, the House of Representatives passed new sanctions that would punish Russia, after the U.S. intelligence community concluded that Moscow had sought to interfere in the 2016 presidential election.

The measure must now pass the Senate, which approved a different version of the bill last month that also included the congressional oversight language.

It remains unclear if Mr. Trump will sign the bill or veto it. In an interview with The Wall Street Journal on Tuesday, the president said he hasn't yet decided whether to sign the legislation into law. The bill can still become law without Mr. Trump's signature if it goes unsigned for 10 days.

After Russia's intervention in Ukraine and its annexation of Crimea in 2014, the EU and the



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

U.S. moved in parallel to ratchet up economic sanctions on Russia. EU officials say the bloc has paid the highest price of those sanctions since EU-Russia trade was much higher 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 Minsk cease-fire and peace agreements from February

2015. The bloc recently extended its sanctions regime for an extra six months. The U.S. bill was aimed partly at tying Mr. Trump's hands on sanctions, forcing him to seek congressional approval before lifting restrictions.

Sen. Bob Corker (R., Tenn.), the chairman of the Senate Foreign Relations Committee, said that lawmakers took steps in

negotiations over compromise legislation to try to ease Europeans' concerns over the pipeline language, including adding that sanctions on pipeline projects would be undertaken "in coordination with allies of the United States."

The EU acknowledged that a number of changes were made to the draft bill in recent days to lower the risk of U.S. legal

action against European firms. French, German and Austrian officials had complained forcefully about earlier drafts of the bill.

However the EU said the final wording of the bill potentially opened the way to sanctions on companies building infrastructure that may transport energy resources to Europe—including the maintenance and upgrade of pipelines in Russia that feed Ukraine's gas transit system, which provides a vital source of revenue for Kiev. Officials also say the bill could have an impact on critical plans for energy-source diversification, like liquefied natural-gas projects in the Baltic states.

The EU hasn't spelled out what action it would take if the legislation enters effect—or if they would only act if European companies are affected by the decision. The bloc has long complained about U.S. legislation that has extraterritorial effect.

However there are a couple of channels open for potential retaliation.

One is to take a case to the World Trade Organization. The EU also could apply legislation drawn up over a decade ago—the so-called blocking statute—which orders European companies to not obey U.S. extraterritorial sanctions.

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 on Wednesday, 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 that 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, 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 later 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," Hungary's 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 that 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 living in Italy and Greece.

Fewer than 25,000 people have been moved under the EU's plan.

The commission has separately started legal proceedings against Hungary, Poland and the Czech Republic for refusing to accept any asylum-seekers under the relocation plan.

—Drew Hinshaw in Warsaw contributed to this article.



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

Poland Could Face Penalties, Bloc Warns

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

The European Commission—the bloc's executive—on Wednesday warned that democratic rule of law remains at risk in Poland, even after President Andrzej Duda vetoed legislation that would have retired every high-court judge.

The Commission gave Warsaw a month to respond to recommendations that would bring Polish law back in line with EU norms.

Poland and the EU are in an extraordinary standoff over whether the former communist country can put virtually the

entire judiciary under the control of the justice minister and remain a full-fledged member of the union.

Last week, Poland's parliament approved three laws that would have allowed the government to directly or indirectly restaff 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 communist era. Previous warnings have done little to sway the government from its efforts.

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 re-

vised Supreme Court bill and said this time he would like to help write it. It isn't 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.

The Slovak foreign ministry said that 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 living in Italy and Greece.

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The commission has separately started legal proceedings against Hungary, Poland and the Czech Republic for refusing to accept any asylum-seekers under the relocation plan.

—Drew Hinshaw in Warsaw contributed to this article.

Hamas Must Remain on Terror List, Court Says

By LAURENCE NORMAN

The European Union's top court ruled on 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 ruled 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 stron-

ger 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. "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 ev-

idence provided on Hamas's continuing terror activities.

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

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

WORLD NEWS

Trump Says U.S., U.K. Weigh Trade Deal

Future pact could cover areas such as agriculture, aviation and financial services

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 administration'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, had 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's 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 deals that could create jobs for Americans and Mr. Fox, a strong opponent of British membership of the European Union, to point to a deal 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 under 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

trade deal with Britain, Mr. Trump's administration is also preparing to renegotiate the North American Free Trade Agreement with Mexico and Canada.

While pursuing the new trade deal with Britain, Mr. Trump's administration is also preparing to renegotiate the North American Free Trade Agreement with Mexico and Canada.



Britain's trade secretary Liam Fox, right, speaking at an event in Washington on Monday.

Britain Posts Lackluster Growth

Statistics said on Wednesday, a slight improvement from the 0.2% growth rate of the preceding quarter, but still less than half the pace of growth at the end of last year.

Proponents of Brexit have suggested that the pound's steep depreciation in the wake of last year's referendum could boost overseas demand for British products, strengthening the manufacturing industry and decreasing the economy's reliance on domestic demand. But so far, the economy has shown little sign of that shift.

The expansion was driven largely by an improvement in consumer-facing services, which rebounded from stronger retail sales, a tentative sign that British shoppers could be returning to stores after sharply paring

spending in the first quarter.

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 weak performance in the industrial sector suggests that the economy is not rebalancing towards net trade and investment, which [Bank of England Governor] Mark Carney wants to see before raising interest rates," said Samuel Tombs, chief U.K. economist at Pantheon Macro, a consultancy.

—Wiktor Szary and Jason Douglas

maybe we'll have to terminate."

Asked if he thought the pact was salvageable, he answered: "it may be salvageable...I have an obligation to give it a shot."

—Peter Nicholas contributed to this article.

U.S. Puts Sanctions on More Venezuelans

By JOSÉ DE CÓRDOBA

The U.S. plans to put sanctions on 13 high-ranking Venezuelan officials for alleged corruption, human-rights violations and undermining the country's democracy, a congressional aide briefed on the White House's plans said on Wednesday.

The sanctions, expected to be formally announced later on Wednesday, come days before embattled President Nicolás Maduro has scheduled a vote for a constituent assembly tasked with redrawing the constitution, a move the opposition believes would result in the end of Venezuela's endangered democracy.

The officials sanctioned 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 aide said. Also to be added to

the sanctions list are the finance chief of state oil firm Petróleos de Venezuela and Elías Jaua, a leading politician close to Mr. Maduro. Mr. Jaua previously served as the country's vice president and foreign minister.

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.

Last week 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 the planned vote

for a constituent assembly, scheduled for Sunday.

"Today will be a bad day for 13 enablers of @Nicolas-Maduro effort to destroy democracy in Venezuela & more actions will follow," Sen. Marco Rubio wrote on his Twitter account Wednesday.

The move comes days before a contested vote to create a new constituent assembly.

Hector Rodríguez, a top ruling-party lawmaker and head of the campaign for the constituent assembly, said on Tuesday that Venezuela was ready for U.S. sanctions.

"We're already pretty much under sanctions, although it hasn't been done formally," he

said in an interview. Venezuela will have plenty of other partners to turn to if Mr. Trump carries out his threats, he added.

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

The opposition has called a two-day general strike starting Wednesday in a last-ditch attempt to stop the constituent assembly.

Mr. Trump and national leaders from across the world have called on Mr. Maduro to call off the vote, which polls show is opposed by more than 80% of Venezuelans.

Last week, more than 7.5

million Venezuelans voted in an unofficial referendum, the results of which showed overwhelming opposition to creating the new assembly.

Mr. Maduro dismissed that referendum as a nonbinding internal consultation by the opposition, 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 ruling Socialist Party.

Venezuela, which boasts bigger oil reserves than Saudi Arabia, is mired in a deep economic and political crisis. More than 100 people have died in the last four months amid violent street protests held almost daily. Most of them have been killed by government security forces and paramilitary gangs allied with the government.

Afghan Army Site Attacked

BY EHSANULLAH AMIRI

KABUL—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 Wednesday. More than a dozen others were wounded.

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 government 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, piling pressure on President Ashraf Ghani's government, which this week lost districts in Faryab, Paktia 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.

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 his Popular 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

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 corruption 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 re-elected 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.



GETTY IMAGES

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

WORLD NEWS



North Korean leader Kim Jong Un, second from right, inspected an intercontinental ballistic missile on July 4 in the country's northwest.

U.S. Plans New China Curbs

BY IAN TALLEY

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 multi-lateral 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 Embassy in Washington didn't respond to requests for comment, but Beijing has said it opposes U.S. unilateral sanctions.

Although administration officials have said they aren't targeting China's government, the State Department's senior East Asia official said Beijing needed to do "a lot more work" implementing U.N. sanctions, including stopping illicit cross-border trade flows and tracking financial transactions.

But while many U.S.-based analysts are calling on the administration to roll out a comprehensive sanctions strategy, Ms. Thornton said Washington will move gradually.

"Ratcheting up sanctions pressure is not like a cobra strike, it's definitely a slow squeeze, a slow tightening of the screws," she told the subcommittee.

In a major new phase of unilateral sanctions, the U.S. Treasury last month moved to cut off China's Bank of Dandong from U.S. financial markets. The move, while only targeting one small bank, is meant to chill financing for North Korea more broadly by sending a signal to other institutions facilitating the regime that they could lose access to the world's most important financial market.

But many U.S. analysts say only an Iran-style sanctions regime—where the administration effectively cut off the flow of dollars into the country over the last decade—will force Pyongyang to negotiate a halt to Mr. Kim's nuclear and ballistic-missile development.

China Progresses On Revamp Plan For 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, on 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 direc-

tor 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—a process already under way.

The goal to restructure SOEs was first proposed at a major party meeting in 1993 that set China on a path to building a "socialist market economy with Chinese characteristics"—a euphemism for blending capitalism with state planning.

The Communist Party is expected to maintain a strong role at the companies.

State-owned companies, while now much fewer in number, still dominate important sectors of the economy, including banking, energy and telecommunications.

An overall economic slowdown in recent years has crimped SOEs' profits, especially in backbone heavy-industrial sectors hurt by excess capacity.

However, a property boom and government spending on infrastructure over the past year have generated a turnaround, with state companies reporting double-digit-percentage profit growth during the first half of 2017.

—Liyan Qi

BOJ Links Inflation, Output

BY MEGUMI FUJIKAWA

TOKYO—Deputy Gov. Hiroshi Nakaso became the latest Bank of Japan official to flag improved productivity as an explanation for sluggish price growth—a view that has yet to gain much traction outside the central bank.

"Firms recently appear to be increasingly cutting back services for which labor costs are high in light of profitability," Mr. Nakaso said in a speech on Wednesday. "This results in a rise in labor productivity."

This latest theory has emerged since the bank backed away from its previous favorite explanation for persistent weak inflation, cheaper oil.

Like the Federal Reserve, the European Central Bank and other global peers, the BOJ is trying to figure out why growing strength in the economy and tightness in the labor market is taking so long to translate into higher inflation. Last week, the BOJ pushed back the date when it expects to achieve 2% inflation, the sixth such retreat under Gov. Haruhiko Kuroda. It now forecasts hitting the mark in March 2020—five years later than Mr. Kuroda's initial target.

Companies that scaled back labor-intensive operations "would not have to pass on the rise in labor costs to sales prices, and thus the upward pressure on prices would be limited accordingly," Mr. Nakaso said. He cited restaurant chain operators that discontinued unprofitable late-night operations and supermarkets that introduced self-checkout machines.

Echoing other BOJ officials, Mr. Nakaso said companies can't avoid raising prices this way forever, and will gradually shift toward raising both prices.

Some economists are dubious.

The argument that wages will eventually start rising "lacks persuasiveness" because the relationship between wages and the labor market seems less simple than in the recent past, said Mari Iwashita, chief market economist at SMBC Friend Securities.

Cardinal to Plead Not Guilty on Abuse Charges

BY ROBB M. STEWART

MELBOURNE, Australia—Cardinal George Pell, Pope Francis' finance chief, will plead not guilty to multiple charges of sexual abuse leveled against him in Australia, his lawyer told a court on Wednesday.

During a brief filing hearing, an administrative process in which no plea is expected and the accused isn't required to attend, lawyer Robert Richter, who is representing Cardinal Pell, said that because of the public interest, his client would indicate a plea of not guilty to all charges.

The 76-year-old cardinal sat quietly during the six-minute hearing, where it was decided that the prosecution would serve a brief of evidence to the court in the coming weeks and that Cardinal Pell would return to the Melbourne Magistrates' Court for a preliminary hearing in October.

Cardinal Pell is the highest-

level Vatican official to face charges in the sexual-abuse scandal that has beset the 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 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.

Residential Building Collapses in Lagos

A four-story residential building collapsed in the country's largest city, killing at least eight people, including a child, emergency officials and an Associated Press photographer in Lagos said.

At least 15 people had been rescued from the rubble of the building that collapsed Tuesday afternoon, authorities said.

"There was confusion everywhere. After we were able to dig out, one of my sons came out unscratched through the grace of God but one of them, my last born, 12 years of age, Emeka, was crushed to death," said a survivor, Egwuemu Chienye.

Rescue efforts were called off Wednesday afternoon and were giving way to investigators who will seek the cause of the collapse, said Kehinde Adegbayo of the Lagos State Emergency Management Agency.

It was not clear how many people were living in the building, in a poor neighborhood of the sprawling city of about 21 million people.

—Associated Press

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 Christians 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.

WORLD WATCH

NIGERIA

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—Associated Press

CYPRUS

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WORLD WATCH

FRANCE

Firefighters Battle Blaze in Bormes

Firefighters have stepped up their battle against flames lapping at Mediterranean forests in the picturesque French hilltop town of Bormes-les-Mimosas, where at least 10,000 people were evacuated.

Col. Eric Martin, of the firefighting unit in the Var region of the Cote d'Azur, said nearly 600 firefighters were trying to contain the flames that had run through 3,200 acres of Bormes,



ANNE-CHRISTINE POUJOULAT/AGENCE FRANCE PRESSE/GT IMAGES

a magnet for tourists in southeastern France. At least 3,000 of the evacuees were camping there. Firefighters also were fighting a large blaze in nearby La Londe-les-Maures, and the Toulon airport to the west was briefly closed.

—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

By Gerard Baker,
Peter Nicholas
and Michael C. Bender

push 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 hopscotched 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



Donald Trump has continued to criticize his attorney general.

President Plans Transgender Ban In the U.S. Military

President Donald Trump will bar transgender individuals from serving in the U.S. military, he said, arguing their service brought "tremendous medical costs and disruption."

"After consultation with my Generals and military experts, please be advised that the United States Government will not accept or allow transgender individuals to serve in any capacity in the U.S. Military," Mr. Trump tweeted on Wednesday morning. "Our military must be focused on decisive and overwhelming victory and cannot

be burdened with the tremendous medical costs and disruption that transgender in the military would entail. Thank you."

The presidential announcement took the Defense Department by surprise.

"The tweet was the first we heard about it," said a defense official familiar with the matter.

In June 2016, the Obama administration moved to lift the U.S. military's years-old ban on transgender individuals serving openly. A report commissioned by the Pentagon on the effects of allowing transgender individuals to serve openly, released in May 2016, found that policy shift would have little to no impact and negligible costs on military cohesion or readiness.

The study, conducted by the Rand Corp., found that between 1,320 and 6,630 transgender individuals serve on active duty, amounting to about 0.05% of the total U.S. active force. The study pegged the likely estimate at 2,450.

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.

Total military health-care expenditures were \$6.27 billion in 2014.

The report also found there were few problems with open transgender service in foreign militaries without a prohibition.

—Rebecca Ballhaus

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-awaited 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 his 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 often 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. We're going to 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 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.

Turning to taxes, Mr. Trump echoed some of the populist themes from his presidential campaign. He 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. Mr. Trump didn't elaborate Tuesday on how he planned to favor the middle class.

—Richard Rubin and Felicia Schwartz contributed to this article.



Senate Majority Leader Mitch McConnell pitched a 'skinny repeal' plan to GOP senators if they can't agree on a broader proposal.

HEALTH

Continued from Page One
that don't meet ACA rules.

Senate leaders had expected the measure to fail, as Senate rules made it ineligible to pass on a simple majority vote. But the defection of nine GOP Senators underscored the lack of support for the ACA replacement that leaders had cobbled together.

On Wednesday, the Senate was expected to take up a separate bill largely repealing the ACA with a two-year expiration date, to give lawmakers time to craft a replacement.

The Senate debate will culminate later this week in a marathon session of amendment votes, but it wasn't clear GOP leaders have the 50 votes needed to pass any of the proposals, fueling the uncertainty over where the week's legislative twists will end.

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.

In a memorable moment on the Senate floor, Mr. McCain criticized the GOP's legislative effort, despite flying across the country to prevent the procedural motion from failing short due to his absence. He delivered a sobering rebuke to GOP leaders in his speech, even while agreeing that they should at least begin debate on the health legislation.

"It's a shell of a bill right now," he said. "We've tried to do this by coming up with a proposal behind closed doors in consultation with the administration, then springing it on skeptical members, trying to convince them it's better than nothing, asking us to swallow our doubts and force it past a unified opposition. I don't think that is going to work in the end. And it probably shouldn't."

Meanwhile, Mr. McConnell on Tuesday pitched GOP senators on a backup proposal, if they can't agree on any other plans for repealing and possibly replacing the ACA. Under this "lowest common denominator" proposal, Republicans would put together just the elements they all agree on, including repealing the individual and employer mandates

and a tax on medical devices.

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 nonpartisan Congressional Budget Office 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 incor-

porated into the legislation.

Those measures include an additional \$100 billion so states can assist people who have 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 repeal 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 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."

—Louise Radnofsky, Byron Tau and Janet Hook contributed to this article.

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Fed Signals Cuts To Bondholdings

By NICK TIMIRASO

WASHINGTON—The Federal Reserve signaled it could launch its plan to slowly shrink its large bond portfolio after officials' next meeting in September, and held short-term interest rates steady.

In a statement Wednesday, the rate-setting Federal Open Market Committee said it expects to begin shrinking the bondholdings "relatively soon." Officials offered little indication that several weak inflation readings had altered its plans to raise interest rates once more this year.

Fed officials voted unanimously to leave their benchmark rate in a range between 1% and 1.25%. They raised rates by one quarter percentage point in March and again in June, when they penciled in one more quarter-point move this year. Many analysts expect that to occur in December, after the Fed initiates the gradual runoff of more than \$4 trillion in mortgage and Treasury securities this fall.

Investors hadn't expected the Fed to raise rates Wednesday and were looking for signals about whether the slowdown in inflation this spring might alter the Fed's plans for another rate increase later this year. As of Wednesday morning, investors placed a roughly 8% probability of a rate increase in September and a 52% probability of at least one increase by December, according to CME Group.

The statement, released after a two-day policy meeting, noted the recent weakness in inflation but didn't deviate significantly from the statement released after last month's meeting. Inflation measures "have declined and are running below 2%," the new statement said Wednesday. It described job gains as "solid" and said household spending and business investment "continued to expand."

Fed officials completed and released their plans for the balance sheet after their June meeting, which pulled forward market expectations about when the central bank might set the wind-down

strategy into motion. At the start of the year, investors expected that wasn't likely to occur until the end of this year, or in early 2018.

But with the plans now 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 they announce the start date of the portfolio wind-down at that time.

Another opportunity for Ms. Yellen to elaborate on the Fed's plans could come at the end of next month, when the Fed leader traditionally speaks at an annual economic policy symposium in Jackson Hole, Wyo.

Officials leave rates unchanged and plan to shrink portfolio 'relatively soon.'

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, and economists polled by The Wall Street Journal expect growth for the quarter to rise to a 2.7% annual rate.

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.

U.S. NEWS

Kushner, Sessions Split Over Crime

BY BETH REINHARD

President 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 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 Russian interference in the 2016 election.

"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 charges that carry long sentences for nonviolent, lower-level drug offenders. As a Alabama senator last year, Mr. Sessions helped doom bipartisan legislation backed by Sens. Grassley, Durbin and Lee that

MICHAEL REYNOLDS/EUROPEAN PRESSPHOTO AGENCY



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

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.

"It is consistent to be both tough on crime and still support sentencing reform," Mr. Grassley said at AEI. "Passing a sentencing bill remains a top legislative priority for me as chairman."

Attorney General Is Again Criticized

BY REBECCA BALLHAUS

President Donald Trump publicly criticized Attorney General Jeff Sessions for the third consecutive day 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 her husband, former President Bill Clinton.

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."

Mr. Trump's pick for the next FBI director is Chris Wray, a veteran attorney and former Justice Department official.

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' recusal 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.

Illegal Immigrant to Go on Trial for Murder

BY ZUSHIA 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. Steinle



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

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.

Mr. Lopez-Sanchez's public defender, Matt Gonzalez, said in an interview that the shooting was an accident. Mr. Gonzalez said that his client found the gun after it had been stolen from a U.S. Bureau of Land Management ranger's parked vehicle. "I'm unaware of a ricochet ever being charged as a murder in San Francisco," said Mr. Gonzalez. "If he didn't fit into the immigrant crime narrative I doubt this case would've been charged."

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.

Senate campaign of Mr. McCabe's wife, Jill McCabe. Mr. McAuliffe is an influential Democrat with longstanding ties to Mrs. Clinton and her husband, former President Bill Clinton.

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U.S. WATCH

DEBT CEILING

Mnuchin Says Effort Is Costing Taxpayers

Treasury Secretary Steven Mnuchin said Wednesday his agency's efforts to conserve cash until Congress raises the federal borrowing limit impose a "significant" cost on taxpayers.

Government debt hit the borrowing limit in mid-March, and the Treasury has been using these "extraordinary measures" since then to raise cash to keep paying the government's bills on time.

Testifying before a Senate panel Wednesday, Mr. Mnuchin repeated his previous remarks that the government can keep employing those measures and maintain enough cash to pay its bills "through September." But he acknowledged those efforts come with a cost to taxpayers, which one senator estimated to be around \$2.5 billion.

"Right now effectively, as opposed to borrowing in the market at lower rates, we're borrowing and making our trust funds whole at slightly higher rates," Mr. Mnuchin said. "There is a real cost to doing that."

He said the implied cost of uncertainty in financial markets will also continue to grow. He once again urged lawmakers to raise the debt ceiling before they leave for their August recess, but House and Senate leaders have announced no plans to tackle the issue before they return in September.

—Kate Davidson

MINNEAPOLIS

Tighter Body-Camera Rules After Shooting

Minneapolis Mayor Betsy Hodges tightened rules Wednes-

day 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.

"It has been a tough ten days for the city," particularly for the family of the victim, Ms. Hodges said. 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. on July 15, state investigators said.

Officer Matthew Harrity, who has been with the Minneapolis Police Department for one year, accompanied Mr. Noor on the call, and was startled by a loud sound near the squad car, according to investigators. Mr. Harrity told investigators Ms. Ruszczyk approached the driver's side window, and Mr. Noor discharged his weapon, striking her through the open driver's side window, the release said. Mr. Noor has declined to be interviewed by investigators.

Ms. Ruszczyk died of a single gunshot wound to the abdomen, the investigators said. The officers' body cameras weren't turned on until after the shooting, and both Mr. Harrity and Mr. Noor have been placed on administrative leave.

—Quint Forgey

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IN DEPTH

CHINA

Continued from Page One

rise. While some Chinese still believe the country will need to embrace democracy to reach its full potential, many others are convinced the country has reached this point, not in spite of the government's crushing of pro-democracy protests in 1989, but because of it.

Annual surveys by the Pew Research Center since 2010 show more than 80% of Chinese are satisfied with the direction of their country. Three-quarters of the Chinese surveyed by Pew last year see China playing a bigger role in global affairs than 10 years ago, and 60% view China's involvement in the global economy as positive.

On his blog, between digressions on 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

banned 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

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

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."

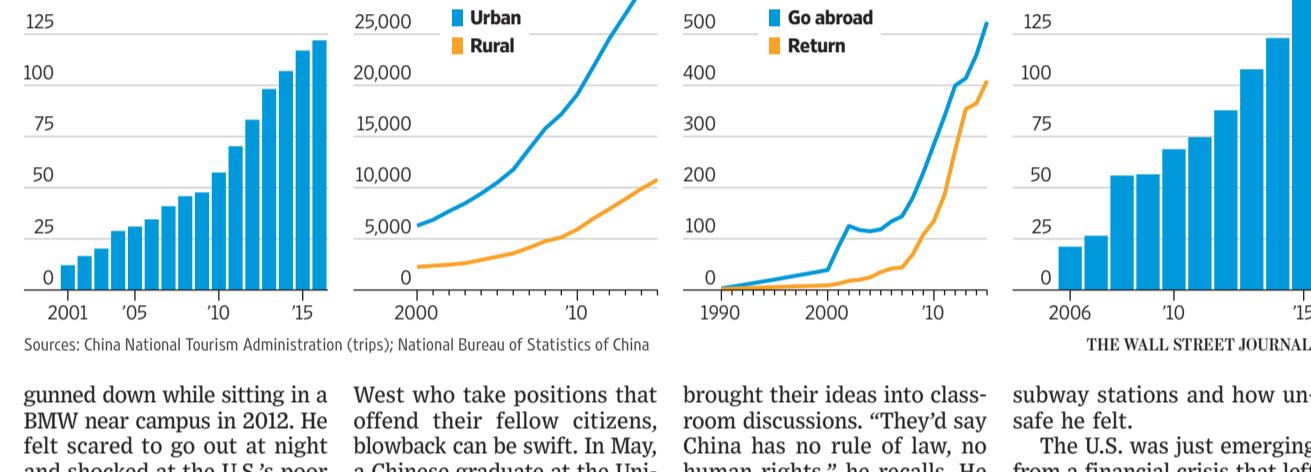
Chen Hesheng, a 22-year-old recent college graduate, spent a month in a summer study program at the University of Southern California in Los Angeles in 2014. Two Chinese graduate students were



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.



Sources: China National Tourism Administration (trips); National Bureau of Statistics of China

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 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.

ern 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
are so commonplace in U.S. southern states 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 anthill. "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 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, ac-

cording 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 casualties caused by fire ants.

At a park near a Tokyo port where fire ants were found, a group of women playing tennis said they were warning their grandchildren about the invaders. One, Yoshiko Seki, 63 years

old, said she wanted the government to import fire-ant detective dogs from elsewhere in Asia but feared they would take too long to arrive. "I am a bit scared," she said.

After about two dozen fire ants were found in Nagoya in June, sumo wrestlers at a tournament 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 reports falsely depicting fire ants as murderous," said Mr. Hashimoto.

Joshua Bluhm, 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 na-

ture.

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



THE YONHUI SHIMBUN/ASSOCIATED PRESS

City employees checked for ants at the port of Hakata, on the southern Japanese island of Kyushu, on July 22.

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's Sessions Abuse

Donald Trump won't let even success intrude on his presidential ego, so naturally he couldn't let the Senate's health-care victory stand as the story of Tuesday. Instead he continued to demean Jeff Sessions, and in the process he is harming himself, alienating allies, and crossing dangerous legal and political lines.

For a week President Trump has waged an unseemly campaign against his own Attorney General, telling the New York Times he wished he'd never hired him, unleashing a tweet storm that has accused Mr. Sessions of being "beleaguered" and "weak."

Mr. Trump is clearly frustrated that the Russia collusion story is engulfing his own family. But that frustration has now taken a darker turn. This humiliation campaign is clearly aimed at forcing a Sessions resignation. Any Cabinet appointee serves at a President's pleasure, but the deeply troubling aspect of this exercise is Mr. Trump's hardly veiled intention: the commencement of a criminal prosecution of Hillary Clinton by the Justice Department and the firing of special prosecutor Robert Mueller.

On Tuesday morning Mr. Trump tweeted that Mr. Sessions "has taken a very weak position on Hillary Clinton crimes." This might play well with the red-meat crowd in Mr. Trump's Twitterverse, but Sen. Lindsey Graham was explicit and correct in describing the legal line Mr. Trump had crossed.

"Prosecutorial decisions should be based on applying facts to the law without hint of political motivation," Mr. Graham said. "To do otherwise is to run away from the longstanding American tradition of separating the law from politics regardless of party." Republican Sen. Thom Tillis also came to Mr. Sessions's defense, citing his "unwavering commitment to the rule of law," and Sen. Richard Shelby called him "a man of integrity."

We will put the problem more bluntly. Mr. Trump's suggestion that his Attorney General prosecute his defeated opponent is the kind of crude political retribution one expects in Erdogan's Turkey or Duterte's Philippines.

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.

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.

His demand that his AG prosecute Clinton crosses a red line.

Mr. Sessions had no way of knowing when he accepted the AG job that the Russia probe would become the firestorm it has, or that his belated memory of brief, public meetings with the Russian ambassador in 2016 would require his recusal from supervising the probe. He was right to step back once the facts were out, not the least to shelter the Trump Administration from any suspicion of a politicized investigation.

If Mr. Trump wants someone to blame for the existence of Special Counsel Robert Mueller, he can pick up a mirror. That open-ended probe is the direct result of Mr. Trump's decision to fire FBI Director James Comey months into his Russia investigation and then tweet that Mr. Comey should hope there are no Oval Office tapes of their meeting. That threat forced Deputy Attorney General Rod Rosenstein to appoint a special counsel.

As a candidate, Mr. Trump thought he could say anything and get away with it, and most often he did. A sitting President is not a one-man show. He needs allies in politics and allies to govern. Mr. Trump's treatment of Mr. Sessions makes clear that he will desert both at peril to his Presidency.

No matter how powerful the office of the Presidency, it needs department leaders to execute policy. If by firing or forcing out Mr. Sessions Mr. Trump makes clear that his highest priority is executing personal political desires or whims, he will invite resignations from his first-rate Cabinet and only political hacks will stand in to replace them. And forget about Senate confirmation of his next AG.

Even on the day that Senate Majority Leader Mitch McConnell was scraping together enough Republican votes to avoid a humiliating defeat for the President on health care, Mr. Trump was causing Senators to publicly align themselves with Mr. Sessions. Past some point of political erosion, Mr. Trump's legislative agenda will become impossible to accomplish. Mr. Trump prides himself as a man above political convention, but there are some conventions he can't ignore without destroying his Presidency.

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.

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 postelection 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.

Palestinians' illusions of might enjoy

considerable international support. Unesco routinely passes critical resolutions aimed at Israel. Columbia University houses something called the Center for Palestine Studies. Major corporations such as Google and news organizations like the BBC pretend there's a country called Palestine. Foreign aid has created a Palestinian pseudo-economy that in 2016 enjoyed a 4.1% growth rate.

In the Temple Mount crisis, the U.S. government, the Europeans and practically everyone else lined up to support the demand for the elimination of metal detectors, along with high-tech cameras or any other devices to prevent jihadi attacks. The Quartet on the Middle East welcomed "the assurances by the Prime Minister of Israel that the status quo at the holy sites in Jerusalem will be upheld and respected." With this sort of near-unanimous support, Palestinians easily imagine themselves stronger than the Jewish state.

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.

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. MARINE CORPS/ASSOCIATED PRESS

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

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-

tion 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.

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 not a 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).

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 non-defense 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.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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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

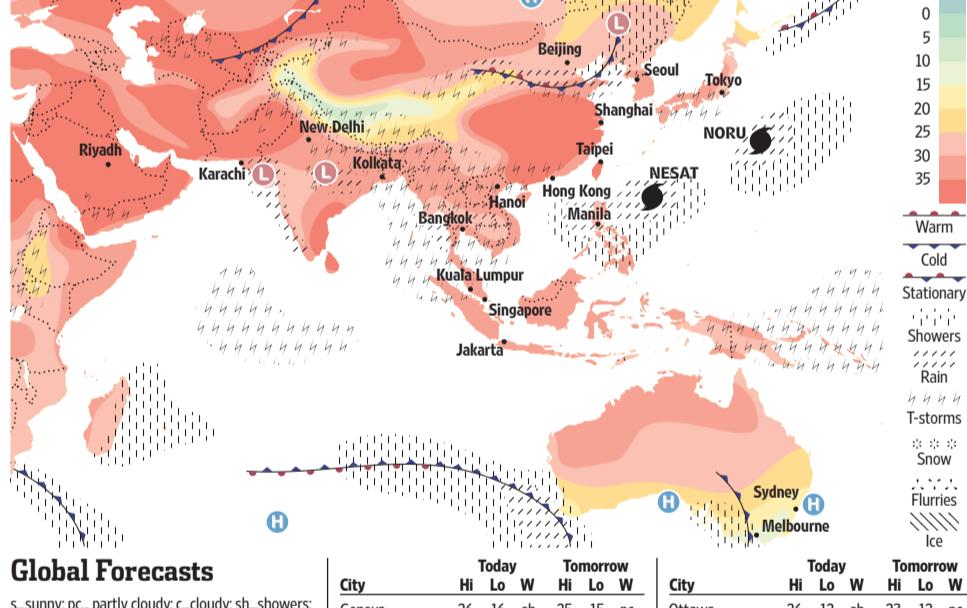
Sneakers," "Home at Last" and "Dirty Work") and covers of the Rolling Stones' "Beast of Burden" and the Beatles' "I'll Cry Instead."

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

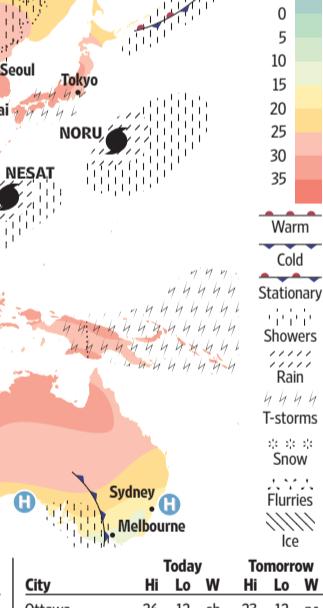


Global Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	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	31	22	pc	28	18	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	17	r
Brussels	21	13	pc	21	15	sh
Buenos Aires	23	17	pc	25	17	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	19	t	27	18	s
Dallas	38	27	s	38	27	s
Denver	29	17	t	31	17	t
Detroit	28	19	t	24	16	sh
Dubai	45	36	pc	44	36	s
Dublin	17	10	sh	17	11	s
Edinburgh	16	11	sh	17	12	sh
Frankfurt	22	13	sh	22	14	sh

AccuWeather.com



City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	26	16	sh	25	15	pc
Hanoi	34	26	pc	35	27	pc
Havana	33	24	pc	33	23	pc
Hong Kong	33	28	sh	33	28	sh
Honolulu	31	24	s	30	24	pc
Houston	35	25	pc	37	26	s
Istanbul	31	22	t	28	22	s
Jakarta	32	24	pc	32	24	c
Johannesburg	18	5	s	19	5	s
Kansas City	29	19	t	29	17	pc
Kuala Lumpur	39	30	pc	39	29	pc
Khartoum	47	30	s	48	32	s
Kolkata	32	22	pc	28	18	t
Kuala Lumpur	32	25	t	32	26	pc
Kuala Lumpur	21	15	s	21	15	pc
Kuala Lumpur	20	13	sh	20	16	s
Kuala Lumpur	29	20	pc	29	20	pc
Kuala Lumpur	37	21	s	37	21	s
Kuala Lumpur	29	26	r	28	26	s
Kuala Lumpur	14	8	c	14	9	pc
Kuala Lumpur	24	13	pc	25	12	pc
Kuala Lumpur	34	27	pc	33	27	t
Kuala Lumpur	32	17	p	34	21	pc
Kuala Lumpur	29	17	s	28	17	s
Kuala Lumpur	37	23	pc	36	21	pc
Kuala Lumpur	26	14	sh	24	13	pc
Kuala Lumpur	27	16	t	28	20	pc
Kuala Lumpur	30	26	sh	30	26	sh
Kuala Lumpur	33	23	pc	29	21	t
Kuala Lumpur	34	27	pc	34	27	t
Kuala Lumpur	34	25	r	32	26	c
Kuala Lumpur	27	17	sh	27	20	t
Kuala Lumpur	22	14	pc	23	14	s
Kuala Lumpur	22	14	sh	22	12	sh

The WSJ Daily Crossword | Edited by Mike Shenk



HIGH STANDARDS | By Alice Long

Across	24	Equivalent of four rods	46	Driving-amid-obstacles competition
1 See 50-Across	5	Grounds for a Medal of Honor	47	Weaken
10 Stadium surface	28	Switch magazines, say	49	About
13 Bow in movies	30	Clay pigeon launcher	50	Repeated five times, a song by 1-Across
15 Letter three after 57-Down	33	Shucker's workplace	53	Spot for MacBook medics
16 It may be shot in the open	34	Potter, for one	56	Stud feature
17 One can perform a giant swing on it	35	Ring outcome	59	Put away
19 Words with profit or loss	38	Iron targets	60	Set higher standards, and what you must do five times in this puzzle
20 Encourages to misbehave	40	Potent java, slangily	61	Nonexistence
21 Firefox feature	43	Like much blues music	62	Deli delicacy
23 "What'd I tell you!"	45	Neophyte	64	Political attack

BUSINESS & FINANCE

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Thursday, July 27, 2017 | B1

Yen vs. Dollar 112.1180 ▲ 0.21%

Hang Seng 26941.02 ▲ 0.33%

Gold 1247.20 ▼ 0.36%

WTI crude 48.70 ▲ 1.69%

10-Year JGB yield 0.080%

10-Year Treasury yield 2.332%

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 diseases, 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.

Ms. Walmsley said Glaxo has spread its bets too thinly, hurting its competitive edge, but said research investment would stay roughly the same overall.

In making such a move just months into her tenure, Glaxo's new boss is addressing

a key investor concern: her lack of experience in managing a pharmaceutical pipeline.

Ms. Walmsley, who became CEO on April 1, previously ran the company's consumer health-care arm, which sells drugstore staples like over-the-counter painkillers and toothpaste. Before joining Glaxo, she had spent most of her career at French cosmetics company L'Oréal SA.

The announcement came as Glaxo reported second-quarter earnings.

Despite the strategic shift, the company made no change to its long-term outlook. It maintained that annual sales growth would come in at a low- to mid-single-digit per-

centage on average, to 2020. It said adjusted earnings per share would expand at a mid-to-high-single-digit percentage annually, on average, in the same period.

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.

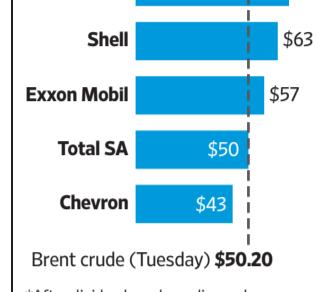
Priority review vouchers are awarded by the FDA to

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 (\$235 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. The drugmaker said revenue rose 12% to £7.32 billion. Analysts had expected a net profit of £1.14 billion and revenue of £7.27 billion.

Cash Crunch

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



Brent crude (Tuesday) \$50.20

*After dividends and pre-disposals

Source: Macquarie Research

THE WALL STREET JOURNAL.

Big Oil Is Urged To Show Restraint

BY SARAH KENT

Three years into an oil-price slump, investors want the world's biggest oil companies to do something they have historically struggled with: Maintain some financial discipline.

The companies are under pressure to show they are continuing to move on from budget-busting projects once common in the industry, as they head into second-quarter financial disclosures that begin on Thursday with Royal Dutch Shell PLC and Total SA.

Shell, Total and peers such as Exxon Mobil Corp. and Chevron Corp., which both report earnings Friday, have reined in spending through an oil-market downturn during which crude prices fell from \$114 a barrel to \$27 a barrel and remain about \$50 a barrel. Those efforts paid off in the first quarter, when the companies 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

Please see OIL page B2



Denver's investing sector is growing at twice the national average, bolstered by expansion of the exchange-traded-fund industry. Home prices reached a record in June.

U.S. Finance Jobs Migrate Inland From Pricey Coasts

BY ASJYLYN LODER

Wedged 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 Inc.'s ETF 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 of the jobs lost during the recession, but the industry is booming in places such as 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 compounds those difficulties, pushing firms to look for new

ways to cut costs.

Charles Schwab is emblematic. Since announcing its relocation strategy in early 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.

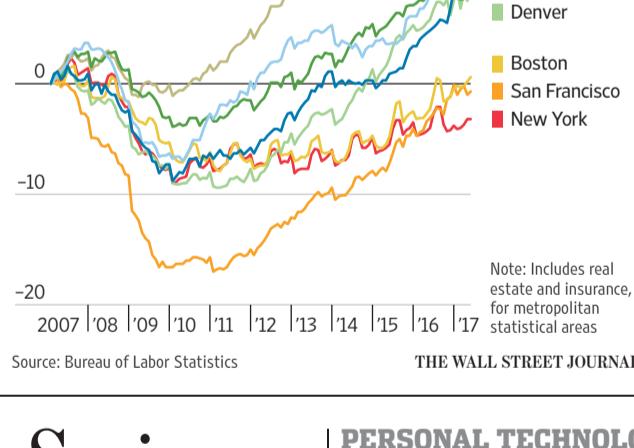
"San Francisco is a wonder-

Please see DENVER page B2

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

THE WALL STREET JOURNAL.

Viacom Considers an Offer for Scripps

BY JOE FLINT

Since taking over as Viacom Inc.'s chief executive last year with the blessing of powerful shareholder Shari Redstone, Bob Bakish has been working to win over Wall Street with moves meant to stabilize the embattled entertainment giant.

Now Mr. Bakish is contemplating what would be his boldest bet yet: an acquisition of rival media outfit **Scripps Networks Interactive**, operator of HGTV and Food Network. People familiar with the situation say Viacom is in talks to acquire the company, as is **Discovery Communications** Inc.

Members of the Scripps family were expected to meet Tuesday to discuss a potential sale, according to people familiar with the matter. The family members collectively control a 91.8% voting stake in the company and are expected to make a decision soon.

In a sign that investors are optimistic about the odds of a deal, Scripps shares have risen by about 20% since The Wall Street Journal first reported last week that the

company was in play.

At Viacom, Mr. Bakish has

sharpened the company's focus

on six key cable channels,

including MTV and Nickel-

odeon, brought in new management at the Paramount film studio, given the green light to spend more on talent, and unloaded the company's

stake in pay-television channel Epix for about \$600 million.

At first glance, Viacom and

Scripps would be odd partners.

The Scripps channels are life-

style brands primarily aimed at

families or people looking to

upgrade their homes and kitchens.

Viacom's core brands tar-

get teens and young adults, of-

ten with reality shows.

However, such a deal could

potentially strengthen Viac-

om's hand in channel-car-

riage negotiations with cable

companies and emerging

streaming TV players.

The Scripps networks have

been solid performers. In the

second quarter, domestic ad

revenue for Scripps was up 4%

while Viacom's was off by 2%,

according to MoffettNathanson, a media analyst firm.

Subscriber fees grew by 6% in the

second quarter for Scripps,

compared with 1.9% for Viacom,

MoffettNathanson said.

Together, the companies

would account for about 18%

of TV ratings, on par with con-

glomerates like **Walt Disney** Co. and **Comcast's** NBCUniversal,

according to RBC Capital

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VIAVOM

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For Viacom, the question is how financially feasible such a takeover would be. Scripps had an \$8.8 billion market capitalization before the Journal reported on July 18 that the company was in talks with Discovery. Reuters later reported that Viacom had talks with Scripps. The company is now valued at \$10.4 billion.

Viacom had \$12.2 billion in debt as of March 31 and is clinging to the lowest level of investment-grade credit ratings, according to Moody's Investors Service. That means a deal would likely need to be financed substantially with stock, rather than cash, so as not to further burden the balance sheet, said Moody's debt analyst Neil Begley. "I don't think that they have a lot of financial capacity on their balance sheet," Mr. Begley said.

But Viacom's equity isn't as valuable as it once was. The shares trade at about 12 times earnings, compared with Scripps at about 18 times. Viacom has a market capitalization of \$14.5 billion.

One benefit would be that Viacom could boost revenue by helping Scripps's channels gain greater distribution globally, Mr. Begley said.

The additional free cash flow from Scripps could also be used to help Viacom reduce its leverage, Barclays equity analyst

Kannan Venkateshwar wrote in a note last week, adding that a deal would still be "a confusing step in the wrong direction."

For Discovery, an acquisition of Scripps could help the company offer a compelling package of popular nonfiction channels for "skinny" online TV bundles and a good mix of male- and female-skewing audiences, among other benefits.

Investors have been on a roller coaster with Viacom lately. When Mr. Bakish was installed as permanent CEO in December, following a power struggle that led to the overhaul of management and the board, shares began to rebound from the mid-\$30 range and reached about \$47 in late March.

But persistent Wall Street concerns about the TV ad market and Viacom's place in the cable TV bundle have helped push the stock down to \$35, slightly above where it was when Mr. Bakish took over. Over three years, Viacom's class B shares are down more than 50%.

Mr. Bakish is still dealing with baggage he inherited, including a weak slate of movies at Paramount and several cable channels enduring rating declines. He landed the job of chief executive after winning the confidence of Ms. Redstone, president of Viacom's controlling shareholder, **National Amusements Inc.**, and daughter of mogul Sumner Redstone.

—Sarah Rabil
and Dana Cimilluca
contributed to this article.

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 through the process.

When Partners Group AG announced last year that it would relocate its San Francisco operations to Denver, 60% of its 34 San Francisco employees declined to move and had to find jobs elsewhere, according to spokeswoman Jenny Blinch.

Still, the trend shows few signs of slowing. Denver's investing sector is growing at

Ford Shares Fall on New Guidance

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 midday 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.

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.

The company issued new 2017 guidance, forecasting full-year adjusted earnings per share between \$1.65 and \$1.85, with the midrange roughly in line with last year's results. However, that equates to \$7.8 billion to \$8.7 billion on a pretax operating basis, below the previous outlook of \$9 billion for the full year and far lower than the \$10.4 billion earned in 2016.

"We expect a negative reaction to the implicit reduction in pretax profit," said J.P. Morgan analyst Ryan Brinkman.

"This also may amount to a bit of 'clearing the decks' follow-



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

ing the recent change in leadership."

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 provide 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 the first 100 days on the job re-

viewing all corners of the auto maker's business in an effort to craft a comprehensive turnaround plan. The goal is to help steer the company through an expected downturn in U.S. auto-industry sales while speeding development of new technologies, such as electric cars and autonomous vehicles. Company executives will disclose details of the plan this fall.

Mr. Hackett described the second-quarter performance as "solid" but added that "no one here is satisfied."

"We know we have a lot of work to do," he told analysts and reporters on the company's earning call Wednes-

day.

Ford's earnings report somewhat mirrored results from **General Motors Co.** a day earlier, with results being almost entirely driven by core North American performance.

Ford's second-quarter adjusted earnings were 56 cents per share, beating analysts' estimates of 43 cents a share.

Operating income fell 16% to \$2.5 billion in the second quarter due to higher commodity costs, unfavorable exchange rates in China and Europe and charges related to a pullback in small-car production.

Revenue was \$39.9 billion for the April-to-June period versus \$39.5 billion a year ago.

Regulator Sues Ford Over Transmission

By MIKE CHERNEY

An Australian regulator is suing **Ford Motor Co.** regarding a transmission that caused jerking while accelerating and also excessive noise, the latest legal challenge for global auto makers stemming from safety concerns.

The Australian Competition and Consumer Commission, which filed a lawsuit Wednesday in the Federal Court of Australia, said Ford misled customers who complained about the dry-clutch PowerShift automatic transmission. The ACCC said Ford violated the Australian Consumer Law by telling customers they weren't entitled to a refund or a replacement vehicle at no cost.

The ACCC said Ford sold about 70,000 vehicles with the transmission in Australia from 2011 to 2016—including the Focus, Fiesta and EcoSport

models—and that about half the vehicles had at least one repair related to the transmission. If found liable, Ford could face penalties of up to 1.1 million Australian dollars (\$US\$870,000) per breach of the law. It would be up to the court to determine how many breaches occurred.

Ford is facing other legal action relating to the transmission. A settlement is pending in one class action filed in U.S. federal court in California, which offers customers up to \$2,325 in cash, among other possible remedies. At least one class action is also pending in Australia, separate from the ACCC's lawsuit.

Ford rebutted the regulator's allegations that it purposefully denied customers their rights and indicated it would challenge them in court. The auto maker, however, acknowledged that issues have

arisen in certain vehicles with the PowerShift transmission and apologized for its initial slow response to the complaints.

More recently, Ford said, it has reached out to customers who had their transmission repaired twice or more to offer the latest updates free. Overall, more than 12,000 vehicles have had clutches upgraded to the latest specifications, Ford said.

Graeme Whickman, Ford's chief executive for Australia, said at a news conference that the Australian safety regulator, the Department of Infrastructure and Regional Development, investigated the vehicles and transmission and concluded that there are no safety concerns.

The allegations distract from what has been a profitable two years for Ford, as demand for trucks and SUVs pushed U.S. auto sales to re-

cord highs amid low gas prices. But Ford said in April that first-quarter profit fell 35%, citing lower sales in China, recall costs associated with fire risks and faulty door latches, and declining interest for new cars in the U.S.

The ACCC said that from 2011 to May 2015, Ford refused to provide refunds or replacements even after vehicles had multiple repairs that didn't correct the issues. It said that in most cases, Ford provided replacement vehicles only if customers participated in a loyalty program, requiring an average payment of A\$7,000.

The ACCC said Ford blamed the problems on customers' handling of their cars but that the company knew by October 2013 that there were problems with the transmission. That is when it started issuing technical-service bulletins to dealers concerning repair work.

DENVER

Continued from the prior page
ful place, but unfortunately it's an expensive place from a real-estate standpoint," said 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 through the process.

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Still, the trend shows few signs of slowing. Denver's investing sector is growing at

ant TIAA is renovating its 1,500-person office. After completing a new call center in 2013, Fidelity Investments has expanded its staff near Denver to 800 people. Accounting and advisory firm PricewaterhouseCoopers plans to expand its local staff.

For Will Rockett, a Manhattan native who moved to Denver seven months ago for Schwab, it is the first time he has ever lived in a house with a yard. Erica Escalante, who left New York five years ago and works for Janus Henderson, says she nearly wept when she realized she would have a washer and dryer in her own apartment.

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 record highs, homes sit on the market for just 7 days before finding a buyer, according to Redfin, a Seattle-based residential real-estate brokerage.

While Denver home prices reached a record in June, they are still far below San Francisco's. "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.

OIL

Continued from the prior page
to keep finding new oil to replace the barrels they are pumping. That means spending money on exploration, development and acquisitions.

BP, which reports earnings next Tuesday, faced criticism from investors and analysts after 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 fell 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.

"This 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 out to 2021.

At BP's first-quarter results in May, Chief Financial Officer Brian Gilvary said the company intended to deliver on promises to increase cash flow and dividends in coming years by "maintaining strict discipline within our financial frame and staying focused on delivering returns."

Exxon's capital spending last year was \$12 billion lower

than in 2015, though it has crept higher this year. The company says it is focusing a chunk of its firepower on shale developments that start to generate cash quickly.

Chevron has said it will be able to cover its spending and dividends with cash at \$50 a barrel this year with the help of asset sales. In April, Chevron said it had lowered capital spending 22% compared with its average quarter in 2016 and 56% versus the average quarter in 2014. The company plans to spend \$17 billion a year out to the end of the decade.

If oil prices remain near the \$50 per barrel mark, you can expect to see our future spend near the bottom of this range," Chief Financial Officer Patricia Yarrington told analysts in April.

"I think a lot of these companies have found religion,"

said Brian Youngberg, senior energy analyst at brokerage firm Edward Jones. "They realize now they can't just spend, spend, spend. They have to be more disciplined with their capital."

Exxon, Shell, BP and Chevron have all indicated they will be able to generate enough cash this year to cover spending and shareholder payouts at \$60 a barrel, but at \$50 the picture is more mixed. Even next year, many of them will still need higher oil prices to cover their costs, according to Macquarie.

Investors remain cautious. Big oil companies' share prices are little changed or lower than at the same time last year, even though oil prices are higher. Exxon's share price is down more than 10% from a year ago.

The companies still have

high debt levels, and some—like Shell and Total—offer dividends as company shares, known as scrip, helping them to preserve cash but diluting investors' earnings per share.

"We need to see discipline and people being more realistic about where oil prices could remain for quite a long time," said Jason Kenney, an oil-company analyst at Spanish lender, Banco Santander.

BUSINESS NEWS

Coke Tweaks Its Diet-Soda 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 brand, 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, 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 Diet Coke, said Mr. Quincey.



Coke Zero will be replaced in the U.S. by Zero Sugar, which was launched in the U.K. last year.

He said the company is experimenting with reformulating low-calorie versions of many of its sodas to make them taste better.

The company said low- and no-calorie soda volume notched percentage gains in the mid-single digits during the quarter.

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%. Analysts polled by Thomson Reuters had forecast full-year earnings of \$1.89 a share, a 1% decline.

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. However, adjusted revenue grew 3% as the company shifted its focus to revenue growth over volume growth.

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 declined 16% to \$9.7 billion, but organic revenue grew 3%.

—Imani Moise contributed to this article.

cey, 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 the call with journalists.

Coke has been aiming to cut sugar from its products and diversify beyond soda as more countries consider special taxes on sugar-sweetened beverages to combat rising rates

of obesity and diabetes, and as consumers switch to healthier beverages. The Zero Sugar name is intended to better communicate to consumers that it contains no sugar.

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.

tary jet deliveries.

The company retained its full-year guidance for delivering 760 to 765 jetliners. Its backlog rose to \$482 billion, including \$27 billion of net orders during the latest quarter.

Boeing now expects adjusted earnings of \$9.80 to \$10 a share compared with previous guidance for \$9.20 to \$9.40 a share. Revenue guidance was unchanged at \$90.5 billion to \$92.5 billion.

HNA Ends Its 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 Lifts Outlook, Sets Pension Payment

BY DOUG CAMERON AND EZEQUIEL MINAYA

Boeing Co. on Wednesday raised its full-year profit guidance and outlined plans to pay some of its big pension liabilities ahead of schedule.

The additional \$3.5 billion pension payment highlights the aerospace company's confidence in boosting cash generated by sales of its commercial jetliners as Boeing

prepares to boost output of the best-selling 737 and absorb a downturn in demand for larger aircraft.

Boeing shares were up 8.3% at \$230.13 on the New York Stock Exchange at midday.

The pension payment would cover expected funding needs over the next four years and eliminates another risk for Boeing, while providing a tax benefit that lifts its cash flow.

Boeing shares have soared

nearly 50% this year as investors express more confidence about the demand for jets and the company's ability to convert its \$500 billion order book into cash and profits. It now expects to buy back some \$10 billion in stock this year.

The move came as Boeing reported forecast-beating second-quarter profit, and the company raised its margin guidance as a mix of job cuts and efficiency measures boost

productivity.

In all for the quarter, Boeing earned \$1.76 billion, or \$2.89 a share, up from last year's loss of \$234 million, or 37 cents a share. Excluding nonrecurring items, the company earned an adjusted profit of \$2.55 a share, topping the average analyst estimate for \$2.30 a share, according to Thomson Reuters. Revenue fell 8.1% to \$22.7 billion, reflecting a drop in commercial and mili-

tary jet deliveries.

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BUSINESS WATCH

AMAZON

Company Takes Steps To Add U.S. Jobs

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 U.S. 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.

Amazon is counting on competitive wages, benefits and programs like one that pays for tuition to attract job candidates, said John Olsen, vice president of Amazon's world-wide operations human resources.

Nearly 40,000 of the prom-

ised jobs are full-time at the company's fulfillment centers, including some facilities that will open in the coming months.

—Laura Stevens

Meatpacking Giant Reaches Bank Deal

Brazilian meatpacking giant JBS SA reached a deal with banks to renegotiate about 20.5 billion reais, or around \$6.5 billion, in debt as part of a broader effort to address the fallout of a massive bribery scandal.

The agreement, disclosed in a filing late Tuesday, aims to stabilize the indebtedness of JBS's Brazilian unit for a period of 12 months. It involves a group of local and foreign banks and JBS's local unit, which accounts for less than half of the company's total revenue.

During the 12-month period of the agreement, JBS Brazil will pay in full the interest rates established in its original financing contracts, as well as four installments of 2.5% of the principal amount of the debt.

The deal comes after JBS's owners earlier this year admitted to paying millions of dollars to politicians over several years in exchange for government favors, notably access to taxpayer-subsidized financing. JBS's parent company, J&F Investimentos,

agreed to pay more than \$3 billion in penalties as part of a cooperation agreement with prosecutors.

Under the agreement disclosed Tuesday, JBS will amortize debt equivalent to 80% of the net proceeds of any future asset sales.

—Luciana Magalhaes

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 talks 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.

In its 2016 annual report, Time Inc. said its U.K. operations generated \$313 million in revenue, down from \$370 million in 2015. The division's revenue represented 10% of the company's total 2016 revenue of almost \$3.1 billion.

—Jeffrey A. Trachtenberg

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Time Inc. has hired an investment bank to explore a possible sale of its Time Inc. UK division and is in early-stage talks 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.

In its 2016 annual report, Time Inc. said its U.K. operations generated \$313 million in revenue, down from \$370 million in 2015. The division's revenue represented 10% of the company's total 2016 revenue of almost \$3.1 billion.

—Jeffrey A. Trachtenberg

agreed to pay more than \$3 billion in penalties as part of a cooperation agreement with prosecutors.

Under the agreement disclosed Tuesday, JBS will amortize debt equivalent to 80% of the net proceeds of any future asset sales.

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GOVERNMENT OF MAHARASHTRA PUBLIC WORKS DIVISION, AMRAVATI

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 Pakage 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 Hatura Road, Km. 0/00 to 31/700 including diversion and Morshi Pala Salbardi Dongaryawali Dapor 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 Bypass 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 Pilgrimage place MDR-27		
C) Parawada Chikhaldara Ghatang SH-305 & MDR-8 joining Chikhaldara Tourist Place.		
D) Warud Gavankund Bahada Mangruli Kachurna Hatura MDR-45 & Morshi Pala Salbardi Dongaryawali Dapor 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

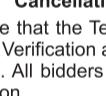
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(S. R. Jadhav)

Executive Engineer,

Public Work Division, Amravati

DGIPR 2017-2018/1729



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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

Department of Currency Management

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Registered Office : 17 , Jamshedji Tata Road, MUMBAI; CIN:L23201MH1952G01008858

GLOBAL NOTICE INVITING E-TENDER

HPCL invites digitally signed & sealed (encrypted) E-tenders under two bid system (online bids only to be submitted at site <https://etender.hpcl.co.in>) 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 (BOC) etc. can also be viewed at our website 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.

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THE WALL STREET JOURNAL.

TECHNOLOGY

Nintendo Switch Forecast Indicates Supply Hurdles

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 critical 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.

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 expects Nintendo to beat its annual forecast, "but it all depends on supply into the market."

Since the Switch's introduction, demand has kept rising,



Nintendo sold 1.97 million Switch consoles in the latest quarter.

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."

Nintendo plans by the end of 2017 to release more titles for the Switch, including a

Pokémon game in September and "Super Mario Odyssey" in October. It started selling "Splatoon 2" last week.

The new Mario game will spur demand, and Nintendo needs to have machines on store shelves to meet it, said independent game consultant Serkan Toto.

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.

ment, figuring out how to make Vernie move forward and shout "OMG" when he clapped his hands.

"In regular coding games you look at the screen to see the things happen, but in this coding game you look at the robot to see if you did it right," Wes says.

The Boost coding experience is similar to a visual language called Scratch, developed at MIT. The code blocks

pointed that the Boost pieces have limited lights and no speakers; noises only come from the tablet.

One of my few complaints about the Boost app is that it doesn't offer any help for parents. There's no search function for code blocks, and since they don't come with explanatory text, it can be hard to help when a child gets frustrated.

My advice: Take it slow. Lego Boost's capabilities go wide, and a child could spend a week working out all the possibilities of just one or two bits of code.

Also note: The Move Hub's AAA batteries can die after a few hours of heavy use.

At \$160, Lego Boost is a big purchase. But if this makes you feel any better, a Lego Star Wars Death Star costs \$500 and only features pretend droids.

What impressed me most about Lego Boost was how much my testers say they enjoyed the coding aspect. Lego-obsessed Wes, who's slightly younger than Boost's advertised age, says coding is better than building because it's "faster and funner." I think there are plenty of engineers in Silicon Valley who'd agree.

Lego says it has no plans to sell additional coding blocks as in-app purchases, though it does provide manual motor and sensor controls for the type of children who go to Harvard at 14.

My testers were disapp-

are identified by icons and colors, not words. The Lego app communicates how to use it without any text or tutorials. You learn by doing.

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FINANCE & MARKETS

Mall-Owner Executives Take a Pay Cut

Stock-based compensation at retail REITs wanes with the sector's performance

BY PETER GRANT

Turbulence in the retail sector is hitting executives working for the top mall companies where it hurts: in their wallets.

Senior management teams at the country's largest mall owners, including Simon Property Group Inc., GGP Inc. and Macerich, are taking cuts to their compensation as they navigate an industry beset with struggling retailers and increasing competition from online shopping.

The slide in compensation among retail landlords is unusual in the corporate world. Executives at companies in other sectors are less likely to feel the pain of a rough patch because their pay isn't as closely tied to stock performance.

But the real-estate investment trust industry is ahead of most other sectors in designing pay plans to align the interests of shareholders and management, according to Jeremy Banoff, a senior managing director with FPL Associates LP, a compensation-consulting firm that focuses on the real-estate industry.

As a result, when stocks fall, it is more likely that compensation cuts result, he said. "The rest of the world is playing catch-up," Mr. Banoff said.

Indianapolis-based Simon, the country's largest mall owner with stakes in more than 325 properties, took the rare step of eliminating stock grants tied to the company's long-term performance for top executives, according to its proxy statement filed with the Securities and Exchange Commission.

Simon did this because of "the challenging business conditions in the retail industry that the company is facing," according to the proxy statement. A spokeswoman for Simon declined to comment beyond what was written in the filing.

Executives at other big mall owners suffered because their compensation is tied to the performance of their share prices, which have been hammered during the past 18 months as investors have fled the sector.

For example, Macerich Chief Executive Arthur Coppola had a target compensation package—including base salary, annual incentive and other benefits—potentially worth \$12 million in 2016. But because the company's stock price dropped, Mr. Coppola was on track to receive only \$5.7 million of that, according to the company's proxy filing.

"That's the way the stock plans are structured," said Macerich Chief Financial Officer Thomas O'Hern in an interview. "When the stock is down, we suffer from a compensation standpoint."

The retail sector was facing problems even before the e-commerce revolution. Rampant development left the U.S. with far more malls than it needed by the time the last recession hit.

A decade later the country is still considered "overstored" and Americans are doing more than 8% of all shopping online, creating enormous headaches for mall owners on the demand side. Space has emptied as big retailers like Macy's Inc., J.C. Penney Co., Bebe Stores Inc. and Sears Holdings Corp. have closed stores across the U.S.

Until now most of the pain has been suffered by the lower-quality malls, which have taken the greatest hits to occupancy and rents. More of



ley, N.Y. Its shares were down about 9% this year through Tuesday.

Part of the pressure on retail REITs is coming from short sellers, who bet share prices will fall. So-called short interest on Simon jumped to \$2.3 billion in June from \$870.9 million in November. Over the same period, short-interest trades in GGP increased to \$1.4 billion from \$424 million, according to data from S3 Partners, a financial analytics firm.

Many companies in the corporate world also use stock-price performance but to a lesser degree than REITs, Mr. Banoff said. This is partly because the real-estate industry has long had a focus on rewarding managers for increasing the value of their properties, he said.

At GGP, Chief Executive Sudip Mathrani took a cut of more than \$1 million based on criteria that include the company's stock performance, according to Kevin Berry, GGP's head of investor relations. The company revamped its compensation program following a negative vote by shareholders last year on a nonbinding "say on pay" resolution.

The impact on Simon executives' pocketbooks was greater because of the company's elimination of its stock-grant program last year. David Simon, the company's chief executive, was awarded stock valued at about \$9.5 million from that program in each of the previous three years, according to Mr. Banoff of FPL.

Other members of Simon's executive team were awarded stock valued at \$2.5 million or \$3 million from the program in previous years. In 2017, no grants will be awarded, according to the company's proxy.

—Esther Fung
contributed to this article.

Simon Property owns The Shops at Crystals at CityCenter in Las Vegas. It ended its stock-grant program.

these properties are being sold at steep discounts or going into default.

But the cuts in compensation show that the pain is now spreading to the owners of the highest-quality malls. These popular malls, usually in higher-income areas, have done a good job thus far of keeping rents and occupancies

from falling and replacing closing stores with new tenants, according to analysts.

For example, Simon earlier this year reported its occupancy was 95.6% at the end of the first quarter, unchanged from a year earlier. Base minimum rent was \$51.87 a square foot, an increase of 4.4%, Simon said.



David Simon, CEO of Simon Property, at a conference in 2016.

But the shares of the top mall companies haven't been immune to investor concerns that the internet's impact on bricks-and-mortar shopping could get much worse. "The severe negative sentiment surrounding retail real estate has sent many retail REIT share prices into a free fall," said a recent report on the sector by Green Street Advisors.

Last year, retail REITs rose only 0.95% while the broader equity REIT market gained 8.63% and the S&P 500 increased 11.96%. This year retail REITs were down 10.4% through Monday, compared with up 5.6% for the REIT market and 11.6% for the S&P 500.

The downdraft is hitting companies with top regional malls as well as those that own shabbier properties. For example, Simon owns such trophies as the Forum Shops at Caesars in Las Vegas; Sawgrass Mills in Sunrise, Fla.; and Woodbury Common Premium Outlets in Central Val-

Digital Coin Sales Ring An Alarm Bell at the SEC

BY PAUL VIGNA
AND DAVE MICHAELS

The Securities and Exchange Commission on Tuesday 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 were the first from the SEC specifically to address initial coin offerings, a nascent area where more than \$1 billion has been raised so far 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 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 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 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 he 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 sector, 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.

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.

The report doesn't exonerate all other initial coin offerings, or ICO's, 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 is scrutinizing other offerings, the person said.

Still, "to the extent that the facts are similar enough, the SEC would be hard pressed to take enforcement action," said Michael Liflik, a former SEC enforcement lawyer who is now a partner at Quinn Emanuel Urquhart & Sullivan LLP. While the commission was exerting its authority over the burgeoning investment method, it did acknowledge that there could be differences among the coins. Firms using tokens to raise cash in some cases would have to seek SEC approval for the offering and provide detailed financial disclosures if they market the deal to the general public.

ADVERTISEMENT Legal Notices

UNITED STATES BANKRUPTCY COURT, SOUTHERN DISTRICT OF NEW YORK
In re WESTINGHOUSE ELECTRIC Co., Chapter 11
COMPANY, et al., Case No. 17-10751 (MEW)
Debtors, (Jointly Administered)

NOTICE AND DEADLINE 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,
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; WEC Nuclear Services Inc., 17-10757, 36-3606586; PCI Energy
Services LLC, 17-10758, 37-1589100; Shaw Global Services, LLC, 17-10759,
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Carolina Energy Solutions, LLC, 17-10767, 27-1032335; WEC Specialty LLC, 17-10770,
N/A; WEC Welding and Machining, LLC, 17-10771, 27-1028771; WECTEC Con-
tractors Inc., 17-10772, 72-0944618; WECTEC Global Project Services Inc.,
17-10773, 72-1478572, CB&I Stone & Webster Inc.; WECTEC LLC, 17-10774,
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,
46-492309; Westinghouse International Technology LLC, 17-10779, N/A;
Westinghouse Technology Licensing Company LLC, 17-10779, 51-0395961.

On June 28, 2017, the United States Bankruptcy Court for the Southern District of New York (the "Court"), having previously set the chapter 11 case of Westinghouse Electric Company LLC, in the debtors in the above-captioned 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").

(ii) September 29, 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".

3. EXECUTORY CONTRACTS AND UNEXPIRED LEASES. If you hold a claim arising from the rejection of 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. The Debtors may agree in writing to extend the Bar Date to a later date 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 unexpired executory identified above applies.

4. WHEN AND WHERE TO FILE A PROOF OF CLAIM. Proofs of Claim must be filed either (i) electronically through KCC's website at <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:

(i) in writing in the English language; (ii) be denominated in lawful currency; (iii) be signed with your name; (iv) be accompanied by a financial account number (only the last four digits of such financial account); and (v) be signed with your name.

Additional Proof of Claim Forms may be obtained at <http://www.uscourts.gov/forms/bankruptcy-forms> or <http://www.kccllc.net/westinghouse>.

YOU SHOULD ATTACH TO YOUR COMPLETED PROOF OF CLAIM FORM COPIES OF ANY DOCUMENTS UPON WHICH YOUR CLAIM IS BASED. IF THE DOCUMENTS ARE VOLUMINOUS, YOU SHOULD ATTACH A SUMMARY.

6. CONSEQUENCES OF FAILURE TO FILE A PROOF OF CLAIM BY THE BAR DATE. ANY HOLDER OF A CLAIM THAT IS NOT EXEMPTED FROM THE REQUIREMENTS OF THE BAR DATE ORDER, AS SET FORTH IN SECTION 2 ABOVE, AND THAT FAILS TO TIMELY FILE A PROOF OF CLAIM IN THE APPROPRIATE COURT WILL BE FOREVER BARRED FROM ASSERTING SUCH CLAIM AGAINST THE DEBTORS AND THEIR CHAPTER 11 ESTATES, UNLESS THE DEBTORS REORGANIZE IN THESE CHAPTER 11 CASES, AND FROM PARTICIPATING IN ANY DISTRIBUTION IN THE DEBTORS' CASES ON ACCOUNT OF SUCH CLAIM.

7. THE DEBTORS' SCHEDULES, ACCESS THERETO, AND CONSEQUENCES OF AMENDMENT THEREOF. You may be listed as the holder of a claim against the Debtors in the Debtors' Schedules of Assets and Liabilities and/or Schedules of Executive Contracts and Unexpired Leases (collectively, the "Schedules"). To determine if and how you are listed in the Schedules, please refer to the descriptions set forth on the enclosed Proof of Claim Form regarding the nature, amount, and status of your claim(s). If you received postpetition payments from the Debtors (as authorized by the Court) on account of your claim, the enclosed Proof of Claim Form will reflect the net amount of your claims. If the Debtors believe that you hold claims against more than one Debtor, you will receive multiple Proof of Claim Forms, each of which will reflect the nature and amount of your claim against each Debtor, as listed in the Schedules.

8. WHO MUST FILE A PROOF OF CLAIM. If you are listed in the Schedules and you have a claim against the Debtors, you must file a Proof of Claim on or before the Bar Date in accordance with the procedures set forth in this Notice.

Copies of the Schedules may be examined by interested parties on the website established by KCC for the Debtors' cases at <http://www.kccllc.net/westinghouse> and (ii) on the Court's website at <http://www.nysb.uscourts.gov>. (A login and password to the Court's Public Access to Electronic Court Records ("PACER") are required to access the information on the Court's website and may be obtained through the PACER Service Center at <http://www.pacer.psc.uscourts.gov>). Copies of the Schedules also may be examined between the hours of 9:00 a.m. and 4:30 p.m. Monday through Friday at the Office of the Clerk of the United States Bankruptcy Court, United States Bankruptcy Court for the Southern District of New York, 424 Washington Street, New York, NY 10004-1408. Copies of the Debtors' Schedules also may be obtained by written request to the Debtors' claims agent, KCC, at the address set forth in the Schedules. The telephone number for the Clerk of the United States Bankruptcy Court is (212) 236-7223.

In the event that the Debtors amend or supplement their Schedules subsequent to June 28, 2017, the Debtors shall give notice of any amendment or supplement to the holders of claims affected by such amendment or supplement within ten (10) days after filing such amendment or supplement, and such holders must file a Proof of Claim by the later of (i) the Bar Date and (ii) 30 days following the date such deadline is contained in any notice of such amendment or supplement of the Schedules provided to the holders of claims affected thereby.

A holder of a valid claim against the Debtors should consult an attorney if such holder has any questions regarding this Notice, including:

Debt: New York, New York; June 28, 2017.

BY ORDER OF THE COURT
DAVID L. WEIL, GOTSHAL & MANGES LLP, 767 Fifth Avenue, New York, New York 10153, Telephone: (212) 310-8000, Facsimile: (212) 310-8007, Attorneys for Debtors and Debtors in Possession

ONE PENN PLAZA, SUITE 3335, NEW YORK, NEW YORK 10119, TELEPHONE: (212) 594-5000, FACSIMILE: (212) 967-4258, ATTORNEYS FOR DEBTOR TOSHIBA NUCLEAR HOLDINGS (UK) LTD.

Robo Adviser Looks to People

BY ANNE TERGESEN

A company founded on the idea of managing money for individuals based on algorithms is adding more advice from humans.

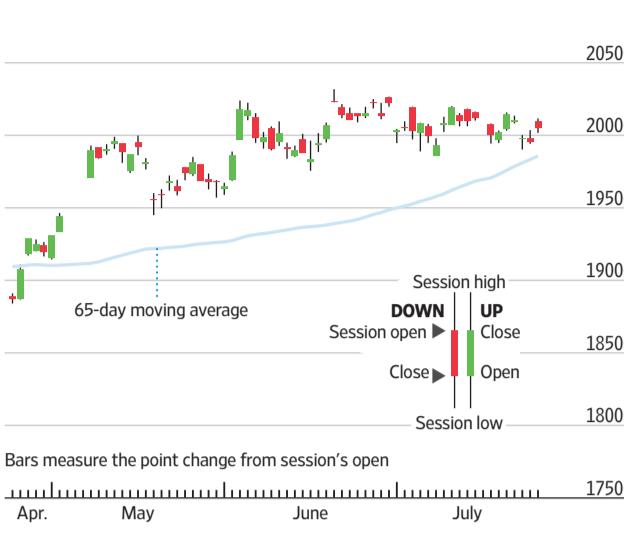
Robo-adviser Betterment LLC planned to unveil

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.



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.



Bars measure the point change from session's open

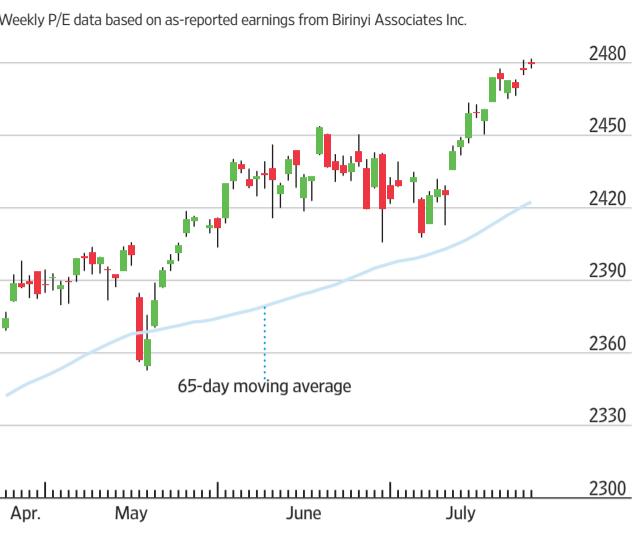
Apr. May June July

365 370 375 380 385 390 395

S&P 500 Index

2479.44 ▲ 2.31, or 0.09%

High, low, open and close for each trading day of the past three months.



Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

Apr. May June July

2300 2330 2360 2390 2420 2450 2480

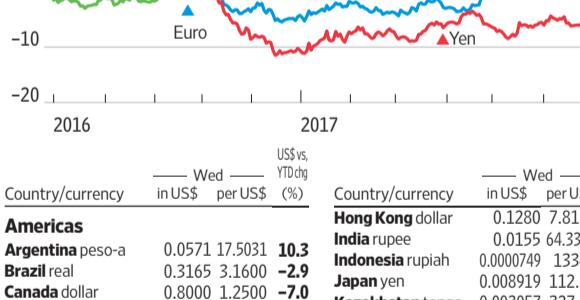
International Stock Indexes

Region/Country	Index	Data as of 12 p.m. New York time					
		Close	Net Chg	% chg	52-Week Range	YTD High	% 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	1614.17	1937.82	12.4
	MSCI EM USD	1063.61	1.92	▲ 0.18	838.96	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	328.80	396.45	5.9
	Stoxx Europe 50	3132.54	7.52	▲ 0.24	2720.66	3279.71	4.1
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
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
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
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
Indonesia	Jakarta Composite	5800.21	-13.33	-0.23	5027.70	5910.24	9.5
Japan	Nikkei Stock Avg	20050.16	94.96	▲ 0.48	16083.11	20230.41	4.9
Malaysia	Kuala Lumpur Composite	1766.00	2.66	▲ 0.15	1616.64	1792.35	7.6
New Zealand	S&P/NZX 50	7710.59	-2.47	-0.03	6664.21	7732.75	12.1
Pakistan	KSE 100	45908.39	-9.51	-0.02	39278.11	52876.46	-4.0
Philippines	PSEI	8037.51	65.79	▲ 0.83	6563.67	8100.48	17.5
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
Thailand	SET	1583.17	1.75	▲ 0.11	1406.18	1591.00	2.6

Source: SIX Financial Information/WSJ Market Data Group

Currencies

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



2016 2017

US\$ vs. Wed. per US\$ (%)

Country/currency

US\$ vs. per US\$ (%)

Country/currency

BUSINESS NEWS

Spotlight on China Stocks

Investors ramp up due diligence on mainland companies ahead of MSCI index inclusion

BY GREGOR STUART HUNTER

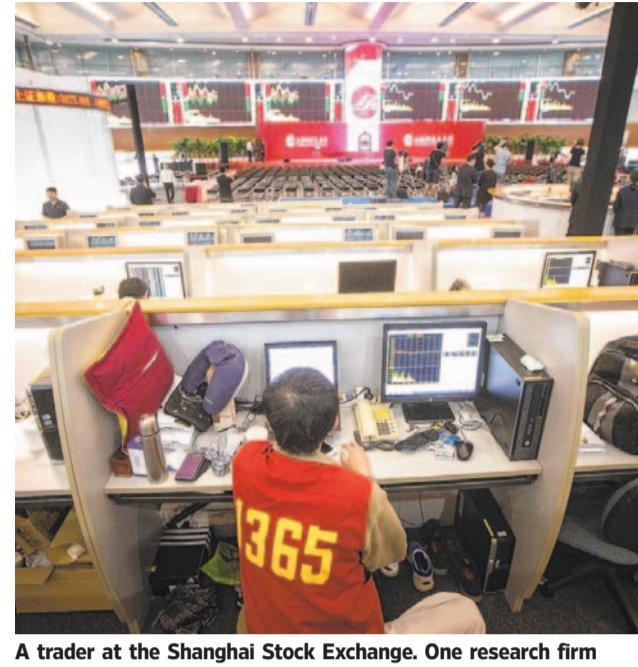
Foreign investors are using new methods to conduct due diligence on Chinese companies, from machine-learning software to getting friendly with the ex-wives of directors, as some stocks are poised to join global benchmarks next year.

Fund managers are eager to know more about companies listed in Shanghai and Shenzhen after index provider **MSCI Inc.** said in June that it would add some of China's domestic stocks to its global market measures in 2018. The companies they are investigating include some from mainland China that are already listed in Hong Kong.

Investors are turning to the several firms that have sprung up in recent years, specializing in research into Chinese companies via a combination of new technology and on-the-ground investigations.

"If the company's doing one thing strange in its financials, generally it's doing a number of strange things," said Gillem Tulloch, founder of Hong Kong-based **GMT Research**, which sells reports to mutual funds and hedge funds but doesn't take short positions.

The firm recently used satellite imagery from Google Earth to view a large sample of projects owned by Hong Kong-listed **China Evergrande Group**, the country's largest listed property developer by sales. GMT alleges that the images show that progress of construction work had stalled at several of Evergrande's developments. It included its findings in a report that said the company could in practice be insolvent. GMT said its analysts also visited about 40 of Evergrande's properties to verify its findings.



A trader at the Shanghai Stock Exchange. One research firm used Google Earth to determine the progress at a development.

Evergrande didn't respond to requests for comment. The company's shares have almost tripled this year after it carried out a series of share buybacks.

Nonetheless, even if investors find something they suspect is wrong with a company, it can be hard for them to act, due to restrictions on short selling in China's stock markets. In Hong Kong, meanwhile, the city's market regulators have been pushing back against critical research reports on companies. A short seller borrows shares and sells them, hoping to buy the stock back later at a lower price and return them, pocketing the difference as profit.

Some companies in China are getting wise to on-the-ground visits. Sean Chen, Hong Kong-based director of strategy at **Blackpeak Group**, a research and risk-advisory firm, said that while investigating one company listed on the mainland on behalf of an investor, his team found one of its electrical component factories in Guangdong empty. "When we asked the security guards of the neighboring

factory, they told us that a few days prior to our own visit, the company had offered to pay 100 yuan (\$14.80) to local villagers to come to the factory, wear hard hats and pretend to be workers to impress some [other] foreigner investors who were visiting," Mr. Chen said.

Some research firms deploy the latest machine-learning tools to comb through company financial data for warning signs. Typically, this involves writing computer code that hunts for traits common to fraudulent firms and then looks for other companies that match.

One company using such methods, Shenzhen-based **blueflag.io**, says it is seeing interest from some global fund managers who occasionally want to check on individual companies where they suspect fraud.

"What they want to own are the new-economy stocks; that's where you have the higher fraud risk," said Fredrik Öqvist, the company's founder.

Some research methods veer into the personal, as investors try to untangle the

sometimes complex web of a company's "related party transactions," deals between spouses, family members and other close associates that may not always represent the best interests of minority shareholders.

One portfolio manager, who asked not to be identified, said she had in the past tried to learn details about the ex-wives of directors or where their children go to school, as a way to unearth information on the company.

Making negative research on companies public in Hong Kong can be tricky. The city's market-misconduct panel last year banned short seller Andrew Left of **Citron Research** from trading securities in the city for five years for publishing a research report about Evergrande in June 2012. The case is pending appeal.

If a firm issues a report questioning the accounting practices of a listed company, its management can ask the **Hong Kong's Securities and Futures Commission** to begin an inquiry, which may escalate into an investigation. Disclosing that a company is under investigation is a criminal offense in Hong Kong, carrying penalties of up to two years' imprisonment and a maximum fine of 1 million Hong Kong dollars (US\$128,086).

The aggressive stance from Hong Kong's regulator has produced a chilling effect and has minimized the amount of critical research produced, said Timothy Loh, a Hong Kong lawyer who defended Mr. Left in his case with the SFC last year.

An SFC spokesman defended the commission's actions. "Responsible research, including research issued by credit-rating agencies and research houses, can all contribute to the overall market quality and price-discovery process and has no intention to suppress legitimate commentaries on listed companies, whether positive or negative," he said.

Earnings, Commodity Gains Lift U.S. Shares

By RIVA GOLD
AND AMRITH RAMKUMAR

U.S. stock indexes touched fresh intraday records, boosted by the latest batch of corporate earnings and higher commodity prices.

WEDNESDAY'S MARKETS

The Dow Jones Industrial Average advanced 96 points, or 0.5%, to 21710 around midday. The S&P 500 rose 0.1% and the Nasdaq Composite added 0.2%.

While the S&P 500 and Nasdaq have been setting fresh intraday records this week, Wednesday's advance marked the Dow industrials' first such high since July 14.

Australia's S&P/ASX 200 rose 0.9% after Australian inflation figures were weaker than expected but the Australian central bank dismissed a need to change its stance. Japan's Nikkei Stock Average gained 0.5% to end a three-session losing streak, while Hong Kong's Hang Seng Index rose 0.3%.

Elsewhere, the Stoxx Europe 600 added 0.5%.

"Earnings in general have been very good," said Paul Brigand, managing director and head of trading at Drexel Investments. "That's fueled the continued optimism in the market."

Boeing shares led the Dow industrials higher following the company's quarterly earnings report, jumping 8.4% to

\$230.40 around midday. The aerospace giant added more than 100 points to the blue-chip index after beating profit expectations and raising its full-year guidance. With its advance, Boeing vaulted past **Goldman Sachs** to become the priciest stock in the Dow.

Shares of **Advanced Micro Devices** rose 7.3%, making it one of the best performers in the S&P 500, after the chip maker reported a climb in revenue that beat analyst expectations. After releasing results, shares of **AT&T** rose 4.9%, while **Coca-Cola** shares edged up 0.4%.

Roughly one-third of the S&P 500 has reported results so far, with 75% of the companies beating earnings estimates as of Wednesday morning, according to FactSet.

Amazon.com shares rose 1%, putting it on track to close with a market value above \$500 billion for the first time, according to FactSet. The e-commerce giant is scheduled to report earnings Thursday.

U.S. crude oil rose 1.7% to \$48.70 a barrel at midday after data showed U.S. crude supplies fell more than expected last week, supporting energy stocks.

The yield on the 10-year U.S. Treasury note edged up to 2.332%, according to Tradeweb, from 2.328% on Tuesday. Yields rise as prices fall. The WSJ Dollar Index, which tracks the dollar against a basket of 16 currencies, was up nearly 0.1%.



Boeing beat profit expectations and raised its full-year guidance.

WSJ TALK / EXPERIENCE / OFFER / GETAWAY



Enjoy an Aloha Experience at the Tokyo Marriott

Explore the historic neighborhood of Gotenyama and get VIP privileges when you dine at the Tokyo Marriott hotel. Order the bespoke Hawaiian grilled combo and enjoy a complimentary bottle of Taittinger Nocturne Champagne. Exclusively for WSJ+ members.

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MARKETS

Copper Finds New Reason to Advance

Prices at highest since 2015 as lack of U.S. infrastructure plan is offset by China growth

By AMRITH RAMKUMAR

Copper, once buoyed by optimism over President Donald Trump's infrastructure plans, is now being powered to fresh highs by optimism over China.

Prices for July delivery closed up 4.1% Tuesday at \$2.8405 a pound on the Comex division of the New York Mercantile Exchange, its highest since May 2015. That put the industrial metal used for manufacturing and construction higher in 10 of the previous 12 sessions, and up 14% in 2017. Copper futures were up another 1% at \$2.868 a pound on Wednesday morning.

Copper got an additional boost Monday after the International Monetary Fund increased its growth expectations for China in 2017 and 2018 while leaving its forecast for the global economy unchanged and trimming its forecast for the U.S. The IMF also raised its growth estimates for Europe and Japan.

On Tuesday, copper eclipsed its previous 2017 high from February. Back then, strikes at mines and hopes that Mr. Trump would quickly push through an infrastructure plan had extended a rally that started in October. Around February, nervousness that a U.S. infrastructure package could take longer than expected and concerns over China and supply caused copper to start to retreat. Prices fell 10% by early May.

Since the low in May, prices are up 14% through Tuesday, getting a boost from supply threats and a brighter outlook on the strength of the world economy, particularly in emerging markets, according to investors and analysts.

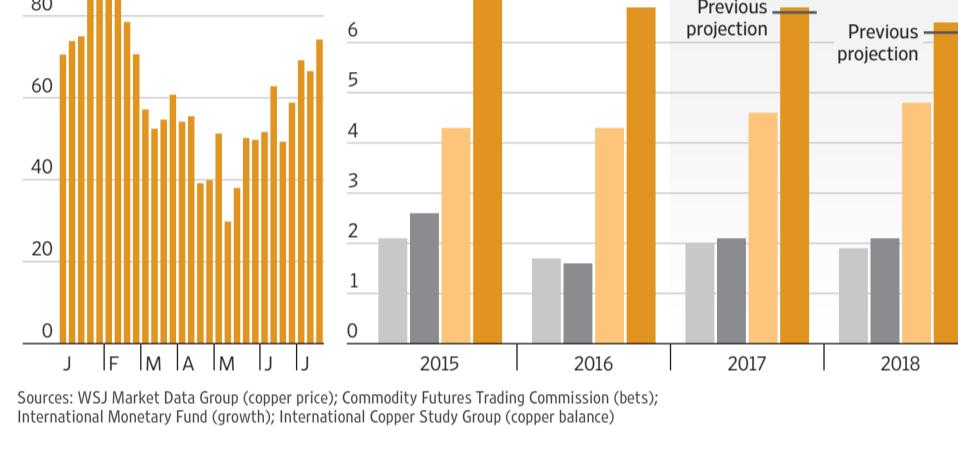
China Play

Copper prices have climbed since May amid improved outlooks for Chinese growth and the global economy, even as investors have grown skeptical that the Trump administration will pass its legislative agenda.

Comex copper price



Net bullish bets by speculators on copper have risen to their highest weekly level since February.



Sources: WSJ Market Data Group (copper price); Commodity Futures Trading Commission (bets); International Monetary Fund (growth); International Copper Study Group (copper balance)

"Even in the absence of the U.S.'s increased expenditure on infrastructure, global infrastructure spending remains very strong," driven by robust Chinese demand, said Nitesh

Shah, a commodities strategist at asset-management firm ETF Securities.

A report from Citigroup Inc. on Monday showed that Chinese imports of refined

copper rose from a month earlier. China accounts for nearly half of the world's copper consumption, and its faster-than-expected economic growth and increase in indus-

trial production have helped drive prices higher.

Caterpillar Inc. reported Tuesday that Chinese demand for equipment to carry out infrastructure projects fueled a 10% increase in second-quarter revenue from the previous year. Shares of the manufacturer posted their highest close since March 2012.

Meanwhile, investors are watching Chinese monetary policy for signs of tightening, which could slow demand for copper.

Many analysts have also said they will monitor closely how mine disruptions affect supply. Strikes at copper mines in Chile and Indonesia have swung prices this year and could lead to short-term price volatility, analysts said. Strikes often boost metals prices as they crimp production.

Last week, the International Copper Study Group released data for April showing that world refined copper usage exceeded production for the second straight month.

Hedge funds and other speculators are positioned for further gains in the metal. Net bullish bets on copper futures by the group rose to the highest level in five months in the week ended July 18, according to Commodity Futures Trading Commission data. Bullish bets outnumbered bearish ones by 74,233, the most since Feb. 21.

Many investors now have doubts that Mr. Trump will be able to unleash a huge infrastructure package soon. However, political uncertainty in the U.S. has spurred a retreat in the dollar. That is adding to support for the prices of copper and other metals, since a weaker dollar tends to help dollar-denominated commodities by making them more affordable for holders of other currencies.

"I'm not sure that a big, extensive infrastructure program is in the cards anytime soon," said Bart Melek, head of commodity strategy at TD Securities in Toronto. "People are still thinking that it's a possibility, but it's one that is diminishing."

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

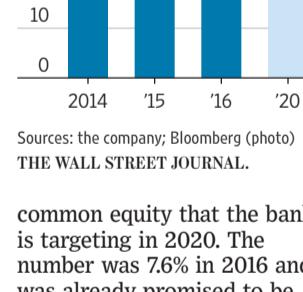
WSJ.com/Heard

Email: heard@wsj.com

Citigroup Sets High Bar for Itself

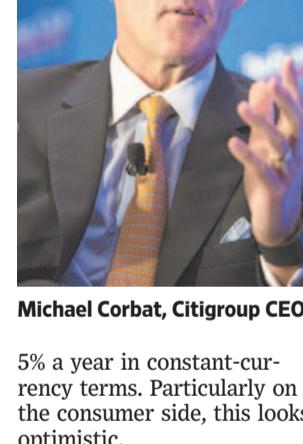
Getting Back To Growth

Citigroup's global consumer banking revenue



Sources: the company; Bloomberg (photo)

THE WALL STREET JOURNAL.



Michael Corbat, Citigroup CEO

common equity that the bank is targeting in 2020. The number was 7.6% in 2016 and was already promised to be 10% in 2019.

Some of the assumptions feeding into this forecast are reasonable and within the bank's control, namely more capital payouts and cost cuts. Others are less so. Citigroup believes it can boost revenue in its institutional client business by 4% a year and in its global consumer business by

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, Leinenkugel's 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 have required government bailouts within the past decade, have in common an unusually keen focus on costs and profitability, even at the expense of the old industrial pillars of scale and growth.

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.

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

Shale-Oil Drillers Need to Get Ready for Coming Squeeze

Roughnecks Rejoice

U.S. rotary rig count, oil and gas



Source: Baker Hughes

THE WALL STREET JOURNAL.

sure-pumping equipment is in very high demand in the U.S. shale patch, but Chief Executive Paal Kibsgaard sounded a skeptical note. He said that U.S. land-based producers are "largely driven by the U.S. equity investors who are encouraging, enabling and rewarding short-term production growth in spite of marginal project economics." He also suggested that activity would moderate.

The fact that these comments are being made with U.S. crude prices hovering below \$50 a barrel would have been remarkable three years ago. Back then the conventional wisdom held that the break-even price for spending

any money on shale formations was somewhere in the range of \$60 to \$70 a barrel.

That number has come way down, much to the chagrin of producers in the Organization of the Petroleum Exporting Countries and major non-OPEC power Russia that were scrambling to stabilize prices at a meeting in St. Petersburg, Russia. Much of it stems from innovation—squeezing more oil out of each well. But part came at the expense of oil-field-services companies that saw margins collapse. That trend is reversing.

"The rig count is up. There are less underutilized assets sitting around, and that puts oil-field-services companies in

a stronger position," said Rob Thummel, portfolio manager at energy-focused investment firm Tortoise Capital Advisors.

In addition to services such as pressure pumping, other important costs for shale producers such as sand are rising. As employment streams back into the business, labor costs may also go up. Unless producers can innovate away the increased costs of services, materials and labor, or OPEC's discipline forces prices higher, this inflation will eat away at their margins and make them less likely to drill as many new wells.

—Spencer Jakab