

THE WALL STREET JOURNAL.

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DJIA 21320.04 ▼ 0.74%

NASDAQ 6089.46 ▼ 1.00%

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STOXX 600 380.43 ▼ 0.67%

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What's News

Business & Finance

Amazon's Bezos and Dish Network's Ergen have discussed a partnership to enter the wireless business as they got to know each other better over the past year. **A1**

◆ **QVC and Home Shopping Network agreed to merge in an all-stock deal valued at \$2.1 billion, as the two retailers adapt to the rise of online shopping. **B1****

◆ **Berkshire Hathaway's energy business is nearing a deal to buy power-delivery system Oncor. **B1****

◆ The EU's antitrust watchdog accused GE, Canon and deal partners Merck and Sigma-Aldrich of breaching the bloc's merger rules. **B3**

◆ **SpaceX blasted a large commercial communications satellite into orbit on its third attempt. **B4****

◆ **Hobby Lobby settled claims related to Iraqi artifacts with the U.S. and agreed to pay a \$3 million fine. **B3****

◆ **Global government bonds sold off amid anxiety about less monetary-policy support from major central banks. **B5****

◆ **U.S. oil exports to China are surging amid falling out from China's aging fields and political uncertainty in the Mideast. **B1****

◆ **Saudi Aramco said it pumped record amounts of oil last year, providing insight into its operations ahead of a planned IPO. **B5****

◆ **Endo International said it would comply with a FDA request to remove an opioid from the U.S. market. **B3****

World-Wide

◆ **Trump declared that the West will prevail as it defends its civilization, taking a defiant stance in a speech to thousands of Poles on his second trip to Europe as U.S. leader. **A1****

◆ **The White House sent classified guidance that limits the number of forces in Afghanistan after Trump gave his Pentagon chief authority to send U.S. troops there at his own discretion. **A1****

◆ **Japan and the EU agreed on the terms of a new trade deal, hours before Trump was expected to clash with them over global trade. **A3****

◆ **The EU's Brexit negotiator warned officials in London that the U.K. won't have "frictionless trade" with the bloc after it leaves. **A3****

◆ **Turkish police have detained 10 senior human-rights workers, including the head of Amnesty International's Turkey chapter. **A6****

◆ **The Trump administration said it would give diplomacy more time to resolve a gathering crisis over North Korea's efforts to build a nuclear weapon that can reach U.S. shores. **A4****

◆ **The director of the U.S.'s Office of Government Ethics plans to resign later this month, ending a tenure marked by tangles with the Trump administration. **A8****

◆ **Senate GOP leaders are weighing the merits of a proposal by Cruz to let insurers that sell plans that conform to the ACA's rules also sell policies that don't. **A8****

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WORLD NEWS

Discontent Grows Among Israel's Bedouin



MIDDLE EAST CROSSROADS

By Yaroslav Trofimov

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

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

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

The Israeli government says places like Wadi Na'am are illegal squats on state land, and demolitions are frequent. Israel wants to relocate residents to purpose-built Bedouin towns nearby. The Negev Bedouin, who are Muslim Arabs and hold Israeli citizenship, insist that they have customary rights to their ancestral grounds. Family leaders say they would rather remain in their huts than move to the over-crowded townships.

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

As disaffection roils Negev's fast-growing Bedouin community, this conflict—combined with the spread of more conservative Islam amid high unemployment and crime—is creating new

tensions in Israel's southern underbelly. Already, a Bedouin teacher and a policeman were killed when police moved to demolish buildings in the unrecognized village of Umm Hiran in January.

"If this goes on like this, there will be an intifada in the Negev," said Youssef al

New tensions are emerging in the country's southern underbelly.

Ziyaddin, one of the leaders of Wadi Na'am. Posters of the Islamic pilgrimage to Mecca and a portrait of Che Guevara hung on the wall behind him.

The Negev Bedouin account for roughly one-third of the Negev's current population. They are related by tribal links with the Bedouin of nearby Jordan, Saudi Arabia and

Egypt's Sinai peninsula.

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

A similar scenario could play out in southern Israel, cautioned Talab Abu Arar, the only Negev Bedouin in the Israeli parliament.

"The negligence of the Egyptian governments, their failure to provide full rights to the Bedouin, have pushed the Bedouins there toward violence," Mr. Abu Arar said. "I have repeatedly warned the government here: the continuation of your policy of unjustly treating the Bedouin will also cause instability, making the Bedouins rise up."

There are plenty of guns to go around in the area. Violent crime and drug trafficking are rife, in part because of neglect by Israeli police, Mr. Abu Arar added. "As long as we use the guns to kill each other, they don't

care. They would only care if the guns were to be used against Jews," he said.

Ayoob Kara, an Israeli cabinet minister who is working on the country's Bedouin policy, said that it is Arab nationalist politicians like Mr. Abu Arar who are primarily responsible for the rising tensions in the region.

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

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

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

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

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

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

AMAZON

Continued from Page One

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

Sprint was holding merger talks with T-Mobile before putting them on hold to explore a deal with Comcast Corp. and Charter Communi-

cations that could bolster those companies' plans to offer wireless service. Some industry observers think the Sprint-cable talks could push T-Mobile and its parent, Deutsche Telekom AG, to rekindle deal discussions with Dish after an earlier round in 2015 collapsed.

Messrs. Ergen and Bezos have been crossing paths more often. They spent time together in March at a satellite convention, where Mr. Bezos' rocket company, Blue Origin LLC, gave a presentation to Mr. Ergen's EchoStar Corp., a Dish sister company that builds satellite technology, people familiar with the matter said. Mr. Ergen in March also attended

Mr. Bezos' secretive, invite-only MARS robotics and space conference. More recently, the two moguls met in May in Seattle, other people familiar with the matter said.

The two executives are both eager disruptors: Mr. Ergen, who had a stint as a professional blackjack player, founded Dish in 1980 to take on cable TV and in 2015 launched Sling TV, the first online live TV service created by a traditional pay-TV provider to appeal to cord-cutters. Mr. Bezos has upended business models from books to media, and is venturing into food retail with Amazon's planned acquisition of Whole Foods Market Inc. valued at \$13.7 billion, including debt.

Dish has been seeking to enter the wireless business for several years, as its core satellite TV business shrinks. Dish and its affiliated entities have spent more than \$21 billion over the course of a decade to acquire airwaves nationwide, but Dish lacks a network to deploy the spectrum and has been on the hunt for a partner.

To meet a March 2020 government-mandated deadline to offer service on some of its spectrum, Dish is building a bare-bones, "fifth-generation," or 5G, network that will cost less than \$1 billion.

Citi analysts said a partnership between Dish and a technology giant like Amazon or Google could take many forms. Amazon could become a "preferred customer" on a new wireless network and commit to spending a certain amount

Amazon also could offer a one-way broadcast signal for Amazon Prime video on a slice of Dish's airwaves, ensuring shows and movies stream without hiccups, one person close to Dish's plans said.

It also could help Amazon's plans to operate a network of drones delivering packages to customers, wireless executives and people familiar with Amazon's thinking said. The company could "command and control" those drones and "consider real-time changes in directions or multi-stop delivery routes through messages from the network," wrote Citi-group analysts speculating about a Dish-and-Amazon partnership in the wake of a May report from Satellite Business News.

—Shalini Ramachandran

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

The Pentagon has been weighing options to send between 2,000 and 5,000 U.S. troops to help the more than 8,400 American forces currently in Afghanistan, many of whom are focused on advising and training Afghan forces.

To help the Afghan security

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

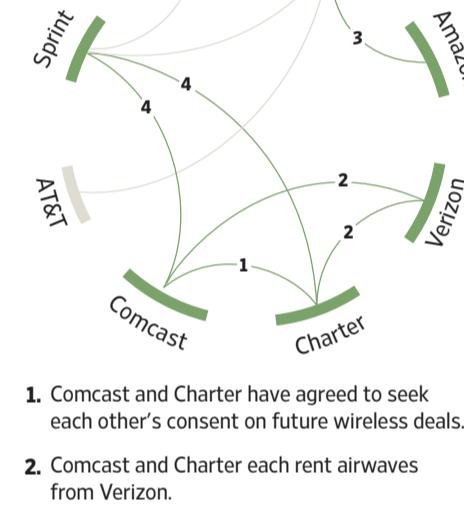
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Game of Phones

Telecom and cable companies have explored a range of tie-ups.

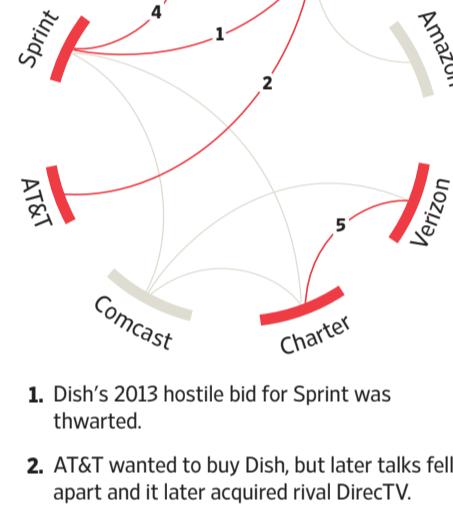
ACTIVE DEALS AND TALKS



1. Comcast and Charter have agreed to seek each other's consent on future wireless deals.
2. Comcast and Charter each rent airwaves from Verizon.
3. Dish and Amazon may forge a wireless tie-up.
4. Sprint is in talks with Charter and Comcast on a wireless deal.

Source: staff reports
THE WALL STREET JOURNAL.

TALKS THAT STALLED



1. Dish's 2013 hostile bid for Sprint was thwarted.
2. AT&T wanted to buy Dish, but later talks fell apart and it later acquired rival DirecTV.
3. Dish and T-Mobile merger talks in 2015 broke up.
4. Sprint and T-Mobile merger talks are on hold as Sprint explores a partnership with Comcast and Charter.
5. Verizon this year unsuccessfully tried to combine with Charter.

for better service, according to an attendee.

"They're going to have to make sure that in a world of net neutrality...being eliminated, that they're positioned so that they're not in a situation where their connectivity is clogged," Mr. Ergen said earlier in May.

TROOPS

Continued from Page One
tion officials who said they were under the impression that the White House would impose no such restrictions. The White House's National Security Council declined to comment.

Dana White, the Pentagon's chief spokeswoman, said she couldn't discuss details of any classified memos, but suggested that the troop number isn't as important as the

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

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Instead, the officials said, the U.S. is now likely to scale back its military presence only when Afghan forces are able to secure most of the country and the Taliban threat is contained.

Pentagon officials openly accept that the fight with the Taliban is at a stalemate.

Efforts on another U.S. priority in Afghanistan, to deny extremist groups sanctuary, have fallen short: The Pentagon estimates that Afghanistan and Pakistan now are home to more than 20 extremist groups, the highest concentration in the world.

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WORLD NEWS

Merkel's Patient Diplomacy Faces a Test

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

By ANTON TROIANOVSKI

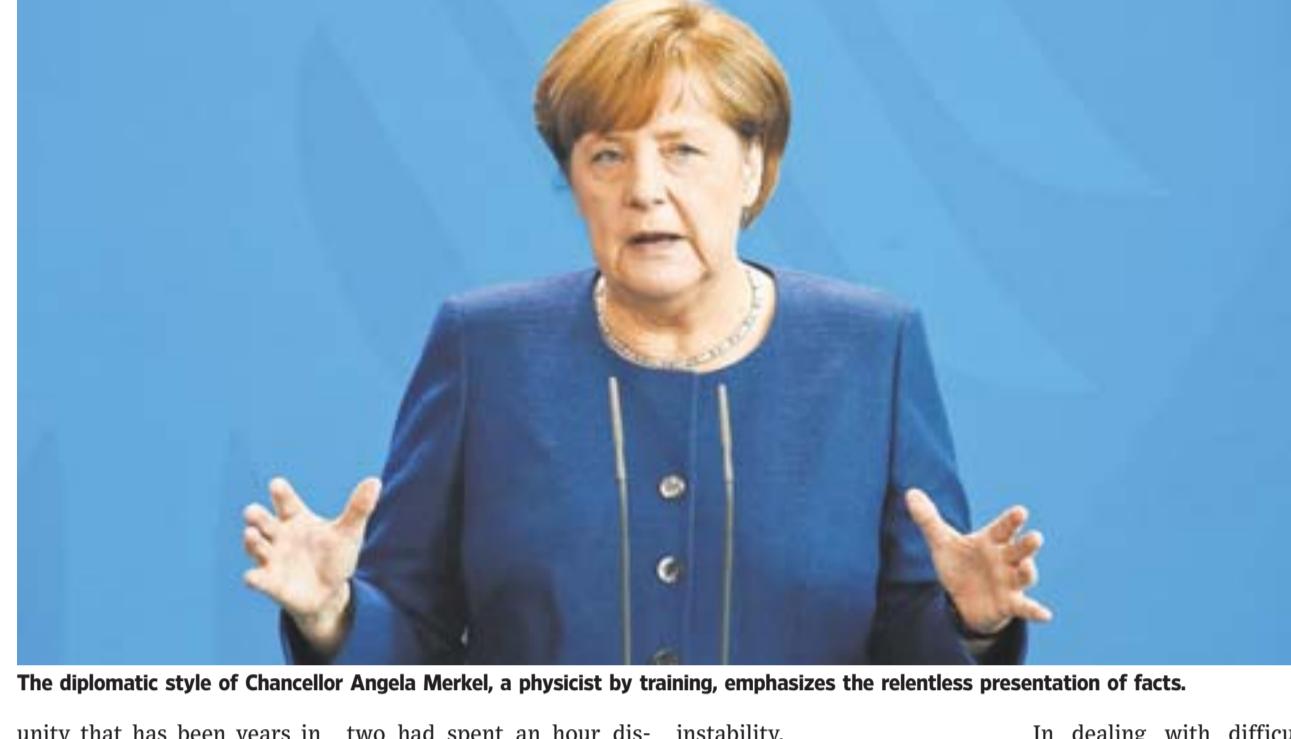
HAMBURG, Germany—The U.S. president has accused her of ruining Germany. The Turkish president says she harbors terrorists. The Russian president, her spy agencies warn, may be about to interfere in her re-election campaign. In the coming days, German Chancellor Angela Merkel meets all three of them.

In Hamburg, her birthplace, the 62-year-old pastor's daughter hosts the Group of 20 summit thrust into a role no German chancellor has had to navigate in the postwar era. The leader of a country that generally disdains international confrontation is now the foil to three of the world's most polarizing heads of state. Three countries that Germany had prized as partners have, in different ways and to varying degrees, become antagonists.

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

Like no other country, German officials often say, Europe's largest economy relies on a harmonious, rules-based world order.

But at the two-day gathering in Hamburg, which officially begins Friday, global dis-



The diplomatic style of Chancellor Angela Merkel, a physicist by training, emphasizes the relentless presentation of facts.

FELIPE TRUEBA/EUROPEAN PRESSPHOTO AGENCY

unity that has been years in the making will become personified. Ms. Merkel will be in the middle of it, and her patient, deliberate style of diplomacy will be put to the test.

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

two had spent an hour discussing G-20 issues and foreign crises.

Then she was scheduled to sit down with Turkish President Recep Tayyip Erdogan, who said this week that "Germany is committing suicide" by not allowing him to deliver a speech to his countrymen on the sidelines of the summit. Later, she will join French President Emmanuel Macron to face Russian President Vladimir Putin, whose annexation of Crimea three years ago now looks like the opening act in Europe's era of geopolitical

instability.

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

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

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

Japan, EU Agree On Trade Deal

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

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

the case," European Council President Donald Tusk said at a media conference.

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

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

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

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

Japanese Prime Minister Shinzo Abe called the deal "a major pillar in our economic growth under Abenomics," referring to his domestic economic platform.

European companies are expected to see a significant boost in agricultural and food product sales, despite longstanding political sensitivities about the sector in Japan.

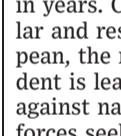
Tokyo has committed to lift most, but not all, tariffs on key EU exports like pig meat, cheese and wines, although in some cases, the transition periods are as long as 15 years.

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

"Some are saying the time of isolationism and disintegration is coming again, we are demonstrating that this is not

BRUSSELS BEAT | Matthew Dalton

How Europe Could Hobble Macron

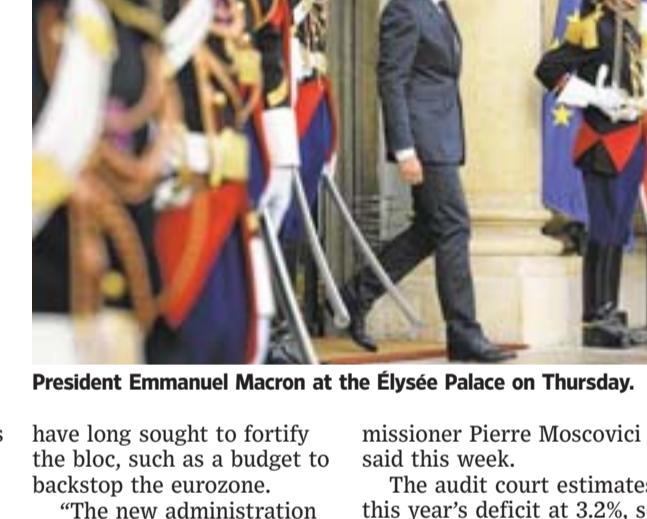
 Emmanuel Macron is one of the best things to happen to the European Union in years. Charismatic, popular and resolutely pro-European, the new French president is leading a backlash against nationalist political forces seeking to undermine the bloc's institutions.

So there is irony in how the EU and its budget rules are shaping up to be a big problem for his agenda. Last week, France's Court of Auditors said the government deficit would likely be far larger than targets negotiated with officials at the European Commission, the EU's executive arm and enforcer of the bloc's budget rules.

That gap sets up Mr. Macron's government for the Brussels equivalent of a root canal: months of uncomfortable talks with commission officials on France's budget through 2020.

The budget woes are already complicating Mr. Macron's ambitious plans to remake the French economy, an effort politicians across the bloc are watching closely. Delays to his legislative plans combined with the impact of EU-mandated austerity threaten to sap the political capital Mr. Macron needs to push through difficult overhauls.

Brussels is wary of undermining Mr. Macron, officials say, knowing the EU has much to lose if the French president's agenda falters. He has been a forceful advocate of policies EU officials



JULIEN DE ROSA/EUROPEAN PRESSPHOTO AGENCY

have long sought to fortify the bloc, such as a budget to backstop the eurozone.

"The new administration is extremely positively viewed in Brussels," said Zsolt Darvas, an economist at the Bruegel think tank. "I believe the commission will give Macron a chance."

The task facing Mr. Macron by the end of this year is to bring the French deficit under 3% of gross domestic product, the threshold for a deficit deemed "excessive" under the EU treaty. France's deficit has run above 3% since 2008, when it ballooned after the financial crisis. The commission has shown leniency to Paris several times, most recently in 2015, when it gave the government until this year to bring the deficit below 3%.

"No question of another extension," EU budget com-

missioner Pierre Moscovici said this week.

The audit court estimates this year's deficit at 3.2%, so the cuts required aren't huge. Things get much tougher in the following years: The budget plan his predecessor, François Hollande, submitted to the commission targets a deficit of 2.3% in 2018, 1.6% in 2019 and 1.3% in 2020.

The pressure from Brussels is already pushing Mr. Macron to delay a series of planned tax cuts, a centerpiece of his campaign promise to raise French purchasing power and ease the tax burden on businesses.

A proposed change to France's wealth tax is being delayed by a year to 2019, Prime Minister Edouard Philippe said this week.

Mr. Philippe gave little clarity on another of Mr. Macron's big tax proposals: eliminating France's local

"lodging tax" for 80% of French households. The prime minister said only that he would start talks with local governments on cutting the tax at some point in the next five years; Mr. Macron had promised to do that starting next year.

Given the budget mandates from Brussels, Mr. Macron's tax-cut plans will put his government under pressure to make politically sensitive spending cuts, says Shahin Vallée, an economist who was an aide to Mr. Macron when he was labor minister.

"If you don't do the tax cuts, it's OK: It's tough but it's doable," Mr. Vallée said. "If you add tax cuts, you have to finance a bigger amount of expenditure cuts."

Even if it brings its deficit under 3%, France wouldn't be free of EU budget restrictions. The Fiscal Compact, a treaty sought by Berlin and signed by most EU nations in 2012 during the height of the eurozone crisis, requires governments to bring their "structural deficit"—a measure of a country's longer-term fiscal strength—to under 0.5% of GDP.

For 2018, commission officials have signaled they are ready to cut Mr. Macron some slack, giving him oxygen to pass his agenda.

"The interpretation won't be overly orthodox," an EU budget official said.

Still, Mr. Macron will likely face sustained pressure from Brussels to cut the deficit throughout his five-year term.

Envoy Sees Bumpy Post-Brexit Trade

By VALENTINA POP

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

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

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

A spokesman for Prime Minister Theresa May said

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

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

Divisions within the U.K. government have emerged in recent weeks on this issue, with Mr. Barnier saying that "we are prepared for all situations," in case the British stance changes.

Mr. Barnier also made clear that there will be no special deal for the British financial sector to keep its so-called passporting arrangement un-

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

der which thousands of U.K.-based banks are operating in other EU countries.

Britain's top financial regulator, Financial Conduct Authority chief Andrew Bailey, Thursday called for "a strong

coordination of regulatory institutions" in the U.K. and EU after Brexit to preserve free trade in financial services.

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

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

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

—Laurence Norman and Jason Douglas contributed to this article.



OLIVIER HOSLET/EUROPEAN PRESSPHOTO AGENCY

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

WORLD NEWS



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

Defense Chief Asserts U.S. Focus in Korea Is Diplomacy

The Trump administration said it would give diplomacy more time to resolve a gathering crisis over North Korea's efforts to build a nuclear weapon that can reach U.S. shores.

By Gordon Lubold
in Washington and
Peter Nicholas
in Warsaw, Poland

On Thursday, Defense Secretary Jim Mattis, in his first remarks since North Korea launched this week what American officials concluded was the country's first intercontinental ballistic missile, said the U.S. wasn't closer to war.

"The president has been very clear and the secretary of state has been very clear that we are leading with diplomatic and economic efforts," Mr. Mattis said during an impromptu press briefing at the Pentagon. He added that the military "remains ready"

based on its agreements with American allies in Japan and South Korea.

His remarks came after President Donald Trump on Thursday said he was considering "some pretty severe things" in response to North Korea's latest efforts. At a joint news conference in Warsaw with his Polish counterpart, Andrzej Duda, Mr. Trump said that North Korean leaders were "behaving in a very, very dangerous manner and something will have to be done about it."

He didn't say what steps he might take or if he was contemplating military action.

Later in the same forum, Mr. Trump said "that doesn't mean we're going to do them," adding, "I think we will just take a look at what happens over the coming weeks and months with respect to North Korea."

Military reprisal by the U.S. carries substantial risks not

only to U.S. forces, but also to American allies in Asia, especially to North Korea's neighbors in South Korea and Japan. Mr. Trump has sought other avenues to choke off North Korea's nuclear program, above all trying to persuade China to use its sway as the country's largest trading partner to rein in Pyongyang.

The U.S. said Wednesday in the United Nations Security Council that it would introduce new sanctions against North Korea. U.S. Ambassador Nikki Haley also said the Trump administration would be willing to use military force if punitive restrictions fail. Ms. Haley also said the U.S. would target countries that have trade partnerships with North Korea, pointing specifically to China, which makes up 90% of North Korean trade.

Both China and Russia have balked at new sanctions or military pressure against North Korea. Beijing is worried

such actions could spark a humanitarian crisis on its doorstep.

Mr. Mattis said the lack of a consensus didn't suggest an absence of international concern. "I think everyone is trying, some have different ideas of approaches, that's the normal part of diplomacy to work this out," he said.

The U.S. defense chief called North Korean leader Kim Jong Un's launches a "very serious escalation, this provocation, this affront" to United Nations Security Council resolutions that forbid them.

But diplomacy, Mr. Mattis said, hasn't failed. Self-restraint, he said, has prevented war as the U.S. engages with allies and pushes toward a "whole of government" approach, along with allies.

He also issued a caveat: "Obviously, any kind of effort by North Korea to start a war would lead to severe consequences."

Launch Leaves U.S. Only Tough Choices

BY PAUL SONNE

WASHINGTON—North Korea's provocative July 4 test of an intercontinental ballistic missile comes as the Trump administration faces an uncomfortable reality: Any use of force against North Korea carries the risk of a catastrophic war and could still fail to stop the regime from wielding a nuclear arsenal.

A recent review of the issue at the White House provided American officials with possible options on Pyongyang, including the outside possibility of using force against the regime or its nuclear facilities with the aim of derailing North Korean leader Kim Jong Un's quest for weapons of mass destruction. U.N. Ambassador Nikki Haley warned Wednesday the U.S. is willing to use military force against

North Korea "if we must."

Military action, according to analysts, could take a number of forms. Most likely among them: a limited air-strike on North Korea's nuclear infrastructure or missile facilities. How successful such an attack would be in derailing North Korea's nuclear program would depend in large part on the quality of U.S. and allied intelligence on the nuclear and missile sites. Far less likely, but also possible, would be an attack designed to target the country's leadership.

An overt military action would run the risk that the North Korean regime would interpret the attack as an existential threat and respond with force that could kill millions of people on the Korean Peninsula, including some of the 28,500 U.S. troops stationed in South Korea. Secre-

tary of Defense Jim Mattis has warned that a military solution would be "tragic on an unbelievable scale."

"The secretary of defense and the commander of U.S. Forces Korea have both stressed the high degree of risk involved in the use of

U.N. Ambassador Nikki Haley warned that the U.S. would use force 'if we must.'

force," said Patrick Cronin, senior director in the Asia-Pacific security program at the Center for a New American Security. "And that's because Kim Jong Un has never experienced a military attack, how-

ever limited, on his soil, and there is a risk that he would see any use of force as the opening salvo in an attempted regime change in which he would have nothing to lose."

North Korea over the years has built up formidable capabilities and created one of the world's most militarized societies, with an active-duty military of some 1.19 million people, compared with 630,000 in South Korea, according to the International Institute for Strategic Studies.

Long-range artillery that North Korea has situated as close as 35 miles from Seoul could drop as much tonnage of lead on the South Korean capital in 24 hours as Germany dropped on England during the entire London Blitz during World War II, if uncontested, one U.S. military official said last year.

Global Ties Keep Kim in Business

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

By Jonathan Cheng
in Seoul, Jeremy Page
in Beijing and
Alastair Gale in Tokyo

An examination of North Korea's global connections reveals that even as it becomes increasingly dependent on China, Pyongyang maintains economic and diplomatic ties with many nations. Those links—from commercial and banking relationships to scientific training, arms sales, monument-building and restaurants—have helped it amass the money and technical know-how to develop nuclear weapons and missiles.

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

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

In others, notably in Africa, it has more transactional relationships to supply cheap weaponry or military training. In the Middle East, it supplies laborers for construction work and pockets almost all their earnings.

The sanctions haven't been as broad as those applied to Iran over its nuclear program, nor as rigidly enforced.

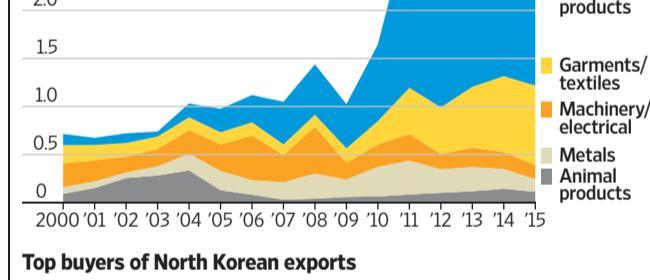
David S. Cohen, undersecretary of the Treasury for terrorism and financial intelligence during the Obama administration, wrote in an op-ed in April that "North Korea has gotten off relatively easy, especially as compared with Iran."

North Korean defectors

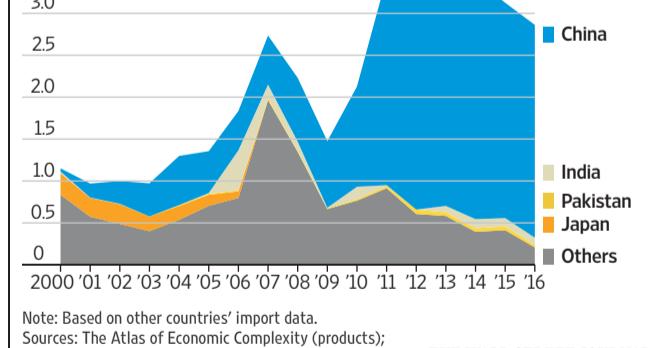
Fuel for North Korea's Fire

Pyongyang maintains economic ties to the outside world.

The country's top five exports by product type



Top buyers of North Korean exports



Note: Based on other countries' import data.
Sources: The Atlas of Economic Complexity (products); U.N. Comtrade (countries)

THE WALL STREET JOURNAL.

TRUMP

Continued from Page One
tion will triumph."

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

"The West became great not because of paperwork and regulations but because people were allowed to chase their dreams and pursue their destinies," Mr. Trump said. "Americans, Poles, and nations of Europe value individual freedom and sovereignty."

White House officials had painted Mr. Trump's speech as one meant to deliver a message that the U.S. stands with allies living in Russia's shadow.

It came just before he headed to Hamburg, Germany, for a meeting of the Group of 20 large economies, where he was to meet Russian President Vladimir Putin for the first time since Mr. Trump's



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

election victory in November.

Mr. Trump said that America's words and actions demonstrated that the country stood firmly behind the mutual defense commitment of the North Atlantic Treaty Organization, a core tenet of the alliance that holds that an attack on one is an attack on all. In May, Mr. Trump had with-

held public support for the provision, leaving European diplomats distressed.

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

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

At an earlier news conference with Polish President Andrzej Duda, Mr. Trump fielded questions about whether he accepts the U.S. intelligence community's assessment that Russia inter-

fered in the 2016 election in a bid to help him defeat Mrs. Clinton.

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

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

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

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

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

Many congressmen want Mr. Trump to confront Mr. Putin

about what intelligence officials say is conclusive evidence that Russia hacked Democratic computer systems in a bid to influence the election.

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

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

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

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



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WORLD NEWS



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

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

BY SARAH MCFARLANE
AND BOENOT FAUCON

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

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

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

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

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

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

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

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

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

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

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

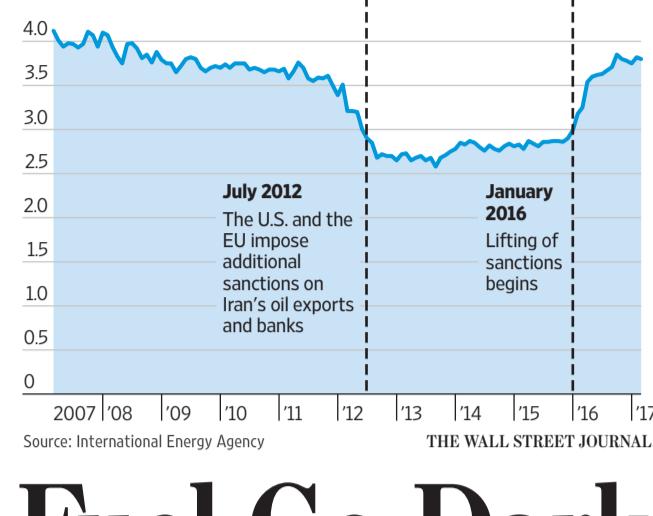
A shipowner, the ship's master—the person responsible for the navigation of the vessel—or the trader who chartered the vessel could give an instruction to shut off the AIS.

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

Ebb and Flow

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

Iranian crude oil production



Source: International Energy Agency

THE WALL STREET JOURNAL.

Turkey Detains Rights Workers

BY MARGARET COKER

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

Amnesty says the activists are being investigated on allegations of membership in a terror organization after police on the tourist island of Buyukada interrupted a training session on digital security late Wednesday. The group, including the German and Swede who were leading the training, are being held in separate detention facilities, the organization said.

Turkish authorities didn't reply to requests for comment about the reasons for the detentions.

Amnesty said their chapter head, Idil Eser, was remanded in custody for seven days. The identities of the Europeans haven't been released, and it is unknown whether they have received consular assistance.

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

Those detained include eight Turkish human-rights workers and lawyers, as well as the Turkish owner of the hotel where the training was taking place, according to Amnesty.

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

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

The U.S. State Department expressed concern about the detentions as a worrying sign for civil liberties.

"As we have expressed on numerous occasions, persistent curbs on freedom of expression erode the foundations of democratic society," it said.

Ships Carrying Iran Fuel Go Dark

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

BY SARAH MCFARLANE
AND BOENOT FAUCON

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

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

transmitting location, shipping and sanctions experts said.

Of Silk Road Petroleum's 46 shipments in the period, 40 emitted no tracking signals.

The company didn't respond to requests to comment emailed to an address in the directory of the U.A.E.'s Hamriyah Free Zone Authority, where the company is registered. The email address was recently removed from the directory.

In the nine Petrochemix shipments in the second half of 2016, seven ships emitted no AIS radio signals at some point.

A co-owner of Petrochemix said Petrochemix had no relations or business with Iranian companies, and that any AIS shut-off was a matter for vessel owners. Petrochemix chartered tankers owned by seven shippers in the period.

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

Shipping guidelines advise ships to use tracking sys-

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

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

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

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

Syria Refugee Deaths Raise Alarm in Lebanon

BY RAJA ABDULRAHIM

ing Group for Syrian Detainees disputed this explanation.

"It's clear they died from torture," said Muhammad Raed, a Syrian activist living in Arsal. "Everyone saw the bodies, and the torture marks are evident on their corpses."

The men's families couldn't be reached to comment.

About one-fifth of Syrian refugees registered with the United Nations live in camps like the ones that were raided over the past week, inhabiting shelters made of timber, plywood and tarps. They are frequently threatened with eviction and Lebanese laws that don't allow them to build more-permanent homes.

The refugees make up about a quarter of Lebanon's population, straining the country's already fragile infrastructure and stoking tensions as they compete for jobs. Lebanon imposes tough restrictions on Syrians' ability to work or gain legal

residency and officials here regularly discuss repatriating them even in the midst of the war.

"From an economic perspective and a social perspective, the situation is deteriorating," said Dana Sleiman, a spokeswoman with the United

fled without shoes.

Within an hour, flames destroyed the entire encampment and a 2-year-old girl was dead. Two days later, a second fire broke out at another refugee camp in the Bekaa Valley, killing a 4-year-old girl.

The tarps distributed by the U.N. refugee agency are treated with a flame retardant but few tents appear to have them. Most are swathed in plastic banners advertising everything from 12-year-old whiskey to scratch-resistant kitchenware to American movies. Next to the banners, garbage piles up and flies swarm.

"Things are not getting better," said Josep Zapater, who heads the UNHCR office in the Bekaa Valley.

On Tuesday, residents of Qab Elias watched as workers laid a new foundation of gravel and unloaded timber and tarps for new shelters to replace the more than 170 that

burned down.

"Our money, our passports, our ID cards and our family books, all of it is gone," said Hannah Ahmad Ibrahim, 19, who got married four months ago. She searched for the jewelry she wore at her wedding—three gold rings, a necklace and earrings—but she said they were lost. "I barely escaped with just myself," she said.

Arsal's mayor said the municipality helped transfer the bodies back to their families, who posted photographs of them online. The images show bruised and bloodied corpses.

"The army acknowledged not one but four deaths in custody without revealing the chain of events that led to these deaths," said Lama Fakih, deputy Middle East director at Human Rights Watch.

"In case of wrongdoing, those responsible for the deaths should be held accountable."

JAPAN

Heavy Floods Strand Hundreds in South

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

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

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

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

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

Associated Press



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

JU/PRESS/AGENCE FRANCE PRESSE/GETTY IMAGES

VENEZUELA

Government Backers Attack Lawmakers

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

The violence started after doz-

ens of backers of the president stormed the opposition-controlled National Assembly in Caracas ahead of a legislative session to mark independence day.

Some 300 congressional workers and journalists sought protection by barricading themselves for several hours inside the assembly, where lawmakers also were organizing an unofficial July 16 ballot to counter President Nicolás Maduro's plan

to rewrite the constitution.
—Kejal Vyas

HONG KONG

Activists Plead Guilty In Democracy Protests

A group of activists pleaded guilty to charges related to the city's large-scale pro-democracy protests in 2014, marking a symbolic low for a movement

that attracted global attention by challenging Chinese authority, but has waned under legal pressure from Beijing.

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

—John Lyons

RUSSIA

Moscow Court Sentences Hacker

A Moscow court sentenced to two years in prison the alleged ringleader of a hacking group that rattled Russia's political establishment, Russia's official court-reporting agency said.

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

Mr. Anikeev was described by the official Rossiiskaya Gazeta newspaper as the ringleader of Shaltai Boltai, a group that claimed credit for hacking the computers, tablets and smartphones of senior Russian officials.

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

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

—Nathan Hodge



BKPM
Indonesia Investment
Coordinating Board

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INDONESIA'S POLICY REFORM NURTURES FOREIGN INVESTMENT

An ongoing series of stabilizing measures, with an emphasis on deregulation and a renewed focus on aftercare, has driven record levels of investment realization in Indonesia



Seaport in Indonesia

Two years after President Joko Widodo set into motion reforms aimed at boosting Indonesia's appeal to foreign investors, a number of measures implemented by BKPM (the Indonesia Investment Coordinating Board) are already seeing results. Key strategies such as promoting deregulation, simplifying licensing procedures and maintaining dedicated aftercare services have been widely praised by the business community, as Southeast Asia's largest economy continues to flourish as a favorable destination for foreign direct investment (FDI).

BKPM has implemented a number of significant steps as part of the "Nawa Cita" (Nine Priorities) agenda introduced by President Widodo after his inauguration in 2014 to improve Indonesia's business and investment profile. The Indonesian leader has made clear his intention for bold reform, ensuring that government bodies work together efficiently to overcome red tape and bureaucracy and maintain the positive trajectory of the country's investment services on a global scale.



A smoother ride

In order to support existing foreign investors while continuing to attract FDI, stability of regulation and economic policy has not just been a priority for Indonesia, but a necessity. Thomas Lembong, chairman of BKPM, has previously highlighted the agency's emphasis on the need to be vocal about economic reforms and assist current investors with any problems that might arise.

Some of the challenges faced by foreign investors in Indonesia until now have included a lack of access to labor, inadequate supply of raw materials, unfavorable tax incentives and excessive permit requirements. In direct response to these concerns, companies with plans to invest over IDR100 billion or to hire more than 1,000 local employees can now enjoy the benefits of fast-track licensing services. This allows nine key documents, including expatriate work permits and customs registration, to be secured during a single three-hour appointment handled by a dedicated BKPM officer – dramatically expediting the entire procedure.

This is in addition to longstanding financial incentives already in place, such as free import duty on machinery and capital goods, and a tax reduction of 30% within six years on investment in various sectors. "Pioneer" industries – which include metals, renewables, agricultural processing and marine transportation – with investments that exceed IDR1 trillion are also eligible for up to 15 years of tax breaks.

The oil and gas industry is one sector that has already benefited tangibly from the three-hour licensing service. Earlier this year, Indonesia's Minister for Energy and Mineral Resources Ignasius Jonan commented that the integration of oil and gas permits into the BKPM's three-hour licensing

service is set to help the country achieve its target of doubling the total value of annual investment in oil and gas, to US\$43 billion, by the end of 2017.

Other incentives on offer include the ability for companies investing in designated industrial areas – currently including 80% of all industrial parks in Indonesia – the ability to commence the construction of factories and supporting facilities immediately, without having to wait for construction permits and environmental impact analyses to be conducted by authorities.

The new green lane import facility, which allows imported capital goods to clear customs more quickly, is another policy that has carried huge benefits for foreign investors. This scheme was implemented following a recent agreement between BKPM and the Directorate General of Customs and Excise at the Ministry of Finance, and is available to any company in the process of building factories or supporting facilities in Indonesia.

The green lane scheme allows companies to avoid the traditional red lane, which involves physical examinations of imported goods and document analysis for all new companies – a process that can take three to five days to receive approval. Following the recommendation from BKPM, green lane status can now be obtained by companies within just 30 minutes.

Easing the bottleneck

Since his policy overhaul three years ago, President Widodo has continued to call on related ministries to analyze the impact of policy against ongoing economic growth, as well as the need to "perform debottlenecking procedures" to ease the process of investment and promote opportunities for FDI.

BKPM has been taking an active approach by making physical visits to companies around the country in an effort to identify and solve the real, day-to-day problems faced by those already involved in the process of placing investment in Indonesia. This strategic tactic, which was conducted and led by the Deputy Chairman of Investment Controlling and Implementation, has involved staff traveling across the vast island nation, often to small cities and remote areas. For example, a visit to a collection of Australian mining companies located on the island of Wetar in Maluku, southwestern Indonesia, required staff to take a flight followed by a seven-hour boat journey. This hands-on policy seems to be having a positive impact – more than IDR487.9 trillion has been generated in a period of just two years.

BKPM is also committed to implementing a stringent investment aftercare program for current foreign investors, a service that ensures the government can respond to any company's specific needs and concerns as they arise. "It will be pointless to promote all the opportunities in Indonesia if we failed existing investors in solving their investment problems," said Lembong.

This philosophy is important for maintaining a positive outlook for both current and prospective investors, and fosters increased development and investment from global organizations already based in the country. Around 100 foreign and domestic investors have already posted on social media to testify about their positive experiences in dealing with BKPM.

A promising outlook

The latest figures reflect encouraging prospects

for economic growth in Indonesia: first quarter data from BKPM reveals combined FDI and domestic direct investment (DDI) reached IDR165.8 trillion (about US\$12.5 billion), a year-on-year increase of 13.2% and a quarter of the annual target.

In June 2017, the United Nations Conference on Trade and Development (UNCTAD) published its annual World Competitiveness Report, placing Indonesia fourth in its ranking of Top Prospective Host Economies, below only the US, China and India; an increase from eighth position in 2016. Indonesia has also increased its standing in the International Institute for Management Development (IMD) Global Competitiveness Report, which this year put Indonesia in 42nd position, up six places from 2016.

In May 2017, Indonesia's sovereign bond rating was raised to BBB- from BB+ with a stable outlook by Standard & Poor's, bringing the country's credit rating up to investment grade according to the top three global ratings agencies. The news sees Indonesia's economy well on course for increasing inflow of FDI as well as growth in DDI.

In another significant indicator of progress, Indonesia climbed 15 places on the World Bank's Ease of Doing Business index 2017 and is now ranked in 91st position, a jump that places the country among the top 10 climbers globally since 2016. The report reflects the growing ease of establishing and conducting business in Indonesia, thanks to the various improvements in access to infrastructure and logistical assistance, as well as adjustments to tax and trade policy.

Helping hands build success

These positive results are symptomatic of the active approach being taken by the Indonesian government to solve issues and boost FDI. Between 2015 and 2016, BKPM oversaw the implementation of no less than 95 investment projects. Of these, 19 were PPP (public-private partnerships), 44 have been finalized with an investment value of IDR278.5 trillion, and 32 are still under process, with a total investment value of IDR142.7 trillion.

Aside from improved access to resources and a reduction in the documents and processes involved in cross-border trade, companies operating in Indonesia are also benefitting from an increasing use of online systems, the abolition of the regulatory capital requirement for SMEs (small and medium-sized enterprises) and smoother processes for commercial litigation.

The Indonesian government launched its 15th Economic Policy Package in mid-June 2017, the latest in a series of packages unveiled since 2015 aimed at boosting employment, driving competitiveness and stimulating investment. The recently announced package focuses specifically on improving key aspects of logistics within the country, and its aims include reducing costs for service providers, reducing contraband items, and increasing the importance of transportation insurance, with a view to reducing the cost of transportation and freight overall.

With an ear to the ground, the vision and will to elicit necessary change efficiently, and the growth figures to match, Indonesia is quickly establishing itself as a leading regional hub for foreign investment. Now, with its new initiatives designed to nurture the funds that are flowing its way, Indonesia is no longer a bit-part player on the FDI world stage – it is gearing up to play a leading role.

U.S. NEWS

Ethics Chief Quits After Trump Clashes

BY REBECCA BALLHAUS

Office of Government Ethics Director Walter Shaub said Thursday he plans to resign later this month, ending a tenure that was marked by frequent tangles with the Trump administration.

"The great privilege and honor of my career has been to lead OGE's staff and the community of ethics officials in the federal executive branch," Mr. Shaub wrote in a letter to the president that the director posted to his Twitter account. "They are committed to protecting the principle that public service is a public trust, requiring employees to place loyalty to the Constitution, the laws, and ethical principles above private gain."

Mr. Shaub said he would resign on July 19, six months before his term was set to conclude. He plans to join the Campaign Legal Center as senior director of ethics, according to the group, which advocates for transparency and ethics in government.

In the months since President Donald Trump took office, the GOP president has repeatedly clashed with Mr. Shaub over issues including the steps Mr. Trump took to

distance himself from his business empire and his administration's disclosure of ethics waivers for former lobbyists serving in the White House.

Mr. Shaub said in an email to The Wall Street Journal that he hadn't been pushed out by the White House.

He said he was leaving before the end of his term because he felt the Campaign Legal Center would offer him the best platform and he wanted to take the job before it was filled. The new role, he said, will allow greater freedom to push for changes to federal ethics rules.

The White House said Thursday that the president accepted Mr. Shaub's resignation and "appreciates his service." Mr. Trump plans to nominate a successor "in short order," the White House said.

The Office of Government Ethics aims to prevent conflicts of interest for government employees but has limited means to enforce federal ethics rules.

Soon after Mr. Trump's election victory, Mr. Shaub made it clear that he wouldn't be afraid to criticize Mr. Trump over ethics issues. In November, the ethics office sent a series of tweets at Mr. Trump



Walter Shaub, director of the Office of Government Ethics, is stepping down to join the Campaign Legal Center as senior director of ethics. He says the White House didn't push him to resign.

urging him to divest fully from his business interests.

In January, about 10 days before the inauguration, Mr. Shaub denounced as insufficient Mr. Trump's proposal to guard against conflicts of interest, saying it did "not comport with the tradition of our

presidents over the past 40 years."

Mr. Trump placed his assets into a trust and turned over management of his business to his adult sons, but retained ownership of the business. He can withdraw funds from the trust if its trustees—his eldest

son and a longtime company lawyer—deem it appropriate.

In March, Mr. Shaub criticized the White House for not taking more aggressive action against senior adviser Kellyanne Conway after she urged viewers in a television interview to "go buy Ivanka's stuff,"

referring to the brand owned by Mr. Trump's elder daughter. The White House said it had counseled Ms. Conway on the issue.

In May, Mr. Shaub issued an unusually forceful response to an effort by the White House to block the ethics office's attempt to obtain its ethics waivers, which allow administration officials to work on issues they handled in their previous private-sector jobs. Mr. Shaub declined the request that his office suspend its effort to obtain the waivers and included hundreds of pages of material backing up his right to request them. The White House ultimately provided the waivers to the agency, which publicly disclosed them.

Don Fox, who served as the ethics office's general counsel from 2008 to 2013 and as acting director from 2011 until 2013, said Mr. Shaub was "far more outspoken" than his predecessors about "what he perceived as the ethical shortcomings of this administration."

"Walt spoke out because he felt he had to," said Mr. Fox, adding he was concerned about Mr. Trump's role in picking Mr. Shaub's successor.

"It worries me as to who he might appoint," Mr. Fox said.



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

Cruz's Health-Bill Plan Gets Closer Look

BY STEPHANIE ARMOUR
AND KRISTINA PETERSON

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

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

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

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

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

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

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

The Cruz idea also is get-

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

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

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

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

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

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

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

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

—Michelle Hackman contributed to this article.

U.S. WATCH

ILLINOIS BUDGET

Lockdown Delays Vote On Veto Override

A crucial vote in the Illinois House of Representatives to override the governor and potentially enact the state's first budget after more than two years was delayed Thursday after the Capitol was put on lockdown.

A Hazmat crew was in the Capitol building investigating an incident. A woman threw an unidentified white powder into the offices of the governor and other areas, according to multiple media reports. The Capitol Police weren't immediately available to comment.

"I know this incident is going to be ongoing for at least the

next hour," said Springfield Fire Marshal Chris Richmond. "The folks that are in the building are going to remain in the building for a period of time until more information tells us that we can take another track on this."

The House was scheduled to convene in the afternoon, but the chamber's clerk announced some members were unable to enter the building.

An alarm over the PA system informed members later that a lockdown was in effect for the Capitol building, and instructed that no one should enter or exit the building, and shelter-in-place. Some House members remain in the chamber.

The past few days at the Capitol have been anxious ones. Backlash against Republicans

who broke with the governor on a tax increase vote was so intense that House GOP lawmakers received a memo from the leader's office Wednesday instructing members on what to do if they receive abusive or threatening messages on social media.

—Quint Forgy

ECONOMY

Trade Deficit Narrowed in May

The U.S. trade deficit narrowed in May as exports rose to their highest level in more than two years. The foreign-trade gap in goods and services narrowed 2.3% from April to a seasonally adjusted \$46.51 billion in May, the Commerce Department said

Thursday. Economists surveyed by The Wall Street Journal had expected a smaller trade deficit of \$46.2 billion for the month. Imports fell 0.1% in May to \$238.54 billion, and exports rose 0.4% from April. Total exports were \$192.03 billion in May, the strongest month for overseas sales since April 2015.

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

Data on international trade can be volatile from month to month, and the figures weren't adjusted for inflation.

—Ben Leubsdorf



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

PAID ADVERTISEMENT



G20 LEADERS **MUST HOLD** IRAN'S SUPREME LEADER **ACCOUNTABLE**

As G20 leaders gather in Hamburg to tackle the most pressing global issues, including refugee flows, counter-terrorism, and corruption, they should keep in mind Iran's bloodstained record:

■ MIGRATION

Iran has propped up the dictatorship of Bashar al-Assad, leading to the killings of hundreds of thousands of innocent civilians and causing the worst refugee crisis since World War II.

■ TERRORIST FINANCING

Iran is the leading state sponsor of terrorism. Tehran's support of Hamas, Islamic Jihad, Hezbollah and the Houthi insurgency is spreading violence and instability throughout the Middle East and North Africa.

■ CORRUPTION

According to Transparency International, Iran continues to be rife with corruption, ranking 131 out of 167 countries. Iran is also a haven for money laundering, and wide swaths of its economy is controlled by the Islamic Revolutionary Guard Corps (IRGC), a sanctioned terrorist organization. Doing business in Iran is not worth the risk.

The Ayatollah's brutal and corrupt regime in Iran continues to be a leading source of violence, instability and chaos throughout the international community. Rather than rewarding the Islamic Republic with investment and stronger economic ties, G20 countries should commit to a strong call to action in their communique to hold Iran accountable.

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IN DEPTH

FOOD

Continued from Page One
tionery business, is now the target of an activist investor.

Younger companies such as Chobani, the Greek-yogurt maker, have taken market share from giants such as General Mills Inc., which came out with Greek-style Yoplait yogurt, but too late to catch up.

"We were late to respond as Greek yogurt developed early in this decade," said General Mills Chief Executive Jeff Harmening, noting double-digit declines in Yoplait sales lately. "Our sales have suffered as a result."

The plight of the packaged-goods companies is a classic business tale. An industry creates winning products, carves out strong market positions and enjoys reliable, sustained revenue—only to be too slow to adapt to changes that threaten those cash cows.

"A lot of what's crept into big companies is internal focus, bureaucracy, PowerPoint presentations—the antithesis of agility," said Sean Connolly, chief executive of Conagra Brands Inc., maker of Hunt's ketchup, Peter Pan peanut butter and Chef Boyardee.

Mr. Connolly joined Conagra in 2015 and said he is trying to shake this mentality and move faster at coming out with new products.

Many big brands didn't move fast enough to remove artificial ingredients and haven't been able to shed the negative perception of processed food, said several food executives and others close to the industry.

At the same time, they faced low-cost store brands—or "private label" products—from retailers such as Costco Wholesale Corp., Wal-Mart Stores Inc. and regional grocers that sell copycat products.

National brands, which have huge marketing costs, generally can't afford to compete on price with the in-house brands of stores, which need little marketing beyond displaying products prominently on their own shelves.

Store brands gained popularity around the financial crisis, and analysts expect their market share to rise as they add natural brands of their own and as discount chains, which mostly sell store brands, expand.

Private-label-product shelf space has expanded 3.5% a year since 2012, estimated Credit Suisse analyst Robert Moskow in a recent report.

Big brands face escalating price pressure from the incursion of store brands and from retailers demanding lower prices, he wrote. "Up to now, the Big Food companies had sufficient pricing power to drive earnings higher even though they had been losing market share to smaller entrepreneurial organic and natural brands."

Big food sellers still dominate in America. The 25 largest food and beverage companies commanded a 63% share of \$495 billion in U.S. food and beverage sales in 2016, according to consultancy A.T. Kearney.

That is down from 66% in 2012, and even seemingly



LIVE SHARRETT/BLOOMBERG NEWS

Big food companies face more competition from low-cost store brands than from retailers. Brands such as Annie's Homegrown all-natural pasta gained at the expense of mainstream brands such as Kraft as consumers embraced fresher options.

small market-share losses hurt sales and profits.

The top 25 companies averaged 2% annual sales growth from 2012 through 2016, compared with 6% for their smaller rivals, according to A.T. Kearney.

Food companies in recent years have revamped old-line brands to cater to evolving consumer preferences. Nestlé cut sugar in its Nesquik chocolate-drink mix and fat in frozen dinners. General Mills removed artificial food dyes from its Trix cereal.

Kraft Heinz has scrapped added nitrates from its Oscar Mayer hot dogs and removed artificial dyes from its macaroni and cheese, to meet consumers' "changing needs through product renovations," a spokeswoman said.

Big companies also say they are trying to better compete with inexpensive store brands by ensuring their food tastes better and can promise health benefits that make them worth the extra money.

The moves are coming late for consumers such as Megan Dart, a 37-year-old mother of four in the Houston area who says she grew up on General Mills' Hamburger Helper and Kraft's Kool-Aid but now prefers fresher food for her children.

"Velveeta. I don't even know what that is," she said, adding that the ingredients in that Kraft cheese don't seem "real" to her.

Instead, she buys a block of cheese made by an Oregon dairy cooperative. "We don't do pre-made meals, no microwave meals."

When she does buy packaged food such as frozen waffles, she turns to her local grocery-store brand as long as it tastes as good. "If I'm going to buy it," she said, "I would rather save the money."

Through most of the 1900s, big brands were in tune with Americans' desire for safe and affordable food.

Innovations such as flash-freezing made packaged food convenient. Preservatives and artificial coloring made it appealing and cheap, without risk of food-borne illness.

Packaged foods enjoyed prime shelf space at grocery stores and won over consum-



NICHOLAS KAMM/AF/GETTY IMAGES

ers with national advertising. "Back then," said food historian Andrew Smith, "they could advertise and promote their way out of a problem."

In the 1990s, changing perceptions of what counted as healthy spurred consumers toward more natural, organic food, Mr. Smith said. U.S. regulators began requiring nutrition labels on packaged food, leading to more scrutiny by customers.

When the push for fewer artificial ingredients and additives gained momentum, big food companies largely decided to wait and see whether it would become mainstream, he said. "They ignored the

aged-food and beverage industry in the past five years.

Some old standbys haven't fared as well. Hamburger Helper, and the other Helper varieties owned by General Mills, declined to 40% of sales of dinner mixes in the U.S. last year from 61% in 2007, according to market researcher Euromonitor, and Conagra Brands' Chef Boyardee's share of shelf-stable ready-meal sales fell to 23% from 25%.

General Mills said Hamburger Helper might not have robust growth prospects but generates consistent profits and feeds millions of Americans. It improved the taste by using real cheese and, to at-

hey gained traction through blogs and Facebook with little marketing spending, selling food online via Amazon.com Inc. or their own websites long before they would have been able to get it in stores.

Among American households, 23% bought groceries online last year, up from 19% in 2014, according to Nielsen and the Food Marketing Institute.

Big brands can no longer control perceptions about food with television advertisements and shelf placement.

"In the good old days, the retail shelf was an important barrier to entry," said Nestlé CEO Mark Schneider at a Berlin conference in June.

Today, the "endless shelf" of the internet means smaller companies can easily enter the market, he said.

Big food companies say they have also been hurt by economic trends in the U.S. that have slowed some consumer spending in recent years.

The inertia of big food firms made it easier for them to lose market share when eating trends changed, said Beth Goeddel, who spent 16 years in marketing for Kraft brands such as Oscar Mayer before it was acquired in 2015.

"It's easier to be nimble when you're smaller, and you have nothing to lose," said Ms. Goeddel. She now works for an artisanal chocolate company.

Macaroni and cheese is a case in point.

Kraft's version made its debut in 1937 when America was in the throes of the Great Depression and was popularized

concerns, and they stopped experimenting because they could buy aisles in the grocery store."

From 2005 to 2010, a swath of new brands such as Amplify Snack Brands Inc.'s SkinnyPop popcorn and Kind LLC's Kind snack bars hit shelves, rapidly expanding from a few small stores to retail giants such as Costco and Wal-Mart.

Smaller brands were more focused on making food with simpler, more natural ingredients, said Chris Morley, president of food and retail research at market-research firm Nielsen.

Such "clean-label" products, he said, have been the biggest growth drivers of the pack-

trat value-oriented shoppers, has added 20% more pasta, a spokeswoman said.

Conagra said it is focused on reviving brands with the most potential, such as Healthy Choice frozen dinners.

It said it would sell brands that aren't core to the business, such as Wesson cooking oil, and it has acquired trendy brands such as Frontera salsa. Frozen dinners from Frontera hit shelves within 120 days of creating the recipe, much faster than the typical two-year innovation cycle, a Conagra spokesman said.

The web and social media gave smaller food companies a direct path to consumers' hearts, minds and stomachs.

for its ability to serve a family of four for 19 cents, the company said.

When people started looking for fresher options in the new millennium, brands like Annie's Homegrown all-natural pasta gained at the expense of mainstream brands.

From 2012 to 2016, Kraft lost 2 percentage points of market share in mac and cheese, according to Euromonitor.

Kraft Heinz said that since it announced last year it had removed artificial dyes, sales and market share improved.

Unilever PLC is trying to sell its margarine brands—the foundation on which it built its business starting in 1929—after a takeover offer from Kraft Heinz sparked a strategic overhaul earlier this year.

Over the past decade, butter regained favor as a natural option and margarine sales fell.

Unilever recently kicked off a restructuring program aimed at making it more responsive to consumer trends.

Nestlé, the world's biggest packaged-food company, was singled out by billionaire activist investor Daniel Loeb for having fallen behind "due to changes in consumer tastes and shopping habits, as well as an influx of new competition from smaller, local brands."

Nestlé had said in June it was looking to sell its U.S. confectionery business, which includes the Butterfinger, Baby Ruth and Crunch candy bars. Last week, following Mr. Loeb's letter, it added that it would invest in high-growth businesses such as bottled water and infant nutrition instead.

Mondelez International Inc., which has mostly snack brands, and chocolate giant Hershey Co. say they have benefited from an increase in people snacking rather than having three meals a day.

Companies, while adjusting some big brands to new realities, are adding new lines as well.

Campbell Soup Co. said it is removing artificial colors and flavors, and recently came out with a new brand of soup made with simple ingredients,

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Kraft's version made its debut in 1937 when America was in the throes of the Great Depression and was popularized

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

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

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

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

Continued from Page One

in ratings, has played the mis-spell card 14 times since the start of the 2016-17 television season last fall.

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

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

"It's a little bit of gamesmanship," said Bill Carroll, a veteran TV industry consultant. "It's a practice that happens with a wink and a nod."

Nielsen projects viewer ratings based on a panel of more than 40,000 homes and 100,000 people. Higher ratings help networks sell commercial time at higher rates.

The network misspellings fudge that calculation, and some advertisers say the trick is getting overused.

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

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

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

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

Faced with complaints that title typos have grown from a trickle to a torrent, Nielsen plans to hold a meeting about

it next week for TV industry representatives.

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

Nielsen has long had a so-called tilting rule that allows TV networks to fiddle with programs for special circumstances. For years, tilting was used sparingly, reserved pri-

marily for Christmas and Thanksgiving or if a show was pre-empted in parts of the U.S. for a live sports event.

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

When CBS submitted its schedule to Nielsen, however,

it labeled reruns of "Bull" as an "encore." The ratings service categorized it as a different show and didn't factor the rerun into the show's season average.

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

A CBS spokesman declined to comment.



PHOTO:ILLUSTRATION WITH NBC NEWS PHOTO

A network photo of NBC Nightly News with Lester Holt, altered to show how the name was misspelled.

Continued from Page One

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BOOKS

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

Loving Mr. Rochester

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

The Secret History Of Jane Eyre

By John Pfondresher
Norton, 254 pages, £20.99

BY ELIZABETH LOWRY

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

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

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



ALAMY

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

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

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

sionnat she attended in 1842 and 1843, Constantin Heger.

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

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

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

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

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

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

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

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

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

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

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

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

Yesterday in Tahrir Square

The City Always Wins

By Omar Robert Hamilton
Faber & Faber, 312 pages, £14.99

BY TOBY LICHTIG

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

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

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

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

moil, via the triumph and then ousting of the Muslim Brotherhood, on the journey back to the status quo. The focus is on two young revolutionaries:

Mariam, an intense young Egyptian woman whose parents are doctors, and Khalil, an American of Palestinian heritage who has come to Cairo in search of a cause. They are secular, leftwing, technologically astute. Mariam lives and breathes revolution; it permeates every aspect of her life. Khalil is equally intoxicated by the prospect of change, though he later becomes disillusioned.

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

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

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

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

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

warms to this theme, contemplating "the jazz that is beauty in the destruction of the past." But the city has a dismal energy of its own: It "doesn't show mercy or respect. It races on around us and our silent island of dread."

Toward the end, with Egypt back under military rule, Khalil launches into a memorable tirade against "history's one long looping nightmare" and the failure of his gen-



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eration to usher in a new world order: "The army wants your land and the British want your oil and the Italians want your gas and the Americans want your airspace and your canal and your complicity . . . and when we're bored of war we will bring you peace and post-conflict resolution . . . and dialogue camps and off-Broadway plays . . . [until] you are finally and forever stripped of even the possibility of thought."

The book is split into three linear sections. The first ("Tomorrow") takes us—by way of hospital morgues and countless demonstrations, tear gas, bullet wounds, excitement, optimism and fear—to the surprise victory of the

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

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

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

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

BOOKS

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

East River Love Song

Chief Engineer

By Erica Wagner

Bloomsbury, 364 pages, £25

BY ALLEN C. GUELZO

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

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

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

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

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



MUSEUM OF THE CITY OF NEW YORK

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The World's Hottest Gadget

The One Device

By Brian Merchant

Bantam, 407 pages, £20

BY FRANK ROSE

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

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

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

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

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

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

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

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

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

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

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

What Jobs did do was to create the environment from which the iPhone emerged. He challenged his engineers relentlessly, and his suppliers as well. He was an absolute perfectionist on matters of aesthetics and design. His fury was legendary, yet somehow he inspired people to take chances rather than keep their heads down. On occasion he even allowed himself to be

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

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

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

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

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

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

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



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

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

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BOOKS

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

'Over There' by Ocean Liner

The Great Rescue

By Peter Hernon

Harper, 350 pages, £20

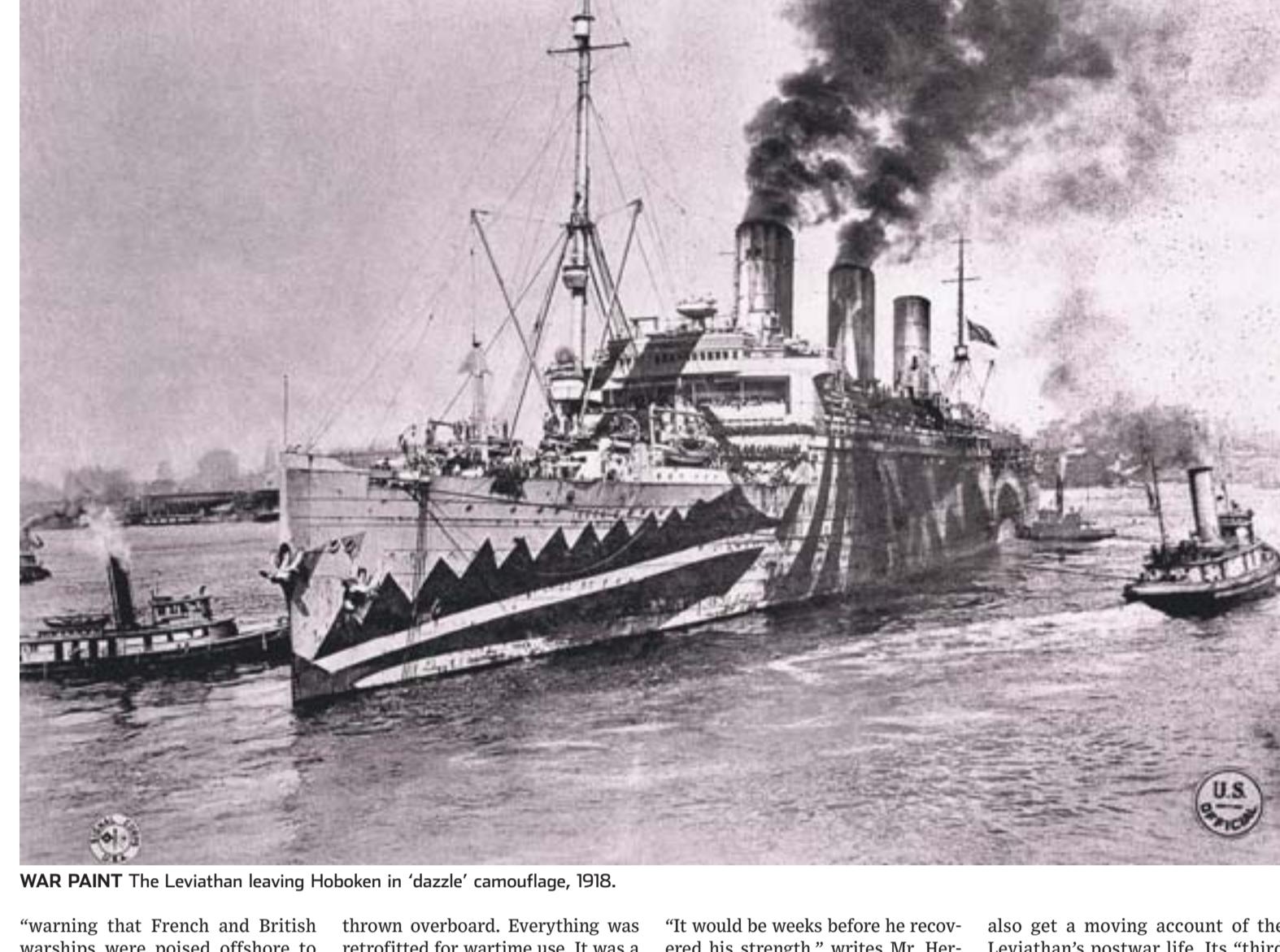
BY MARTIN RUBIN

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Mr. Rubin is a writer in Pasadena, Calif.

Terror's Tailwind

The Forgotten Flight

By Stuart H. Newberger

Oneworld, 320 pages, £20

BY MELANIE KIRKPATRICK

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

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

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

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

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

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

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

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

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

ought to have excised these cartoonish passages.

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

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

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

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

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

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

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

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

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



AGENCE FRANCE PRESSE/GETTY IMAGES

PICKING UP THE PIECES Wreckage from UTA Flight 772.

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

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

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

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

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

OPINION

REVIEW & OUTLOOK

Trump's Putin Test

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

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

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

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

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

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

Russia relations to gain unilateral concessions. One Kremlin priority is easing Western sanctions for the invasion of Ukraine and President

Obama's December 2016 sanctions for its election interference. The Russian foreign ministry is in particular demanding that the U.S. let Russia reopen compounds in Maryland and New York that

Mr. Obama shut down.

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

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

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

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

The Japan-EU Trade Warning

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

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

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

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

The Trump Administration says it still

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

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

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

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

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

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

State of America's Teachers Union

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

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

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

charters the union said it is still happy to unionize them.

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

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

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

What Europe Doesn't Know About Taxes



POLITICAL ECONOMICS
By Joseph C. Sternberg

Europe is doing taxes all wrong.

That's not a comment on the rates. Those are still too high to foster the entrepreneurship and innovation the Continent so desperately needs. But many European countries

have cut rates in the past decade, and most of them are now below America's top corporate rate of 35%.

Rather, the problem is that hardly anyone talks about taxation the right way. Europe's smarter leaders harbor a simplistic understanding that lower tax rates can stimulate economic growth. Missing is the more important debate about the proper role of the state in the economy, without which it's impossible to have a meaningful discussion about taxation.

Britain is Exhibit A. The reduction in corporate rates—to 17% by 2020 from 28% in 2009—was a cornerstone of the strategy former Prime Minister David Cameron and Chancellor George Osborne adopted to save the economy from the crisis.

Yet London now is embroiled in a debate about increasing government-employee pay after years of nominal wage growth capped at 1% a year. The leftward-drifting Labour party obviously supports more spending. More alarming, so do a nontrivial number of the same Conservatives who ostensibly supported the Cameron-Osborne tax cuts.

It seems the Tories have forgotten everything Margaret Thatcher taught them. By the numbers, the Cameron-Osborne record isn't so far different from Thatcher's in terms such as reduction in government spending as a percentage of gross domestic product relative to what they inherited from Labour. But Thatcher explained her policies better, with a view to creating a durable electoral consensus for smaller government that could sustain lower tax rates.

"I came to office with one deliberate intent," she told a small-business group in 1984, "to change Britain from a dependent to a self-reliant society—from a give-it-to-me, to a do-it-yourself nation." Her taxation policies followed from this, and not the other way around. "The pressures for more public spending are remorseless," she said in the same speech. "But the Government will resist them. In a free society, government must leave more in the pockets of the people, to spend as they decide." This wasn't tax cutting as technocratic stimulus. It was tax cutting as philosophical choice.

It worked. The reduction in spending as a percentage of GDP, which was above 50% in the early years of the Thatcher government, continued after she left office and reached a low point in 1999 and 2000 after Tony Blair's Labour had won power again. So deeply

had Thatcher changed British minds that Mr. Blair could win only by promising that Labour would eschew its big-government past.

In contrast, Messrs. Cameron and Osborne presented their tax cuts as part of an "austerity" strategy sold to voters as a temporary crisis-recovery and fiscal-adjustment plan.

So if the economy is growing now, why not raise tax rates a little bit more to restore some funding to the government? Thatcher could have told voters why not. Nowadays only a weakening faction within the weakened Tory party is making the case.

At least Britain has that much. This week it became clear no mainstream politician in Germany thinks it's a problem that a government reducing its debt and with record fiscal surpluses

Leaders understand lower rates boost economic growth. But for it to stick they also need to show they know why.

isn't returning more money to taxpayers. Both the center-right Christian Democrats and the center-left Social Democrats are offering only €15 billion (\$17.02 billion) in annual tax relief, well under one-third of last year's €54 billion surplus. That's a grudging concession to, not a philosophical embrace of, the productive private economy.

And this weekend's G-20 summit will renew discussion of global leaders' crackdown on legal corporate-tax planning. The crusade against "base erosion and profit shifting," or BEPS, is premised on the notion that although governments can be allowed to reduce their tax rates a bit, companies should be prohibited from availing of the relief too much. It's a long way from Thatcher.

This philosophical debate matters more than you think. An executive at a U.S. company this week offered an insight into why Ireland's 12.5% corporate rate has been so successful. What matters isn't only the rate, he told me, but the fact that there's broad agreement about that rate in Dublin. Other European governments struggle to convince businesses that their political commitment to low tax rates will last the lifespan of a capital investment.

This sets up a major test for Emmanuel Macron, whose determination to cut French tax rates is one of the best things going for the European economy right now. He and Prime Minister Edouard Philippe deliver impassioned speeches about slashing both spending and taxes to break France's "addiction" to government. Can they transform public attitudes and mold the political class accordingly?

More rides on the answer to that question than hangs on exactly what corporate-tax rate they manage in coming years.

LETTERS TO THE EDITOR

Proxy Votes Certainly Matter to Index Funds

Regarding M. Todd Henderson and Dorothy Shapiro Lund's "Index Funds and Corporate Governance" (op-ed, June 26): The suggestion that index funds relinquish their voting rights is irresponsible and ill-informed.

Doing so would systematically disenfranchise tens of millions of individuals who use low-cost, broadly diversified index funds and exchange-traded funds to save for retirement, education, new homes and secure financial futures.

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

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

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

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

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

BILL McNABB
Vanguard Chairman and CEO
Malvern, Pa.

A Double Standard for Violence, Intimidation

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

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

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

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

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

MARY R. SCHNEIDER
Avon Lake, Ohio

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

OPINION

The Conservative ‘Resistance’ Is Futile

By David Gelernter

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

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

“Resistance” is unacceptable in referring to the Trump opposition because, obviously, it suggests the Resistance—against the Nazis in occupied France. Many young people are too ignorant to recognize the term, but that hardly matters. The press uses it constantly. So when a young innocent finally does encounter the genuine French Resistance, he will think, “Aha, just like the resistance to Trump!” And that’s all the left wants: a mild but continuous cultural breeze murmuring in every American ear that opposing Trump is noble and glorious. *Vive la Résistance!*

By The Dalai Lama

Once people adopt a religion, they should practice it sincerely. Truly believing in God, Buddha, Allah or Shiva should inspire one to be an honest human being. Some people claim to have faith in their religion but act counter to its ethical injunctions. They pray for the success of their dishonest and corrupt actions, asking God or Buddha for help in covering up their wrongdoings. There is no point in such people describing themselves as religious.

Today the world faces a crisis related to lack of respect for spiritual principles and ethical values. Such virtues cannot be forced on society by legislation or by science, nor can fear inspire ethical conduct. Rather, people must have conviction in the worth of ethical principles so that they want to live ethically.

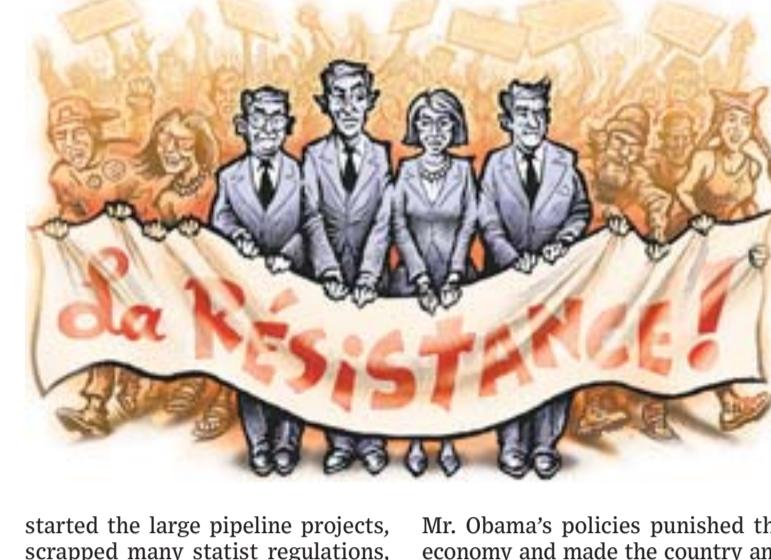
The U.S. and India, for example, have solid governmental institutions, but many of the people involved lack ethical principles. Self-discipline and self-restraint of all citizens—from CEOs to lawmakers to teachers—are needed to create a good society. But

This abuse of “the resistance” happens everywhere. Many Republicans hate Mr. Trump and love to denounce him—which lets them show their integrity and, sometimes, a less-praiseworthy attribute too.

Many intellectuals think Mr. Trump is vulgar. That includes conservatives. They think he’s a peasant and talks like one. Every time he opens his mouth, all they hear is a small-time Queens operator who struck it big but has never had a proper education, and embarrasses the country wherever he goes, whatever he says. It never dawns on them that the president can’t stand them any more than they can stand him. Yet they expect him to treat them with respectful courtesy if he ever runs into them—as he should, and on the whole does. Conceivably they should treat him the same way.

Conservatives regret the collapse of authority, dignity and a certain due formality in the way Americans treat each other. They are right to complain when any president diminishes his office. Mr. Trump ought to think more seriously about what he owes the great men among his predecessors, and the office itself. But it’s not clear that commentators make things any better when they treat the president himself like a third-rate clown.

I’d love for him to be a more eloquent, elegant speaker. But if I had to choose between deeds and delivery, it wouldn’t be hard. Many conservative intellectuals insist that Mr. Trump’s wrong policies are what they dislike. So what if he has re-



PHIL FOSTER

started the large pipeline projects, scrapped many statist regulations, appointed a fine cabinet and a first-rate Supreme Court justice, asked NATO countries to pay what they owe, re-established solid relations with Israel and Saudi Arabia, signaled an inclination to use troops in Afghanistan to win and not merely cover our retreat, led us out of the Paris climate accord, plans to increase military spending (granted, not enough), is trying to get rid of ObamaCare to the extent possible, proposed to lower taxes significantly and revamp immigration policy and enforcement? What has he done lately?

Conservative thinkers should recall that they helped create President Trump. They never blasted President Obama as he deserved.

Mr. Obama’s policies punished the economy and made the country and its international standing worse year by year; his patronizing arrogance drove people crazy. He was the perfect embodiment of a one-term president. The tea-party out-break of 2009-10 made it clear where he was headed. History will record that the press saved him. Naturally the mainstream press loved him, but too many conservative commentators never felt equal to taking him on. They had every reason to point out repeatedly that Mr. Obama was the worst president since Jimmy Carter, surrounded by a left-wing cabinet and advisers, hostile to Israel, crazed regarding Iran, and even less competent to deal with the issues than Mr. Carter was—which is saying plenty.

But they didn’t say plenty. They didn’t say much at all. The rank and file noticed and got mad. Even their supposed champions didn’t grasp what life under Mr. Obama was like—a man who was wrecking the economy while preaching little sermons, whose subtext was always how smart he was, how dumb they were, and how America was full of racist clods, dangerous cops and infantile nuts who would go crazy if they even heard the words “Islamic terrorism.” So the rank and file was deeply angry and elected Mr. Trump.

Some conservatives have the impression that, by showing off their anti-Trump hostility, they will get the networks and the New York Times to like them. It doesn’t work like that. Although the right reads the left, the left rarely reads the right. Why should it, when the left owns American culture? Nearly every university, newspaper, TV network, Hollywood studio, publisher, education school and museum in the nation. The left wrapped up the culture war two generations ago. Throughout my own adult lifetime, the right has never made one significant move against the liberal culture machine.

So go ahead, proclaim it from the rooftops: the anti-Trump opposition is a virtual French Resistance! If we’re not going to fight anyway, let’s surrender and get it over with.

Mr. Gelernter invented Lifestreams, the first social network.

How to Be a Buddhist in Today’s World

By The Dalai Lama

these virtues cannot be imposed from the outside. They require inner cultivation. This is why spirituality and religion are relevant in the modern world.

India, where I now live, has been home to the ideas of secularism, inclusiveness and diversity for some 3,000 years. One philosophical tradition asserts that only what we know through our five senses exists. Other Indian philosophical schools criticize this nihilistic view but still regard the people who hold it as *rishis*, or sages. I promote this type of secularism: to be a kind person who does not harm others regardless of profound religious differences.

In previous centuries, Tibetans knew little about the rest of the world. We lived on a high and broad plateau surrounded by the world’s tallest mountains. Almost everyone, except for a small community of Muslims, was Buddhist. Very few foreigners came to our land. Since we went into exile in 1959, Tibetans have been in contact with the rest of the world. We relate with religions, ethnic groups and cultures that hold a broad spectrum of views.

Further, Tibetan youth now receive a modern education in which they are exposed to opinions not traditionally found in their community. It is now imperative that Tibetan Buddhists be able to explain clearly their tenets and beliefs to others us-

Religion now faces three main challenges: communism, science and consumerism.

ing reason. Simply quoting from Buddhist scriptures does not convince people who did not grow up as Buddhists of the validity of the Buddha’s doctrine. If we try to prove points only by quoting scripture, these people may respond: “Everyone has a book to quote from!”

Religion faces three principal challenges today: communism, modern science and the combination of consumerism and materialism. Although the Cold War ended decades ago, communist beliefs and governments still strongly affect life in Buddhist

countries. In Tibet, the communist government controls the ordination of monks and nuns while also regulating life in the monasteries and nunneries. It controls the education system, teaching children that Buddhism is old-fashioned.

Modern science, up until now, has confined itself to studying phenomena that are material in nature. Scientists largely examine only what can be measured with scientific instruments, limiting the scope of their investigations and their understanding of the universe. Phenomena such as rebirth and the existence of the mind as separate from the brain are beyond the scope of scientific investigation. Some scientists, although they have no proof that these phenomena do not exist, consider them unworthy of consideration. But there is reason for optimism. In recent years, I have met with many open-minded scientists, and we have had mutually beneficial discussions that have highlighted our common points as well as our diverging ideas—expanding the world views of scientists and Buddhists in the process.

Then there is materialism and consumerism. Religion values ethical

conduct, which may involve delayed gratification, whereas consumerism directs us toward immediate happiness. Faith traditions stress inner satisfaction and a peaceful mind, while materialism says that happiness comes from external objects. Religious values such as kindness, generosity and honesty get lost in the rush to make more money and have more and “better” possessions. Many people’s minds are confused about what happiness is and how to create its causes.

If you study the Buddha’s teachings, you may find that some of them are in harmony with your views on societal values, science and consumerism—and some of them are not. That is fine. Continue to investigate and reflect on what you discover. In this way, whatever conclusion you reach will be based on reason, not simply on tradition, peer pressure or blind faith.

The 14th Dalai Lama, Tenzin Gyatso, is the spiritual leader of Tibet. He is co-author, with Thubten Chodron, of “Approaching the Buddhist Path,” from which this article is adapted.

India Gives Israel a Firm Embrace

By Sadanand Dhume

Even to the casual observer, the symbolism of Narendra Modi’s visit to Israel this week was hard to miss. But the visit also reflects deep changes in India’s domestic politics. Traditional opponents of a closer India-Israel relationship have lost in the court of public opinion.

Mr. Modi’s three days in Israel, the first visit ever to the Jewish state by an Indian prime minister, unfolded as a series of carefully choreographed photo-ops designed to emphasize the warmth that exists between New Delhi and Jerusalem. Accompanied by Israeli Prime Minister Benjamin Netanyahu, Mr. Modi paid tribute to Holocaust victims and to Theodor Herzl, the founder of modern Zionism.

The two leaders underlined their common opposition to Islamic terrorism by meeting a 10-year-old Israeli boy whose parents were murdered by Pakistani terrorists during the 2008 Mumbai attacks, which claimed 166 lives. Mr. Modi also trav-

eled to Haifa to honor Indian soldiers who died helping liberate the city during World War I.

It’s easy to attribute India’s dramatic shift over the past quarter century—from reflexive support for the Palestinians to an intense partnership with Israel—to changing global circumstances.

As the argument goes, the collapse of the Soviet Union led India to warm to Israel, in part as a bridge to the U.S. Common concerns about Islamic terrorism boosted intelligence sharing between the two countries. India’s appetite for high-tech weapons, and Israel’s willingness to sell them, spawned a robust defense-trade relationship.

The rise of Bangalore and Tel Aviv as global technology hubs—and their common links with Silicon Valley—deepened commercial ties. The discovery of India by legions of Israeli backpackers decompressing after compulsory military service aided tourism and created mutual goodwill.

All this is true enough, but it overlooks a larger point. Mr. Modi’s

minded consideration: not running afoul of the orthodox Islamic clerics who claimed to influence the votes of India’s large Muslim minority.

Only in 1992, with New Delhi’s foreign policy of nonalignment overtaken by the collapse of the Soviet

Modi’s visit reflects a deep realignment in India’s domestic politics.

Union, did India establish full diplomatic relations with Israel. P.V. Narasimha Rao, the prime minister at the time, may have belonged to the Congress Party, but he was no member of the Nehru-Gandhi dynasty.

Almost immediately, cooperation in defense, agriculture and counterterrorism began to grow dramatically. After the right-of-center Bharatiya Janata Party government took power in 1998, the process only accelerated. In 2003, Ariel Sharon became the first (and, so far, only) Israeli prime minister to visit India. But India’s old habit of being overly

sensitive to perceived Muslim opinion—there’s little evidence that Indian-Muslim voters care inordinately about this issue—still persisted.

Led by Sonia Gandhi, Nehru’s granddaughter-in-law, the Congress Party reclaimed power in 2004. That didn’t end cooperation with Israel, but the new government halted its most public aspects. During the party’s 10 years in power, from 2004 to 2014, bilateral visits at the prime ministerial and presidential level between India and Israel were frozen. India didn’t want to forego the benefits of a friendship with Israel, but it didn’t want to flaunt that friendship, either.

In hindsight, the Congress Party made a mistake. Many middle-class Indians view Israel not as the neocolonial oppressor of caricature, but as Americans do: A plucky country surrounded by dangerous neighbors that has thrived against the odds.

Some are also attracted to Jewish civilization because, like Hinduism, it predates Islam and Christianity. A 2009 survey by the Israeli Foreign Ministry found India to be the most pro-Israel of those countries surveyed, ahead even of the U.S.

Close ties with Israel make sense to middle-class Indians. They resent the idea of giving India’s 14% Muslim minority a veto over an important bilateral relationship. The notion of slowing down or underplaying India-Israel ties out of deference to either pan-Islamic sentiment world-wide or domestic Muslim sentiment finds few takers outside India’s rapidly dwindling Left.

Mr. Modi appears to have grasped this fact. By publicly embracing Israel—and literally embracing Mr. Netanyahu about a half-dozen times at last count—Mr. Modi has moved India-Israel ties firmly away from the shadows and into the spotlight. This is where they will likely remain.

Mr. Dhume is a resident fellow at the American Enterprise Institute, and a columnist for WSJ.com.

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Notable & Quotable: Joe in ’20

Brent Budowsky writing at TheHill.com, June 29:

Watching the latest vulgar and sexist outburst of Donald Trump, who temporarily occupies the Oval Office and has now turned his foul mouth against Mika Brzezinski, let me suggest an idea that is offered very seriously....

Joe Scarborough, who is a serious and principled conservative even if he makes too many snide comments about liberals from the upper East Side and Georgetown, should enter the GOP primaries and run against Trump in the 2020 presidential campaigns.

While the thought of former president Trump someday glued to the television watching CNN and MSNBC and then writing angry vulgar tweets about future president Joe Scarborough and his first lady Mika has its own appeal, the idea of a principled conservative replacing an unprincipled vulgarian should have even greater appeal to Republicans who will vote in 2020 primaries.

Scarborough is a serious man. He served in the House of Representatives as a Republican and conservative and has a body of knowledge and experience that far surpasses any understanding of policy and issues that Trump will ever possess.

LIFE & ARTS

FILM REVIEW | By Joe Morgenstern

No Place Like 'Homecoming'



audiences back to the multiplexes for a look-see at a series that had been aging fast.

When Peter first takes Spider-Man public as a local crime fighter in the borough of Queens, a pretty girl in his high school is unimpressed with the new superhero on the block: "He's probably like 30," she says. But no, he's very much like the 15-year-old he is—a hormone-fueled hotshot who is being groomed for the Avengers team through an internship sponsored by Tony Stark, aka Iron Man. As he swings past a platform full of people waiting for a train he asks, with cheerful self-importance, "Is everybody good?"

The interplay between Peter and Tony is extensive. That means the movie benefits extensively from the presence and singular panache of Robert Downey Jr., since Tony is Peter's role model in what is basically a coming-of-age story, as well as a balance wheel for a kid in a hurry to use superpowers he hasn't mastered. And Peter gets the formidable villain he deserves: Adrian Toomes, aka the Vulture, a malign birdman played with a flamboyant ferocity that befits his wingspan by Michael Keaton—who, of course, played another feathered flyer less than three years ago in "Birdman."

Three other characters distinguish themselves in the densely populated production: Peter's classmate and best buddy Ned (Jacob Batalon), a chubby, scene-stealingly charming nerd; Chris Evans's Captain America, who turns up as, of all things, a killingly earnest motivational speaker in classroom videos (and who demonstrates why it's worthwhile to wait for end-title cameos); and Spider-Man's suit, which is less a garment than a weapons system with a personality, thanks to Jennifer Connelly's Suit Lady, a sort of Siri with genuine smarts. (During Peter's apprenticeship, almost all of the suit's advanced functions have been turned off by what's called a Training Wheels Protocol.)

For all its quirky wit and distinctive texture, "Spider-Man: Homecoming," which was photo-



Tom Holland, left, stars as Peter Parker, aka Spider-Man; Michael Keaton, above, as Adrian Toomes, aka the Vulture.

graphed by Salvatore Totino, comes through with several conventionally spectacular action sequences. One of them is set in a high school homecoming dance. (The movie's title allows for another interpretation—Spidey's homecoming to Marvel Studios.) Others grow out of an academic decathlon in Washington, D.C. (Spidey atop the Washington Monument recalls King Kong atop the Empire State Building), and a bifurcated transit of the Staten Island Ferry.

The film has its lapses. The story zips along zestfully until a plot development involving Adrian Toomes illustrates how too many interlocking pieces can turn arbitrary, breaking the narrative spell. Product placements for Audi cars are insistent, and shameless. And this production loses its way for a while, just as "Wonder Woman" did, in one of those repetitive, out of scale and relentlessly generic climactic battles that seem to be the price one must pay for excellent comic book epics as well as dull ones.

Happily, though, the production regains its buoyancy toward the end. (Michael Giacchino's score never for a moment loses its brilliant luster.) The usual evolution in long-running superhero franchises is from thrilling action with a clever edge to bloated action with increasingly toxic doses of self-comment and self-irony. That's not the case with "Spider-Man," which is genially aware of itself and terrifically likeable. Only now is this series coming of age.

NO COBWEBS on Spidey—"Spider-Man: Homecoming" feels breezily, pleasingly fresh. It's the sixth "Spider-Man" feature, but the first to spin forth from Marvel Studios, and Marvel has done the improbable by breathing big puffs of life into a declining franchise. The biggest is giving the title role to Tom Holland, who is supported by consistently bright writing (six writers get screenplay credit) and sharp-witted direction by Jon Watts. (He did "Clown" and the lean thriller "Cop Car.") Here, as in Marvel's 2016 "Captain America: Civil War," the concept of a comic-book uni-

verse—diverse superheroes populating interlinked films—represents more than a vast merchandising venture. This universe seems like an expansive superfamily.

Mr. Holland's success is less than surprising because he made a brief but impressive debut in the role during the climactic battle of "Civil War." The new film picks up the hero's story a few months later in New York. A high school kid, as he has been before, Peter Parker—the third Peter Parker, after Tobey Maguire and Andrew Garfield—is younger in spirit than his predecessors, meaning he's a convinc-

ingly real high school kid within the kind of buoyant reality established for an earlier generation by the filmmaker John Hughes. (Peter is still living with his Aunt May, who, as played by Marisa Tomei, is younger in body as well as spirit.)

The main appeal of this latest iteration is how quick, earnest and funny Peter can be. (Quickness pervades the film—all the young actors rush their lines.) The mystery of the central performance is how Mr. Holland, an Englishman only two years out of his teens, has managed to acquire such a quicksilver technique; he's sure to bring younger

The WSJ Daily Crossword | Edited by Mike Shenk



BACKFLOW | By Matt Gaffney

- The answer to this week's contest crossword is a seven-letter country.
- Across**
- 1 Relevant part of this puzzle's bodies
 - 6 Website designers often have them: Abbr.
 - 10 Preserve, maybe
 - 14 Muppet with spiked hair
 - 15 Moreover
 - 16 Summoned ride
 - 17 Dramatic call to action
 - 20 Moreover
 - 21 Architect Ludwig — van der Rohe
 - 22 "St. ___ Fire" (Brat Pack film)
 - 23 Cheese-on-toast dish
 - 26 Humans and herons, e.g.
 - 29 MIT grad, often
 - 30 Cornerless shape
 - 31 Clothier Geoffrey
 - 33 1988 Dennis Quaid/Meg Ryan movie
 - 34 1988 Dennis Quaid/Meg Ryan movie
 - 36 Spoke before dinner
 - 38 More than merely mine
 - 40 NBC show since 1975
 - 41 Parsley, sage, rosemary and thyme
 - 42 Marathoner's concern
 - 43 Swerve
 - 44 Out of one's mind
 - 46 Philanthropist for whom a building of Seattle Children's Hospital is named
 - 48 Clickable text
 - 49 Flip
 - 50 Boring tool
 - 51 Like Mayo men
 - 52 Strip in the snow
 - 53 Strip in the snow
 - 54 Zen paradox
 - 55 Quaint places to stay
 - 56 Sister of Emily and Charlotte
 - 57 Canine-care org.
 - 58 Dessert reaction
 - 59 Swear

► Email your answer—in the subject line—to crosswordcontest@wsj.com by 11:59 p.m. Eastern Time Sunday, July 9. A solver selected at random will win a WSJ mug. Last week's winner: Peter Abide, Biloxi, MS. Complete contest rules at WSJ.com/Puzzles. (No purchase necessary. Void where prohibited. U.S. residents 18 and over only.)

PUZZLE CONTEST

- 63 Gas station brand
64 League with a DH
65 Womb mates
Down
- 1 Liquefy
 - 2 Product for which Christina Aguilera has done recent ads
 - 3 Golden Rule preposition
 - 4 Old-school "Indeed!"
 - 5 Did a tailor's task
 - 6 Clam-centered events
 - 7 Bones cover
 - 8 Volcanic stuff
 - 9 "____ Married an Axe Murderer" (Mike Myers movie)
 - 10 Military supplier
 - 11 Weapon tested at White Sands
 - 12 Object of old French cheers
 - 13 Meeting in the moonlight
 - 18 Is unwell
 - 19 Twill fabrics
 - 23 Use a blowtorch
 - 24 Folk dances
 - 25 Sister of Emily and Charlotte
 - 26 Hirer and firer
 - 27 Former arbitrageur Boesky
 - 28 Beach bucket
 - 31 Quotable Yogi
 - 32 Return to a lower level
 - 33 Cruise's "Knight and Day" co-star
 - 34 A single time
 - 35 Long in the tooth
 - 37 Wild group?
 - 38 Listen to
 - 39 Hotels may have them
 - 43 They're enjoyed on balconies
 - 44 Key lacking vowels
 - 45 Popular destination
 - 46 Old Testament prophet
 - 47 Rub out
 - 48 Clickable text
 - 49 Flip
 - 50 Boring tool
 - 53 Kinda-sorta
 - 54 Zen paradox
 - 55 Quaint places to stay
 - 56 Sister of Emily and Charlotte
 - 57 Canine-care org.
 - 58 Dessert reaction
 - 59 Swear

Previous Puzzle's Solution

HAL	T	I	F	P	S	A	L	M	S	S	E	P	A	D	E	P
A	L	E	O	K	I	E	A	S	D	E	P	A	D	E	P	A
R	E	A	R	E	S	T	R	E	V	I	V	E	R	E	P	A
P	E	K	O	E	T	A	S	K	E	C	O	N	E	C	O	N
L	A	R	I	S	T	E	R	A	S	T	E	R	A	S	T	E
P	A	R	I	S	T	E	R	A	S	T	E	R	A	S	T	E
C	A	R	O	T	M	A	Y	A	S	T	E	R	A	S	T	E
R	I	O	S	P	O	T	R	E	H	A	B	R	A	G	E	A
R	I	O	S	P	O	T	R	E	H	A	B	R	A	G	E	A
M	A	F	I	A	N	T	I	P	P	E	S	L	A	S	T	E
A	D	E	A	N	T	I	P	P	E	S	L	A	S	T	E	E
C	U	R	R	E	T	S	T	R	O	P	R	O	R	O	R	O
A	R	E	T	S	T	R	O	P	R	O	R	O	R	O	R	O
C	U	R	R	E	T	S	T	R	O	P	R	O	R	O	R	O
A	R	E	T	S	T	R	O	P	R	O	R	O	R	O	R	O
C	U	R	R	E	T	S	T	R	O	P	R	O	R	O	R	O
A	R	E	T	S	T	R	O	P	R	O	R	O	R	O	R	O
C	U	R	R	E	T	S	T	R	O	P	R	O	R	O	R	O
A	R	E	T	S	T	R	O	P	R	O	R	O	R	O	R	O
C	U	R	R	E	T	S	T	R	O	P	R	O	R	O	R	O
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C	U	R	R	E	T	S	T	R	O	P	R	O	R	O	R	O
A	R	E	T	S	T	R	O	P	R	O	R	O	R	O	R	O
C	U	R	R	E	T	S	T	R	O	P	R	O	R	O	R	O
A	R	E	T	S	T	R	O	P	R	O	R	O	R	O	R	O
C	U	R	R	E	T	S	T	R	O	P	R	O	R	O	R	O
A	R	E	T	S	T	R	O	P	R	O	R	O	R	O	R	O
C	U	R	R	E	T	S	T	R	O	P	R	O	R	O	R	O
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C	U	R														

BUSINESS & FINANCE

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Euro vs. Dollar 1.1409 ▲ 0.51%

FTSE 100 7337.28 ▼ 0.41%

Gold 1222.20 ▲ 0.15%

WTI crude 45.52 ▲ 0.86%

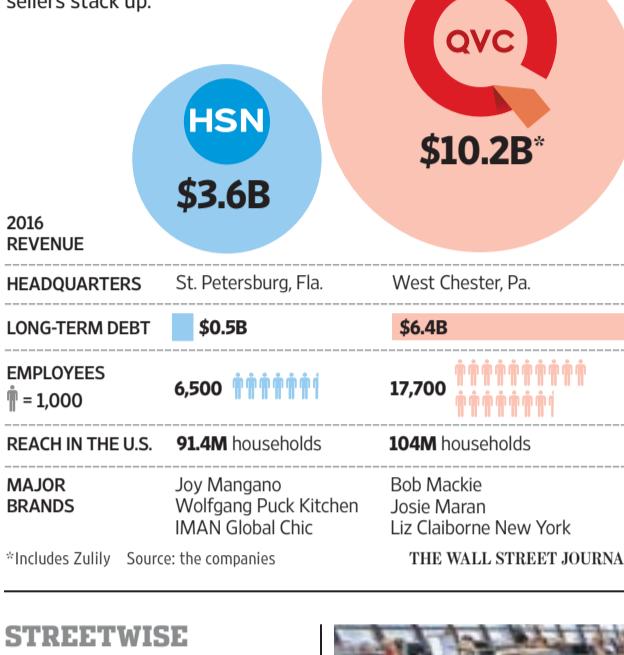
German Bund yield 0.565%

10-Year Treasury yield 2.369%

TV Shopping Rivals Join Hands

Merging Channels

A look at how the two TV sellers stack up.



QVC, Home Shopping Network try to keep pace as consumers turn to smartphones

By SUZANNE KAPNER

Longtime rivals **QVC** and the **Home Shopping Network** have agreed to merge, as two retailers built around cable television adapt to a world where impulse buying and video watching is moving to smartphones.

The companies, famous for pitching products such as the Miracle Mop and George Foreman grill, said Thursday they have agreed to combine in an all-stock transaction valued at about \$2.1 billion. QVC parent **Liberty Interactive Corp.**, controlled by cable magnate

John Malone, already owns a 38% stake in HSN.

While the home-shopping channels were early adopters of e-commerce and don't face the same pressures as chains with brick-and-mortar stores, they are increasingly competing for consumer dollars with **Amazon.com Inc.** QVC's sales in the U.S. have declined in each of the last three quarters. Revenue at HSN has declined for six straight quarters, and the company has been searching for a new CEO.

QVC Chief Executive Officer Mike George, who will run the combined company, said the retailers face a "tough environment" but that QVC and HSN are different from typical e-commerce companies, which tend to be more transactional. "Our customers engage with us most days over TV or digital

platforms," he said. "They form a connection with the hosts of our shows."

The merger gives the business greater scale to invest in emerging technologies, Mr. George said. While the combined companies will operate 17 cable channels around the globe, both QVC and HSN also sell online and stream their videos over the internet. The combined entity will have annual revenue of about \$14 billion, with slightly more than half coming from e-commerce.

"Liberty had been interested in buying the rest of HSN for years, even before the retail Armageddon," said Victor Anthony, an analyst with Aegis Capital. But for a long time, HSN's shares traded at a premium to Liberty's, making a deal untenable, Mr. Anthony

Please see QVC page B2

Buffett Close to Buying Oncor

Berkshire Hathaway Inc.'s energy business is nearing a deal to buy **Oncor**, one of the U.S.'s largest electricity-transmission businesses, according to people familiar with the matter.

By Dana Mattioli,
Nicole Friedman
and Peg Brickley

A deal by Warren Buffett's **Berkshire Hathaway Energy Co.** to take over Oncor could be announced any time, the people said.

The deal's exact financial terms couldn't be learned, but one of the people said it was worth more than \$17.5 billion. Should the deal close at that price, it would be Mr. Buffett's third-biggest acquisition ever and his biggest buy since the \$32 billion purchase of Precision Castparts Corp. in 2016.

Berkshire Hathaway had \$96.5 billion in cash as of March 31, and Mr. Buffett told shareholders in May that he is eager to find places to spend it.

The deal for Oncor would mesh well with his energy ambitions. Berkshire Hathaway Energy, formerly known as MidAmerican Energy, is 90% owned by Berkshire and contributed about 9.5% of the company's \$24.07 billion of net earnings in 2016. The energy unit provides electricity to customers in 18 western and Midwestern states as well as in the U.K. and Canada, according to its website. It also owns large renewable generation assets, natural-gas pipelines and HomeServices of America, a real-estate brokerage firm.

Oncor is an electricity mover, transmitting power over 121,000 miles of lines across the largest electrical-distribution network in Texas, according to the company. Oncor employs more than 3,000 workers.

NextEra's deal for Oncor, widely regarded as Energy Future's crown jewel, stalled as regulators in Texas rejected the agreement, saying it wasn't in the public interest. NextEra had been pursuing Oncor since 2014, seeking to add the stable, cash-producing company to its collection of energy businesses. Berkshire's deal for Oncor has a total value below the \$18.4 billion that NextEra agreed to pay for Oncor, according to a person familiar with the matter.

A deal for Oncor would be the next step in one of the largest bankruptcy proceedings on record: Energy Future's \$42 billion bankruptcy filed in 2014. A decade ago, KKR & Co., TPG and Goldman Sachs Group's private-equity arm led a \$32 billion takeover of Energy Future, the Texas

Please see ONCOR page B2

STREETWISE

By James Mackintosh

Everything Is Terrific! Now Is the Time to Sell

The economy's fine, inflation's nowhere to be seen, deflation risk has abated, interest rates are low and fears over European politics—Britain aside—have so far proved unfounded. It's easy both to explain why markets have been celebrating, and why so many people are worried that everything's just too perfect.

The state of the economy easily explains high stock prices, low volatility and low bond yields. We're in what's increasingly being called a "Goldilocks" economy, which like Baby Bear's porridge is not too hot and not too cold. Things have changed a lot since the term was coined in the early 1990s, as back then growth was a lot higher and acceptable inflation was about double the current level. But the principle is the same, with global growth reasonable and little sign of inflation that might push central banks into a sudden market-squeezing monetary tightening.

Explanation is not the same as justification. The fact that everything's been awesome recently is little guide to the future of the economy or inflation—and the rise in stocks makes it less likely the general awesomeness will continue.

The market adage has it that markets climb a wall of worry and slide down a slope of hope. Worry has all but disappeared this year. As Simon Smiles, chief investment officer for ultrahigh-net-worth clients at UBS Wealth Management, says, if the only thing to worry about is North Korea, there really isn't anything serious to worry about: "How does it get better than this?"

Of course, everything might continue to be wonderful. The geopolitics of Korea, Qatar and the South China Sea aside, it's hard to see anything especially threatening on the horizon. The trouble is that it's almost by definition the unexpected events that hit markets, and the calm has left investors less prepared for bad news than usual. As investors step further outside their comfort zone in the pursuit of gains, their resilience to bad news is reduced. The frothier the market, the less bad an unexpected event has to be to shake confidence.

A reasonable push back against this view is that there

Please see STREET page B2



LEON NEAL/AGENCE FRANCE PRESSE/GETTY IMAGES

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

Within EU, Bidding for U.K. Firms

By MAX COLCHESTER
AND JULIA-AMBRA VERLAINE

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

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

Take **Lloyd's of London**. One of the world's oldest insurance markets, Lloyd's needed a continental base so its members could sell to European Union clients after

Lloyd's Brexit

Where Lloyd's of London makes its money

Overall gross written insurance premiums

From Europe £2.93 billion

Total £29.86 billion

How European cities rank among 86 financial centers

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

Note: £1 billion = \$1.3 billion

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

THE WALL STREET JOURNAL.

Brexit. It explored Ireland, the Netherlands and Luxembourg as part of its hunt for a European home before settling on Belgium.

Part of the attraction: Belgian law allowed for a structure that would minimize disruption post-Brexit. Lloyd's was given permission to rein-

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

"Not everyone was willing to allow this," says Inga Beale, Lloyd's of London's chief executive. A Belgian official said the structure adheres to EU-wide rules and is based on existing Belgian laws.

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

Belgium isn't alone in making life simpler for incoming financiers. The Dutch central bank recently posted an explainer on its website outlining how bankers can circumvent

Please see FIRM page B5

U.S. Oil Producers Find a Surprise New Market: China

By BRIAN SPEGELE

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

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

The shift has been greeted with enthusiasm by American producers, who have been try-

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

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

A confluence of factors has helped open the taps.

Falling production from China's own aging fields has forced the country to step up its hunt for new sources of

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U.S. daily oil exports to China this year through May are 10 times the level of 2016. A Texas oil facility.

EDDIE SEAL/BLOOMBERG NEWS

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OIL

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crude. Imports are up 13% this year through May, compared with a year earlier, according to customs data.

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

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

The economics have tilted in favor of the U.S. partly because of production limits put in place by the Organization of the Petroleum Exporting Countries, which have pushed up the price of benchmark Brent and Dubai oil. At the same time, rising shale production in the U.S. has pushed down the cost of American crude.

Larger tankers are needed to boost economies of scale and reduce costs.

The new flow offers a bright spot in a U.S.-China relationship racked with challenges, from North Korea to hackers to the South China Sea. At industry conferences in Beijing and Singapore in March, executives from state-owned Chinese trader Unipec hailed a new golden age for energy trade between the two countries. Attendees said the overtly positive message appeared directed at Washington.

While much of the focus has been on expanding U.S. natural-gas exports to China, oil may prove another pillar in reducing the U.S. trade deficit with China—a key objective of the Trump administration.

Unipec's parent, Sinopec Group, declined to comment on its U.S. imports.

The sudden rush of American oil to China could sputter out just as quickly as it began. U.S. crude will need to remain cheaper than rivals' offerings to make up for the higher cost and longer time frame of transporting oil from the Gulf

Coast. It takes about six weeks for oil to reach China from the Gulf Coast, versus three weeks from the Middle East.

Because of the long haul to China, larger tankers are needed to boost economies of scale and bring down costs. That requires an upgrade of U.S. ports to allow the biggest tankers, which can ferry 2 million barrels of oil at a time, to load oil directly from the dock instead of transferring it from smaller vessels in the middle of the Gulf.

In May, Occidental Petroleum Corp. docked one such supertanker at its oil terminal along Corpus Christi Bay in Texas for the first time—a prelude to what it hopes will become a routine event. "This will be a game changer" for U.S. exports, said Cynthia Walker, the company's senior vice president for midstream and marketing operations and development.

The Houston-based company says its Gulf Coast terminal accounts for 25% of the U.S. export market.

Driven by the growing demand from Asia, total U.S. exports could hit 3 million barrels a day in the next few years, up from around 500,000 barrels a day last year, according to Occidental.

But American producers still face the challenge of convincing Chinese refiners that U.S. crude is suitable for their plants, many of which were built to process heavier grades of oil than the shale that is most widely available for export from the U.S.

Analysts say one option could be persuading refiners to blend U.S. imports with heavier crude—though such a trial-and-error process could take time to iron out.

Middle East oil giants aren't likely to easily surrender lucrative market share in China, either.

Producers such as Saudi Aramco have been looking to reverse declines, for example by seeking investors from China in its planned initial public offering, essentially giving China a vested interest in the kingdom's future success.

On Wednesday, Saudi Arabia reduced the official selling price it charges customers in Asia. The prospect of a continued drop in Mideast prices poses the biggest threat to U.S. suppliers' China dream, as it could erode Beijing's desire to diversify.

"You don't get sustainable, exponential increases just because the government said so," said Michal Meidan, a China oil analyst at consulting firm Energy Aspects.

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BUSINESS & FINANCE

Nike Walks New Sales Path

Sportswear maker is taking a more-direct line to consumers, including its apps

BY SARA GERMANO

With the retail sector in flux, Nike Inc. is looking for new ways to sell sneakers and shirts, but some industry watchers worry the company's efforts to broaden its reach could damage its cachet.

The world's largest sportswear maker has begun selling goods through Amazon.com Inc. and increasingly is using its mobile apps as sales tools, trying to connect with consumers who are buying more online. Sales on Nike.com and the company's apps have doubled to more than \$2 billion since 2015, the company said.

Those initiatives mark a shift away from how Nike traditionally released its most-desirable products. Five years ago, the company had to tell longtime sales partners Foot Locker Inc. and Dick's Sporting Goods Inc. to move limited-shoe releases to the morning from midnight because shoppers who camped outside stores were getting rowdy. Frequent online releases of coveted Jordan shoes could detract from their allure, some industry watchers say.

By making certain shoes available only through Nike channels or big chains such as Foot Locker, the company is diminishing the mom-and-pop shops that have served as

communities stewards of cool.

"They're putting their foot on the gas in terms of releases," said Matt Halfhill, founder of sneaker-news site Nice Kicks, which chronicles new releases across major shoe brands. Mr. Halfhill, who said he has been involved in sneaker culture since the 1990s, believes the push toward direct sales hurts Nike's connection with consumers.

"It's a great way to sell commoditized shoes, but most boutiques even discourage you from buying on the phone. They only sell shoes in stores to customers, where you see everyone in line waiting for shoes talking to each other," he said.

A Nike spokesman said the company is focused on "dis-



Analysts say the company risks reducing its brand's allure through frequent online product releases.

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A Nike spokesman said the company is focused on "dis-

rupting the sneaker shopping experience" by offering different types of releases, some in nontraditional places.

Last month, the company released a limited edition sneaker in collaboration with chef David Chang. Users of the Nike SNKRS app could purchase the shoe at Mr. Chang's Fuku restaurant in New York through augmented-reality technology by taking a photo of the menu within the app, which unlocked a sales portal.

Wall Street has taken note of the choppy waters for Nike, which has struggled for years. Adidas's resurgence includes new "franchises"—such as the NMD and Kanye West's Yeezy line—that have gained a youthful following and made inroads on Nike's cultural dominance.

shift to online spending is proving highly disruptive to Nike's wholesale business," Morgan Stanley analyst Jay Sole wrote in a research note.

Nike's share of the U.S. retail sneaker market fell 1 percentage point to 50% this year through May, according to industry tracker NPD Group, while rival Adidas AG climbed to 11% from 7%.

Adidas's gains come about two years after the company changed its leadership and re-focused on sales in the U.S., where the German company has struggled for years. Adidas's resurgence includes new "franchises"—such as the NMD and Kanye West's Yeezy line—that have gained a youthful following and made inroads on Nike's cultural dominance.

2013 letter to shareholders.

"Most of you have never heard of Energy Future Holdings. Consider yourselves lucky; I certainly wish I hadn't," Mr. Buffett wrote in the letter.

More recently, Mr. Buffett has joined forces with Brazilian private-equity firm 3G Capital Partners L.P. to help create a global food empire, merging Kraft and Heinz and attempting to buy consumer goods giant Unilever PLC. Last month, Berkshire made two smaller investments, rescuing struggling Canadian mortgage lender Home Capital Group Inc. and buying a stake in real estate investment trust Store Capital Corp.

Berkshire Hathaway Energy's chief executive, Greg Abel, is considered to be a leading candidate to succeed Mr. Buffett as chief executive of the parent company.

ONCOR

Continued from the prior page
utility formerly known as TXU Corp., in what was the largest leveraged buyout in history at the time. The buyers were betting that natural-gas prices would rise as U.S. reserves shrank. Instead, prices tumbled amid a boom in shale-gas production.

The drop in natural gas caused electricity prices to fall in Texas, resulting in billions of dollars of losses for Energy Future. The Dallas-based company collapsed into bankruptcy in the spring of 2014 under the weight of more than \$40 billion in debt.

Oncor, a regulated business, was part of the 2007 buyout but was left out of the bankruptcy case. Texas regulators, worried about what would be-

come of part of Texas' electricity backbone in the hands of private-equity owners, had insisted on ringfencing provisions that shielded Oncor from the financial trouble that was to push its majority owner, Energy Future, into Chapter 11.

During the contentious Chapter 11 proceeding, the initial bankruptcy deal fell apart, and creditors and outside suitors including Hunt Consolidated Inc. of Texas and Florida's NextEra began sparring for the right to bid on Oncor. Berkshire Hathaway was also a contender, but Energy Future chose first an investment consortium led by Hunt and then a proposal from NextEra as the deal to chase. Texas regulators stymied both deals, leaving Energy Future stuck in bankruptcy.

A person familiar with the regulatory process predicted Berkshire Hathaway, with its

light management touch on portfolio companies, will fare better than either the Hunt-led buyout deal or NextEra when the Oncor takeover comes up for regulatory review. The Hunt-led deal included too much financial engineering to suit Texas regulators, while NextEra was rejected for insisting on overriding much of the corporate ringfencing that protected Oncor.

Terry Hadley, spokesman for the Public Utility Commission of Texas, which was instrumental in blocking the two prior deals for Oncor, declined to comment.

Berkshire is familiar with Energy Future, having spent \$2.1 billion in 2007 on high-yielding Energy Future Holdings bonds. Berkshire sold the bonds in 2012 and lost \$873 million pretax on the investment, Mr. Buffett said in his

STREET

Continued from the prior page
are few signs of irrational exuberance. This isn't March 2000, or even October 1987.

Robert Buckland, a strategist at Citigroup, says only two of his 18 bear-market warning signs—U.S. corporate indebtedness and global price/earnings ratios—are flashing, which he says means investors should buy any dips.

It feels as though a lot of investors are waiting for dips to buy back in to the market, one reason that volatility has been so low. Anyone who waited this year has missed out on gains of 8.7% in the S&P 500 through Wednesday and 15.6% in eurozone stocks in dollar terms, painful for those who held back.

A look at the past can tell us a bit about dips. The S&P 500 hasn't had a 5% dip since the post-Brexit vote drop,

only the third time since the mid-1960s it has managed

more than a year without such a pullback. The gaps between 10% corrections have sometimes been a lot longer;

seven years in the 1990s and four years in the 2000s, compared with less than 18 months since the last such drop. But the real pain comes with a 20% drop, the usual

definition of a bear market.

Investors like to believe that bear markets only come with recessions, and so reassure themselves that there's no sign a recession is imminent, repeating the mantra that "economic cycles don't die of old age." Unfortunately, this is both wrong and useless. First, 20% drops

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than ever...not just on TV, but on tablet and mobile devices."

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

QVC, which has its main offices in West Chester, Pa., expects to get cost savings of \$75 million to \$100 million annually from the deal in three to five years. HSN's headquarters will remain in St. Petersburg, Fla., and Mr. George said it would continue to operate as an independent brand.

HSN, which is more heavily dependent on the U.S. market and whose revenue is about a third of QVC's, has been struggling with shrinking sales. In April, the company said long-time CEO Mindy Grossman was leaving to run Weight Watchers International Inc.

BUSINESS NEWS

Hobby Lobby to Return Artifacts

BY REBECCA DAVIS O'BRIEN

In 2010, the president of **Hobby Lobby** spent \$1.6 million on thousands of ancient artifacts that he hoped would help build a collection of antiquities related to the Bible.

There was one problem: The items appeared to have been stolen from Iraq, federal authorities alleged, then smuggled into the U.S. from the United Arab Emirates and Israel, bearing labels identifying them as "ceramic tiles" and "Tiles (Sample)."

The Oklahoma City-based arts-and-crafts retailer settled the claims with the government on Wednesday, according to a civil complaint and settlement filed by the Brooklyn U.S. attorney's office.

Hobby Lobby agreed to surrender the artifacts, pay a \$3 million fine and adopt new procedures for buying cultural property.

In a statement posted on its website, the privately held company said its lack of familiarity with the "complexities of the acquisitions process" led to some "regrettable mistakes," including relying on dealers and shippers who, "in

hindsight, did not understand the correct way to document and ship these items."

The aim of the company, which is owned by an evangelical Christian family, was to develop "a collection of historically and religiously important books and artifacts about the Bible," to preserve and share with the public, the statement said.

"Our passion for the Bible continues," President Steve Green wrote, "and we will do all that we can to support the efforts to conserve items that will help illuminate and enhance our understanding of this Great Book."

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

After the U.S. invasion in 2003, there was widespread looting of Iraqi cultural institutions and archaeological sites.

Nearly 5,000 cylinder seals were stolen from the Iraq Museum in Baghdad, officials estimated at the time.

The company said it didn't intend to buy items from Iraq.



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

EU Flags Missteps in Deals

GE and Canon among companies being probed for violating merger strictures

BY NATALIA DROZDIAK

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

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

The EU said General Electric may have misled regulators during a review of GE's \$1.65 billion deal for LM Wind Power, while German pharmaceuticals maker Merck may have done so with its \$17 billion acquisition of Sigma-Aldrich, a U.S. supplier of laboratory testing materials.

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

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

The EU's clearances for all three deals remain valid, but if a formal investigation finds the companies did in fact provide incorrect or misleading information, they can be fined up to 1% of global revenue, the regulator said. In Canon's case, if the EU finds the company jumped the gun with its deal,

GE said it believed the company acted in good faith and that there was no intent to mislead. "When informed of



EU antitrust chief Margrethe Vestager on Thursday at a news conference in Brussels.

it could be fined as much as 10% of global revenue.

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

The EU said GE initially failed to provide information on research and development activities, including the development of a specific product. The regulator said it deemed that information necessary to properly assess the future position of GE and the competitive landscape for wind turbines. The U.S. company re-registered its deal in February to reflect the project in the pipeline, which was not part of the initial registration two weeks earlier, the EU said.

GE said it believed the company acted in good faith and that there was no intent to mislead. "When informed of

the EC's concerns, we acted quickly and openly to resolve the issue," said GE spokesman James Healy.

In the deal between Merck and Sigma-Aldrich, the companies failed to provide certain information about an innovation project relevant to laboratory chemicals at the heart of the EU's analysis of the deal.

"Had this project been correctly disclosed to the commission, it would have had to be included in the remedy package," the EU said, referring to a divestment the companies had to make to win approval for the deal. The viability of the divested business was impaired as a result, the EU said.

The buyer of that business, **Honeywell International** Inc., received the relevant technology only a year later after Merck agreed to license it to them, the EU said.

In its investigation into Canon's deal, the EU flagged the company's use of a two-step transaction structure in-

volving an interim buyer, which essentially allowed Canon to acquire Toshiba's unit before obtaining the relevant merger approvals.

Japanese regulators last year told Canon that the way it structured the deal potentially violated the law, but also said the deal could go ahead.

Canon on Thursday said it had received the EU's so-called statement of objections announcing the formal investigation, adding it would respond to the EU in due course.

Thursday's announcement follows the EU's decision in May to fine Facebook Inc. €110 million (\$124 million) in connection with its acquisition of its WhatsApp messaging unit.

The EU said Facebook inaccurately claimed during the merger review in 2014 that it couldn't routinely match Facebook and WhatsApp user accounts, but two years later it began combining user data across the services. Facebook said the errors in the filings weren't intentional.

Endo to Pull Painkiller From U.S.

BY JEANNE WHALEN

Drugmaker **Endo International** PLC said it would comply with a Food and Drug Administration request to remove the opioid painkiller Opana ER from the U.S. market, which the FDA said was necessary due to the medication's links to injection drug abuse.

The FDA last month asked Endo to stop selling the drug, in what the agency called its first effort to remove an opioid pain drug from the market over abuse concerns.

Endo said it would "work with the FDA to coordinate the orderly removal of Opana ER in a manner that looks to minimize treatment disruption for patients." The company said it "continues to believe in the safety, efficacy, and favorable benefit-risk profile of Opana ER...when used as intended." It also said Endo "has taken significant steps over the years to combat misuse and abuse."

The drug's removal from sale is a notable inflection point in the long-building crisis of opioid addiction, which has pushed U.S. overdose death rates to all-time highs. Opana ER is one of many opioid painkillers that became widely prescribed in recent decades amid heavy company marketing and a desire in the medical community to better treat pain. Public-health officials say the prescribing was often lax.

The FDA said it was concerned about Opana ER's safety because data showed a 2012 reformulation of the pill caused more people to abuse the painkiller by liquefying and injecting it, a form of abuse that can heighten the high. Abuse of the drug via injection was linked to a "serious outbreak of HIV and hepatitis C," the FDA said.

"We are facing an opioid epidemic—a public health crisis, and we must take all necessary steps to reduce the scope of opioid misuse and abuse," FDA Commissioner Scott Gottlieb said last month when the FDA requested that Endo stop selling the drug.

The FDA first approved Opana ER for U.S. sale in 2006.

Hilton Bets on Low-Price Brand

BY CHRIS KIRKHAM

At first glance, the new hotel chain on track to be the fastest-growing in the U.S. resembles a boutique brand that might be found in a trendy, urban location.

But **Hilton Worldwide Holdings** Inc.'s new midprice brand, Tru, is pricing rooms at around \$100 a night or less and is largely aimed at less-flashy locales like suburban highway exits. The first Tru by Hilton hotel opened in May in Oklahoma City, to be followed by more than 150 locations by the end of 2019.

Hilton hopes to expand its customer base by focusing on a lower end of the market than the company has typically operated.

To differentiate itself from competitors in the same price range, such as Best Western or Quality Inn, Tru will try to hold costs down by making rooms smaller and easier to clean, while offering millennial-friendly lobby amenities such as craft beer and pool tables.

The market is enormous: About 30% of nightly demand at U.S. hotel chains is for rooms below an average of \$83 a night, according to STR, a data company that tracks the hotel industry. The challenge, however, is convincing developers that building new hotels in that price range will generate sufficient returns.

Most midtier hotels occupy

older properties that have been converted from other higher-priced brands. With Tru, Hilton is aiming for brand-new properties.

"It's the graveyard for old hotels," said Hilton Chief Executive Chris Nassetta. "The reason hotels have gotten to that price point is they were something different and they deteriorated. You're sort of putting lipstick and rouge on a structure that's obsolete."

To make the returns worth the new development costs, Hilton had to rethink the design to get more rooms across a smaller amount of space.

Guest rooms are designed to be about 20% smaller than a typical hotel room in the price range. The overall footprint of the property is smaller, too, and will largely be away from big-city centers, keeping land costs down. Openings in coming months are scheduled in places like Farmville, Va.; Cheyenne, Wyo.; and Lancaster, Pa.

In exchange, Tru hotels have a lobby that is more than 80% larger than Hilton's typical Hampton Inn location, which is priced slightly higher than Tru. The brightly colored lobbies have a self-serve market area where guests can get drinks and food, and also boast recreation areas and a separate section with individual pods where guests can work.

The rooms are designed in a way to make cleaning easier and faster. Rather than carpet,

floors are covered in vinyl that can be mopped, and in-room desks and coffee makers have been banished, also to cut down on cleaning times.

"We have been laser-focused on what numbers we absolutely need to hit," said Alex Jaritz, global head of the Tru brand, who previously worked at **Choice Hotels International** Inc., which operates brands like Quality Inn.

Other hotel companies are experimenting along the same lines. In recent years **Mariott International** Inc. introduced Moxy hotels, which have smaller rooms and more communal space in the lobby, though it is at a higher price point than Tru. **Intercontinental Hotels Group** PLC said in June it would launch a new brand in this price range.

Best Western Hotels & Resorts introduced a brand called Glo in late 2015, just before Hilton announced Tru, that will operate in the same price range. It has a similar modern design but incorporates elements such as a layout that allows the bathrooms of adjoining rooms to be beside each other in an effort to save space.

The difference with Tru is scale. Best Western has 25 development deals in the works for Glo locations, whereas Tru has 425 properties in various stages of development.

"They are a serious player.

We know how to up our game," said Best Western CEO David Kong.



The lobbies of Tru hotels, like the one in Oklahoma City, often offer craft beer and pool tables.

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Legal Notices

BANKRUPTCIES

UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF NEW YORK Chapter 11 Case No. 17-10184 (SCC) (Jointly Administered)

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

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

On June 9, 2017, the United States Bankruptcy Court for the Southern District of New York ("the Court") entered an order (Docket No. 198) (the "Bar Date Order") establishing certain deadlines for the filing of proofs of claim relating to the chapter 11 cases of the above-captioned debtors and debtors in possession (collectively, the "Debtors"). A copy of the Bar Date Order and the accompanying notice is set forth below.

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

(1) The Amended Schedules Bar Date Pursuant to the Bar Date Order, any entity asserting claims arising in these cases (collectively, the "Bar Date Entities") against the Bar Date Order, except as described below, all entities holding claims against the Debtors that arose or are deemed to have arisen prior to the entry of the Bar Date Order (i.e., by August 8, 2017 at 5:00 p.m. Eastern Time). These cases were commenced on January 29, 2017 (the "Petition Date"). The General Claims Bar Date applies to all types of claims against the Debtors that arose prior to the Petition Date, including secured claims, unsecured priority claims (including, without limitation, claims entitled to priority under sections 507(a)(4) and 507(a)(5) or 503(b)(9) of the Bankruptcy Code) and unsecured nonpriority claims.

(2) The Rejection Claims Bar Date Pursuant to the Bar Date Order, any entity asserting claims arising in these cases (collectively, the "Rejection Bar Date Entities") against the Bar Date Order, except as described below, all entities holding claims against the Debtors that arose or are deemed to have arisen prior to the entry of the Bar Date Order (i.e., by August 8, 2017 at 5:00 p.m. Eastern Time). The Rejection Bar Date Entities are entitled to file proofs of claim by the later of: (a) the General Claims Bar Date; and (b) 5:00 p.m. Eastern Time, on the date that is 60 days after the entry of the relevant Rejection Order (the "Rejection Claims Bar Date"). For the avoidance of doubt, all prepetition and postpetition claims of any kind or nature arising from or relating to executory contracts or unexpired leases rejected by a Rejection Order must be rejected by the Rejection Claims Bar Date.

(3) The Amended Schedules Bar Date Pursuant to the Bar Date Order, any entity asserting claims arising in these cases (collectively, the "Amended Schedules Bar Date Entities") against the Bar Date Order, except as described below, all entities holding claims or supplements to its Schedules of Assets and Liabilities (the "Amended Schedules Bar Date"). The Amended Schedules Bar Date is required to file proofs of claim or file a proof of claim in respect of the amended scheduled claim on or before the later of (i) the General Claims Bar Date and (ii) 5:00 p.m. Eastern Time, on the date that is 60 days after the date that the notice of the applicable amendment or supplement to the schedules is served on the claimant. The later of these dates is referred to in this Notice as the "Amended Schedules Bar Date".

(4) The Governmental Bar Date Pursuant to the Bar Date Order, all governmental units holding claims against the Debtors that arose or are deemed to have arisen prior to the Petition Date (including secured claims, unsecured priority claims and unsecured nonpriority claims) are required to file proofs of claim by the later of: (a) the General Claims Bar Date; and (b) 5:00 p.m. Eastern Time, on the date that is 60 days after the entry of the relevant Petition Date or the date that the notice of the applicable amendment or supplement to the schedules is served on the claimant. The later of these dates is referred to in this Notice as the "Governmental Bar Date".

(5) WHO MUST FILE A PROOF OF CLAIM Pursuant to the Bar Date Order, any entity asserting claims arising in these cases (collectively, the "Bar Date Entities") against the Bar Date Order, except as described below, all entities holding claims against the Debtors that arose or are deemed to have arisen prior to the entry of the Bar Date Order (i.e., by August 8, 2017 at 5:00 p.m. Eastern Time). These cases were commenced on January 29, 2017 (the "Petition Date"). The General Claims Bar Date applies to all types of claims against the Debtors that arose prior to the Petition Date, including secured claims, unsecured priority claims (including, without limitation, claims entitled to priority under sections 507(a)(4) and 507(a)(5) or 503(b)(9) of the Bankruptcy Code) and unsecured nonpriority claims.

All entities asserting a claim against more than one Debtor or that has multiple claims against different Debtors must file a separate proof of claim with respect to each Debtor. In addition, any entity filing a proof of claim must identify on its proof of claim form the specific Debtor against which its claim is asserted. Any claim filed in this Notice that is not otherwise filed by a specific Debtor shall be deemed as filed only against Debtor Tosisa Limited.

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

IF BY FIRST CLASS MAIL/REGULAR COURIER OR HAND DELIVERY:
Tosisa Limited, Inc., Claims Processing Center
c/o Kurtzman Carson Consultants, 2335 Alaska Avenue, El Segundo, CA 90245

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

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

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

DATED: June 9, 2017
BY ORDER OF THE COURT

TOGUT, SEGAL &

Pokémon Game Led To Dull Reality

BY SARAH E. NEEDLEMAN AND CAT ZAKRZEWSKI

A year after "Pokémon Go" prompted throngs of people to scour parks and streets for monsters visible only through smartphones, hit games made with augmented reality are rarer than a Snorlax.

In fact, analysts say, the monster-hunting blockbuster drove only a brief spike in games using the nascent technology, which blends digital images with a person's view of the real world.

That is surprising, considering the ubiquity of screenshots showing Pokémons invading players' work desks, kitchen counters and other locations of everyday life. "Pokémon Go" reached \$1 billion in revenue globally just seven months after its release last July—faster than any other mobile game, including Activision Blizzard Inc.'s "Candy Crush Saga," according to App Annie Inc.

There are thousands of augmented-reality games among the millions of apps in the Apple Inc. and Alphabet Inc. stores. None, though, has come close to the success of "Pokémon Go." There are several reasons why, industry observers say. One is that the allure of "Pokémon Go" wasn't primarily its augmented reality.

Augmented-reality backers say more hit games will come as app makers tinker.

While the game's digital monsters materialize as if in the real world, they don't interact with it. A Snorlax might appear next to a tree, but the cat-like creature won't peek from behind it. Many players who took up hunting the monsters ended up turning off the augmented-reality feature.

The real innovation of "Pokémon Go," analysts say, was its use of location-based technology to get players walking outside and socializing with others. A recent update doubled down on community building by letting players meet at specific locations to jointly defeat powerful monsters in "raids."

"We have worked for many years to build a new kind of game based on real world exploration, physical movement and social gameplay," Niantic Inc., the game's creator, said in an email. "Our definition of 'Augmented Reality' is the entire concept of building a game that takes place in and augments the real world."

Others believe the popularity of "Pokémon Go" had to do with, well, Pokémons, whose characters are known to millions of gamers old and young. "Ingress," a prior augmented-reality game from Niantic, attracted a decent following but wasn't nearly as popular.

Pocket Gems Inc. wanted to tap into the buzz around augmented reality last summer. The San Francisco mobile-game maker scratched the idea, though, convinced the success of "Pokémon Go" came largely from its intellectual property. The company is still open to making games using augmented reality when the technology can better stand on its own, Chief Executive Ben Liu said.

The foundation is there. Some 40 million people in the U.S. this year are expected to use augmented reality at least once a month, mostly through social or utility apps, according to eMarketer. The research firm estimates that number will rise to 54.4 million by 2019.

Investors have poured \$4.5 billion into 707 virtual- and augmented-reality startups since 2010, according to industry tracker PitchBook Data Inc. Most has gone toward the development of augmented-reality glasses and other areas outside of games, it said.

Augmented-reality backers argue more hit games will emerge as app makers experiment. Developers, for example, will be able to make digital images interact with objects in the real world, said Noah Falstein, a former chief game designer for Google.

CHINA CIRCUIT | By Li Yuan

Highflying Entrepreneur Descends



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

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

Deal makers like HNA Capital and Legend Holdings bought in, as did the city government of tech hub Shenzhen, as well as movie director Zhang Yimou and other celebrities. British sports car maker Aston Martin joined up to develop electric vehicles. The U.S. state of Nevada promised \$200 million in incentives for Mr. Jia's electric car venture, Faraday Futures Inc., to build a \$1 billion plant there. And LeEco unveiled a \$2 billion deal to buy U.S. TV-maker Vizio Inc.

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

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

Rather than being a shin-



JASON LEE/REUTERS

Jia Yueling resigned as chairman of a listed unit of LeEco, which is turning into a cautionary tale.

ing star of visionary entrepreneurship, LeEco is turning into a cautionary tale of the hype surrounding China tech. The lesson for investors: When it comes to Chinese tech companies, the rules of economics still apply.

LeEco's overexpansion and financial problems were well-known in investment circles. Mr. Jia said publicly that his company was perpetually short of cash. Some investors marveled at his ability to spin attractive narratives that boosted the stock prices and private funding valuations of his ventures.

Zhang Yiming, managing director of private-equity firm Commando Capital in Beijing, has likened Mr. Jia's funding methods to "wire-walking between cliffs."

"Many people in the capital market view him as a fraud because his new businesses are burning a lot of cash but he just keeps telling new stories. As long as 10 out of 100 people believe

him, he will have investors," Mr. Zhang told me in an interview last year.

Mr. Zhang said he holds the same view now but doesn't want to say more for fear of being seen as trash-talking Mr. Jia at a difficult time.

In a letter posted on his official social media account Thursday, Mr. Jia noted that he is still LeEco Holdings' biggest shareholder and he promised to repay loans and overdue payments—if creditors give the company more time.

"Please give LeEco some time, please give LeEco car some time, we will pay back creditors, suppliers and any other debts," Mr. Jia wrote.

Neither LeEco nor Mr. Jia responded to requests for comment on Thursday.

Aston Martin says its partnership with LeEco didn't carry any financial or technical liabilities for itself. Vizio didn't respond to requests for comment. Nevada's state treasurer's office

didn't respond to a request for comment, though it has said no state bonds will be issued until Faraday proves it can finance the project.

China's tech boom has been looking like a bubble for some time, with vast pools of investment flooding into new ventures since the old manufacture-and-export economy started slowing.

Tech blogs, many of them backed by venture capital funds, have churned out ho- sannas about these new ventures. Among the recent darlings: platforms to share bikes, umbrellas and battery packs to recharge mobile phones.

"People are saying that LeEco is a fraud, a Ponzi scheme. But what about the many bike-sharing and power bank-sharing ventures? Are their stories more credible?" says a midlevel LeEco executive who's leaving the company.

Started as a video site in 2004, LeEco wasn't well-

known until it became the most valuable internet stock in China's A-share market during the bull run of 2015. Mr. Jia adopted the look of Apple's Steve Jobs—jeans, black turtleneck—and hosted flashy product launches for his TVs and smartphones.

In explaining his vision, Mr. Jia frequently talked about building an ecosystem for consumers that delivered content—from film and online entertainment to sports—and hardware: smartphones, TVs or cars. The result, he explained, would be a "chemical reaction" among the units, propelling each other's businesses.

Those synergies failed to materialize and the rapid expansion led to the cash shortage. How much debt LeEco has piled up isn't publicly known. Its listed video business is the only profitable unit, while its smart TV is its sole product that leads in market share. Its other businesses, especially the two electric car ventures, burn cash.

The 15 billion yuan (\$2.2 billion) that a white knight—in the form of a real-estate developer—pumped into LeEco in January wasn't enough, though the sum was plowed into repaying loans. At a January news conference, the investor said Mr. Jia didn't know how much money he'd spent.

"The fall of LeEco does not come as a surprise. When you use hype to stretch reality, reality usually wins," says Jay Zhao, a partner at San Francisco-based Walden Venture Capital, which is considering investing in Chinese startups and taking on Chinese investors. "It's a painful lesson for all that investors should be very cautious chasing shiny objects. No matter who brings those to you."

For SpaceX's Launch, Third Time Is the Charm

By ANDY PASZTOR

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

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

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

load Mr. Musk's team has ever put into space.

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

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

Wednesday's mission was the 10th successful launch of a Falcon 9 this year, already beating SpaceX's previous record of eight launches in 2016.

With some \$10 billion in

load Mr. Musk's team has ever put into space.

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

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

By Wednesday morning, SpaceX sent an email alerting

the media that the launch was reset for that evening, without elaborating on the cause of the earlier problem.

Some six minutes before liftoff, the narrator of the launch webcast said engineers had determined that Monday's scrub was caused by a computer-generated warning about the rocket's avionics, or flight-control systems.

But John Insprucker, the narrator, also said that engineers had "confirmed the rocket was good"



CRAIG BAILEY/FLORIDA TODAY/ASSOCIATED PRESS

The Falcon 9 rocket lifted off in Cape Canaveral, Fla., on Wednesday.

and no hardware changes were required. Instead, a software tweak solved the problem.

The fast turnaround was reminiscent of instances when SpaceX demonstrated its troubleshooting capabilities. In December 2010, when two cracks were discovered at the end of the second-stage engine nozzle on a Falcon 9, Mr. Musk and his designers were able to implement a solution to trim off the suspect section of the nozzle in just one day.

BUSINESS WATCH

MERCK

Certain Clinical Trials Of Keytruda Halted

The U.S. Food and Drug Administration suspended two clinical trials and a portion of a third testing Merck & Co.'s Keytruda as a treatment for blood cancer after more patients receiving the drug died than those receiving other treatments, the company said.

Merck said Wednesday the FDA determined the risks of Keytruda, when added to the other drugs the patients in the trial were taking, outweighed any potential benefit for patients with the blood cancer multiple myeloma, based on available data. The other drugs used in the studies are Celgene Corp.'s Pomalyst and Revlimid.

An FDA spokeswoman couldn't be reached to comment.

Merck is conducting more than 400 clinical trials to test new uses for Keytruda, which is



BENJAMIN BOSSHART/BLOOMBERG NEWS

those in a third study will stop receiving Keytruda. Other studies of Keytruda will continue, including among multiple myeloma patients, Merck said.

Merck is conducting more than 400 clinical trials to test new uses for Keytruda, which is

already FDA-approved to treat multiple cancer types including those of the skin and lungs. The drug, introduced in the U.S. in 2014, works by harnessing the body's immune system to attack tumors.

A Merck spokeswoman said

the company had no further details about the patient deaths in the studies.

—Peter Loftus

GROCERS

Kroger, Lidl Battle Over Trademarks

Kroger Co. is suing a new rival in the U.S. supermarket sector, accusing German discounter Lidl of using a private label too similar to its own.

Kroger, the largest U.S. supermarket chain, said Lidl's "Preferred Selection" brand name infringes on the "Private Selection" label the Cincinnati-based grocer uses on thousands of products that brought in nearly \$2 billion in sales last year.

"This mark will confuse customers," Kroger wrote in a complaint filed last Friday in U.S. District Court in Virginia. The company said the strategy undermined Lidl's promise to offer

U.S. shoppers a novel shopping experience. "With its Preferred Selection logo, the opposite is true," Kroger said.

Lidl said the injunction would affect millions of dollars of products the chain has advertised.

Lidl is opening 20 stores in the U.S. this summer, with 10 now operating and four more slated to begin running next week. The company plans to open up to 100 stores by next year. Meanwhile, German chain Aldi has pledged to invest \$5 billion to open nearly 900 stores in five years, putting it on track to be the third-largest food retailer in the U.S. by store count.

A Kroger spokeswoman said the company is "extremely proud" of its store brands. A Lidl spokesman declined to comment on the case but said Lidl's U.S. offerings have been "positively accepted by our customers."

Additional court papers are set to be filed later this month.

—Heather Haddon

FINANCE & MARKETS

Global Government Bonds Extend Selloff

Anxiety over pullback of monetary-policy support fuels exodus from haven debt

BY MIN ZENG

Global government bonds sold off on Thursday, deepening their price losses over the past week as anxiety about less monetary policy support from major central banks continued to drive investors to cut bondholdings.

The center of the selling remains in the eurozone where government-bond yields jumped broadly. The yield on the 10-year German government bond, the benchmark for the eurozone's debt markets, rose to the highest level since early 2016. The selling pressure spread to the U.K., the U.S., Canada, Denmark and Sweden.

The yield on the benchmark U.S. 10-year Treasury note, a bedrock for global finance, touched 2.384% earlier Thursday morning, the highest level since May 11, according to Tradeweb. The yield was 2.375% in midday trading, compared with 2.334% Wednesday. Yields rise as bond prices fall.

Last week's selloff broke the calm tone in the bond market that had persisted for months. The 10-year Treasury yield had fallen to 2.135% on June 26, the lowest closing level this year. Since then, the yield has soared more than 0.2 percentage point, highlighting the vulnerabilities of bondholders from a sudden shift in sentiment.

The key factor hurting the bond market has been concerns over a shift in the monetary policy outlook in the developed world, triggered by hawkish comments from policy

makers at the European Central Bank, the Bank of England and the Bank of Canada last week.

"Sentiment for bonds has gone from the rooftop to the basement," said Jim Vogel, market strategist at FTN Financial.

One trigger for Thursday's selling was the minutes from the ECB's recent policy meeting. The release showed ECB policy makers discussed how to signal their increasing confidence in the eurozone economy at their June policy meeting and considered dropping a pledge to accelerate their massive bond-buying program.

Fresh new debt sales from Spain, France and the U.K. added to the bond market's selling pressure, said traders.

In addition, a monthly gauge of the U.S. service sector Thursday continued to point to solid expansion, offsetting a separate report showing the

pace of job growth in the U.S. private sector slowed last month.

The more important jobs report—the nonfarm payrolls data—is due Friday morning, which would influence market expectations toward the Federal Reserve's timing for the next interest-rate increases.

Bond sentiment 'has gone from the rooftop to the basement,' one strategist said.

Large bond-buying monetary stimulus from the ECB and the Bank of Japan, known as quantitative easing, have played a big role in sending global government-bond yields to historically low levels over the past years. Analysts have

warned that the value of government bonds, artificially propped up by these big buyers, would drop once central banks reduce support.

"The gist is that QE forever is coming to an end at some point," said Larry Milstein, head of government and agency trading at R.W. Pressprich & Co.

Some investors said higher bond yields reflect optimism toward the economic outlook. Recent data have pointed to broad improvement in the global economy, which supports the case for major central banks to become less generous in providing monetary stimulus.

One risk, said some analysts, is that a rapid rise in yields could rattle riskier markets. Concerns have been rising over the valuation of U.S. stocks whose prices have reached record highs last month. The 10-year Treasury

yield is a yardstick for money managers to value other assets, so as the base rate rises, it may hurt the value of stocks, corporate bonds and emerging market assets.

Bond yields remain at very low levels from a historical standpoint. The 10-year Treasury yield is still below 2.446% where it settled at the end of last year. In mid-March, the yield traded above 2.6%. In past years, the bond market has suffered a number of sell-offs but they were short-lived.

Now debate is growing among investors over whether the current selloff episode may soon fade again or it could gain more momentum and become a repeat of the taper tantrum in 2013.

Some money managers said the risk of a taper tantrum repeat is low as policy makers at the world's major central banks would try to avoid a market shock.

FIRM

Continued from page B1

the country's 20% cap on bonus payments. In Vienna, officials discussed giving the European Banking Authority a rent-free office if the regulatory agency decamped there from London, according to people familiar with the matter.

Still, the efforts are raising eyebrows. Around the time insurer American International Group Inc. chose to set up a subsidiary in Luxembourg in March, aggrieved Irish officials complained to European authorities that some countries weren't playing fair, people familiar with the matter say. European officials responded by saying EU laws should be applied consistently across the region and, in some instances, releasing nonbinding guidelines for regulators on handling financial firms moving from the U.K. to stay in the bloc's single market.

The EU's financial sector is governed by a series of continental guidelines. But the patchwork of national authorities still has significant leeway to interpret their own rules. Danièle Nouy, who chairs the European Central Bank's supervisory arm, said in a speech last month she was concerned lenders "may exploit supervisory loopholes by carrying out banklike activities" by operating through foreign branches or broker dealers, "which are not supervised at euro-area level, but rather



A. R. COSTER/TOPICAL PRESS AGENCY/GETTY IMAGES

A Lloyd's of London office in 1924. Lloyds is setting up a base in Brussels, which allowed a structure that would minimize disruption.

at national level."

A key issue is how much EU and national regulators will allow companies to keep operations in the U.K. while selling products to European clients. Lloyd's of London, founded in a London coffee shop in the 17th century, doesn't have a major outpost in Europe, but will likely need one after Brexit so that members using the market can sell policies to European clients.

But picking up and moving can be messy and expensive, so Lloyd's had a key demand

for prospective nations: Underwriters should remain based in London—an important ask given the EU accounts for 11%, or £2.93 billion (\$3.8 billion), of Lloyd's gross written insurance premiums. Lloyd's also wanted to keep as many back-office staffers in its headquarters as possible.

This setup could be done by creating an entity that reinsures all of Lloyd's European business back into the U.K. EU rules give discretion to individual countries on how much reinsurance they allow. But not

all regulators are comfortable with having 100% of business shifted though a subsidiary.

There is a risk that if Lloyd's got into trouble, its EU entity would be on the hook to reimburse European policyholders without the funds to pay for it.

Irish authorities told Lloyd's they would only allow 90% of business to be

reinsured out of the country, according to people familiar with the matter. U.K. regulators wouldn't normally allow more than 50% of business to be reinsured to a foreign en-

tity, says Hilary Evenett, a London-based partner at law firm Clifford Chance who specializes in insurance.

Beyond the reinsurance allowance, Brussels had other advantages. One of the Lloyd's executives leading the search, a Belgian native, knew the city well.

The city is a two-hour train ride from London and home to influential European policy makers. Language was also a factor; the Belgian regulator, which juggles news releases in French, Dutch, and English, said it would super-

U.K.: Must Firms Exit London?

BY PHILIP GEORGIADIS

LONDON—The head of the U.K.'s financial regulator Thursday questioned whether financial firms need to relocate from the City to maintain access to the EU's financial markets.

Speaking in London, Andrew Bailey, chief executive of the Financial Conduct Authority, defended free markets, saying regulators and authorities should not dictate where companies are based.

The comments from one of the U.K.'s top regulators mark a significant intervention in the debate on the City's future after Brexit. Big financial firms are drafting contingency plans for Britain's future outside the single market.

Many have indicated they could move thousands of staff into the EU once Britain leaves, particularly if the U.K. is unable to secure a trading deal that keeps close ties to the bloc.

J.P. Morgan Chase & Co. initially plans to move between 500 and 1,000 jobs out of London, and bolster its operations in Dublin, Luxembourg and Frankfurt. UBS Group AG and HSBC PLC have indicated they are looking at options for around 1,000 of their London-based staff.

Mr. Bailey questioned whether financial companies required single-market access to have the benefits of free trade with the EU.



Andrew Bailey, chief executive of the Financial Conduct Authority

"When I hear people say that firms need to relocate to continue to benefit from access to EU financial markets, I start to seriously wonder," he said.

Does Brexit have to mean abandoning the benefits of free trade and open markets in financial services? It should not. Does it require membership of the single market to get the benefits of free trade with the EU? No.

There is "ample evidence that open markets in financial services and free trade can exist safely without common rules and shared regulatory institutions," he said.

Mr. Bailey also discussed the future for the U.K.'s lucrative clearing industry, which has been the subject of scrutiny since the Brexit vote. The EU's executive body has proposed plans that could compel clearinghouses that do a large amount of their business in euros to move into the bloc.

Mr. Bailey said cross-border regulatory cooperation

backed up by joint supervisory oversight is "very clearly preferable to the cost and risk that is introduced by a location-based policy."

Speaking at a separate event on Thursday, London Stock Exchange Chief Executive Xavier Rolet said that the EU has already struck deals with third countries for clearing and that any effort for the EU to cut off London would be "punitive and expensive."

Mr. Bailey explained that the FCA is providing technical advice to support the government in Brexit negotiations, while working with regulated firms to understand their plans for the future. It is also conducting a line-by-line review of EU legislation and rule-making to create a regulatory framework that functions the day after Brexit. There would be no retreat from international engagement or cooperation with other regulators, he said.

—Max Colchester contributed to this article.

Aramco Output Hit Record

BY SUMMER SAID

Saudi Arabian Oil Co., the world's biggest producer of crude oil, pumped record amounts last year, the company said Thursday, providing an insight into the secretive firm ahead of its partial initial public offering.

Aramco, as the kingdom's state-owned oil company is known, helped send crude prices into a tailspin in 2016 by producing an average of 10.5 million barrels a day—it's highest output ever—up from 10.2 million barrels a day in 2015.

The high output reflects Saudi Arabia's focus last year on building and defending market share, a strategy it has pulled back from.

The country is set to publicly list 5% or less of Aramco in 2018 in the hope of raising tens of billions of dollars. The kingdom's powerful crown prince, Mohammed bin Salman, has pledged to invest much of the proceeds in economic diversification, boosting Saudi Arabia's technological and industrial sectors and reducing its reliance on oil revenue.

Aramco has reduced its output to less than 10 million barrels a day this year as Saudi Arabia and other members of the Organization of the Petroleum Exporting Countries cut oil production. Their hope is to bring a vast global oversupply of crude back in line with demand and thus raise petroleum prices, which remain below \$50 a barrel—less than half their level from three years ago.

Saudi Arabian officials have said the production cut was intended to put a floor under oil prices ahead of the Aramco IPO, the value of which will be determined in part by the direction of the oil market.

In its annual report, published Thursday, Aramco offered a look at another key metric for its IPO: the massive crude-oil reserves it manages for the kingdom.

Aramco's recoverable crude-oil and condensate reserves slipped to 260.8 billion barrels at the end of 2016 from 261.1 billion a year earlier. Considering that it pumped more than 3.8 billion barrels of oil in 2016, the small slip in reserves suggests that Aramco made strides in

either discovering new oil or making current wells more efficient.

Saudi oil reserves have remained at around 260 billion barrels for decades. Saudi officials say independent analysts will confirm Aramco's reserves ahead of the IPO.

Aramco's gas reserves rose to 298.7 trillion standard cubic feet from 297.6 trillion, while natural-gas production increased to 12 billion standard cubic feet a day from 11.6 billion standard cubic feet.

The company said it had discovered two new oil fields, Jubah and Sahaban, and one new gas field, Hadidah, all in Saudi Arabia's Eastern Province.

"This past year, Saudi Aramco leveraged its capabilities, talent, innovation and fiscal discipline to ensure resilience and realize landmark achievements, including record high rates of crude-oil production," Khalid al-Falih, Saudi Arabia's energy minister and Aramco's chairman, said in the report.

"All of this was achieved against the backdrop of persistently low oil prices and a weak global economy," he said.

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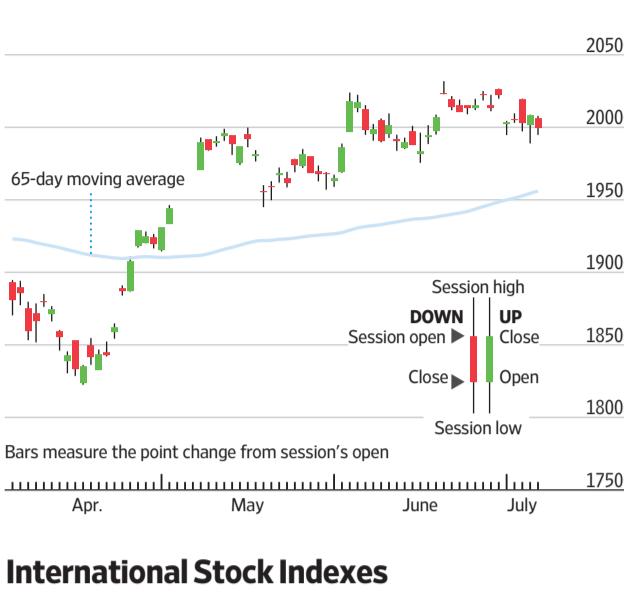
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MARKETS DIGEST

Nikkei 225 Index

19994.06 ▼87.57, or 0.44%

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



Bars measure the point change from session's open

STOXX 600 Index

380.43 ▼2.56, or 0.67%

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



S&P 500 Index

Data as of 4 p.m. New York time

Last 23.87 23.74

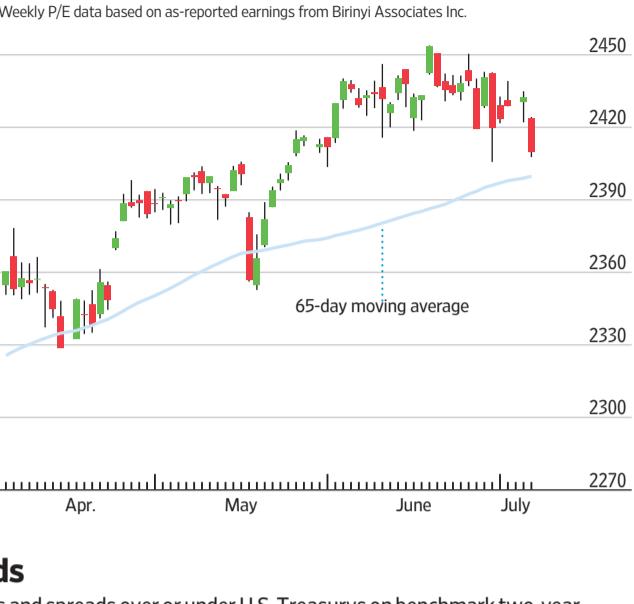
P/E estimate * 18.72 17.82

Dividend yield 1.96 2.18

All-time high: 2453.46, 06/19/17

2409.75 ▼22.79, or 0.94%

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



International Stock Indexes

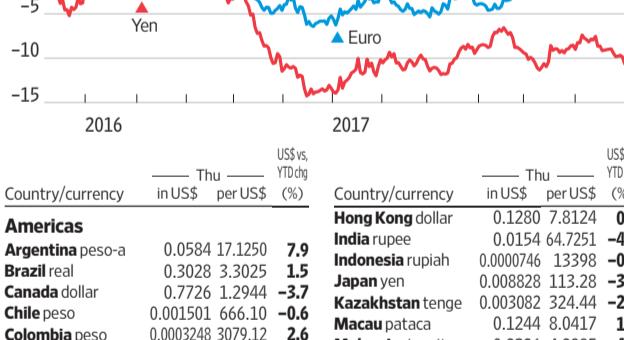
Data as of 4 p.m. New York time

Region/Country	Index	Close	Net Chg	% chg	52-Week Range	Close	High	YTD % chg
World	The Global Dow	2772.94	-10.16	-0.37	2286.80	2792.77	9.7	
	MSCI EAFE	1884.47	0.87	0.05	1471.88	1956.39	9.8	
	MSCI EM USD	1006.48	-3.37	-0.33	691.21	1044.05	26.7	
Americas	DJ Americas	578.98	-5.41	-0.93	503.44	588.61	7.1	
Brazil	Sao Paulo Bovespa	62457.70	-696.47	-1.10	51888.19	69487.58	3.7	
Canada	S&P/TSX Comp	15075.92	-77.20	-0.51	14102.98	15943.09	-1.4	
Mexico	IPC All-Share	50041.17	-259.64	-0.52	43998.98	50339.63	9.6	
Chile	Santiago IPSA	3664.52	-19.44	-0.53	3112.50	3786.05	13.7	
U.S.	DJIA	21320.04	-158.13	-0.74	17816.65	21562.75	7.9	
	Nasdaq Composite	6089.46	-61.39	-1.00	4853.68	6341.70	13.1	
	S&P 500	2409.75	-22.79	-0.94	2083.79	2453.82	7.6	
	CBOE Volatility	12.71	1.64	14.81	9.37	23.01	-9.5	
EMEA	Stoxx Europe 600	380.43	-2.56	-0.67	322.12	396.45	5.3	
	Stoxx Europe 50	3119.77	-23.27	-0.74	2720.66	3279.71	3.6	
Austria	ATX	3151.42	7.30	0.23	2021.50	3212.50	20.4	
Belgium	Bel-20	3822.94	-16.03	-0.42	3244.93	4055.96	6.0	
France	CAC 40	5152.40	-27.70	-0.53	4102.68	5442.10	6.0	
Germany	DAX	12381.25	-72.43	-0.58	9389.05	12951.54	7.8	
Greece	ATG	843.25	1.91	0.23	522.36	846.44	31.0	
Hungary	BUX	35615.00	316.86	0.90	26496.87	36168.63	11.3	
Israel	Tel Aviv	1428.36	-4.83	-0.34	1372.23	1490.23	-2.9	
Italy	FTSE MIB	21084.19	144.80	0.69	15356.08	21828.77	9.6	
Netherlands	AEX	509.94	-1.41	-0.28	424.30	537.84	5.5	
Poland	WIG	60869.83	-66.81	-0.11	43778.80	62666.49	17.6	
Russia	RTS Index	1011.79	3.91	0.39	898.05	1196.99	-12.2	
Spain	IBEX 35	10498.40	-25.20	-0.24	7961.20	11184.40	12.3	
Sweden	SX All Share	579.61	-3.34	-0.57	462.04	598.42	8.4	
Switzerland	Swiss Market	8886.95	-67.15	-0.75	7585.56	9148.61	8.1	
South Africa	Johannesburg All Share	52285.08	-198.82	-0.38	48935.90	54716.53	3.2	
Turkey	BIST 100	100627.01	-117.44	-0.12	70426.16	10145.16	28.8	
U.K.	FTSE 100	7337.28	-30.32	-0.41	6463.59	7598.99	2.7	
Asia-Pacific	DJ Asia-Pacific TSM	1617.14	-2.46	-0.15	1354.24	1643.59	13.7	
Australia	S&P/ASX 200	5758.80	-4.50	-0.08	5156.60	5956.50	1.6	
China	Shanghai Composite	3212.44	5.31	0.17	2953.39	3288.97	3.5	
Hong Kong	Hang Seng	25465.22	-56.75	-0.22	20564.17	26063.06	15.7	
India	S&P BSE Sensex	31369.34	123.78	0.40	25765.14	31369.34	17.8	
Japan	Nikkei Stock Avg	19994.06	-87.57	-0.44	15106.98	20304.41	4.6	
Singapore	Straits Times	3226.34	-22.37	-0.69	2787.27	3271.11	12.0	
South Korea	Kospi	2387.81	-0.54	-0.02	1958.38	2395.66	17.8	
Taiwan	Weighted	10368.20	-36.59	-0.35	8640.91	10513.96	12.0	

Source: SIX Financial Information; WSJ Market Data Group

Currencies

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



Source: Tullett Prebon, WSJ Market Data Group

London close on July 6

US\$ vs. Country/currency

Country/currency	Thu	YTD chg (%)
in US\$	per US\$	(%)
Hong Kong dollar	0.1280	7.8124
India rupee	0.0154	64.7251
Indonesia rupiah	0.000746	13398
Japan yen	0.008828	112.28
Kazakhstan tenge	0.003082	324.44
Macau pataca	0.1244	8.0417
Malaysia ringgit-c	0.2326	4,2985
New Zealand dollar	0.7266	1,3759
Pakistan rupee	0.0094	105.950
Philippines peso	0.0197	50.647
Singapore dollar	0.7232	1,3828
South Korea won	0.0008640	1157.38
U.K. pound	1.2960	0.7716

Country/currency

in US\$ per US\$ (%)

Country/currency

FINANCE & MARKETS

Shorting Dwindles in Hong Kong

High-profile bets by activists mask overall decline in investors' short-sale appetite

BY STEVEN RUSSOLILLO

HONG KONG—Activist investors have been increasingly hunting for stocks to take on in Hong Kong. Yet the rest of the market isn't rushing to jump on board.

Prominent short sellers, including **Carson Block** of **Muddy Waters** LLC and U.S.-based **Gotham City Research**, have targeted Hong Kong-listed stocks in recent months in an effort to profit from what they expect will be future price declines. These well-publicized campaigns mask the fact that overall short-selling activity throughout Hong Kong has declined as stocks in the region have soared this year.

"Hong Kong has been a dangerous place to play for short sellers," says Simon Colvin, research analyst at financial data firm IHS Markit. "There is not a sustained appetite to short these stocks."

Only 1.5% of shares in Hong Kong's Hang Seng Index were out on loan as of July 5, a proxy for short interest reflective of investors betting against a stock, according to a report this week by IHS Markit. That is the lowest level in nearly two years and down from 2.5% in August 2016.

Short sellers borrow shares to sell them with the hope of buying the shares back later at a lower price and pocketing the difference. Falling short interest in Hong Kong contrasts with what is happening in the U.S. Some 4.1% of shares in the Russell 3000 Index—a broad U.S. benchmark—were out on loan in June, the highest level in eight months and up from 3.6% at the beginning of the year, according to IHS Markit.

Short selling can be controversial. Proponents argue skepticism in the market is healthy, while skeptics say short sellers can unfairly push



Hong Kong shorting campaigns have targeted at least 20 firms this year. View of Central's skyline.

Hedge Funds Don't Need to Be Huge To Be Profitable

BY LAURENCE FLETCHER

Lower fees, weaker returns, higher costs. Running a hedge fund isn't what it used to be. To avoid going out of business, smaller funds are learning to tighten their belts.

Smaller hedge funds have come under severe pressure in recent years due to a toxic mix of poor returns, investor demands for lower fees, and rising costs of regulation and compliance.

But a survey by industry body the Alternative Investment Management Association and broker GPP shows many funds can still make a profit with lower levels of assets. Many have been able to cut costs by, for instance, outsourcing some roles, and are managing to live with the expense of meeting greater compliance requirements from regulators and investors.

And while investors are demanding lower fees, this pressure isn't driving most managers to the wall.

"You need to keep the lights on," said Tom Kehoe, global head of research at AIMA.

"From the allocators we talk to, the last thing they want to do is put these managers out of business."

The survey showed that on average small hedge-fund firms could break even running \$87 million in assets, while 57% of firms surveyed were able to break even running \$100 million or less—a relatively low level of assets for a hedge fund.

Funds trading rising and falling stocks, bonds or some computer-driven strategies could on average turn a profit on well below \$100 million of assets.

The findings paint a brighter picture than many commentators have assumed of the health of small hedge

funds.

Average hedge-fund returns regularly hit double digits during the 1990s and 2000s. That made starting and expanding a hedge fund an easier and more profitable punt due to strong investor demand for such returns and the fees such businesses could earn. However, funds have lost money on average in two of the past six calendar years, meaning some big investors have lost patience with the sector. While some big-name funds have suffered, many investors remain wary of putting money with a manager with a short track record.

The survey also showed that the lucrative model of a 2% management fee and a 20% incentive fee—once seen as the industry's benchmark—doesn't apply to most small

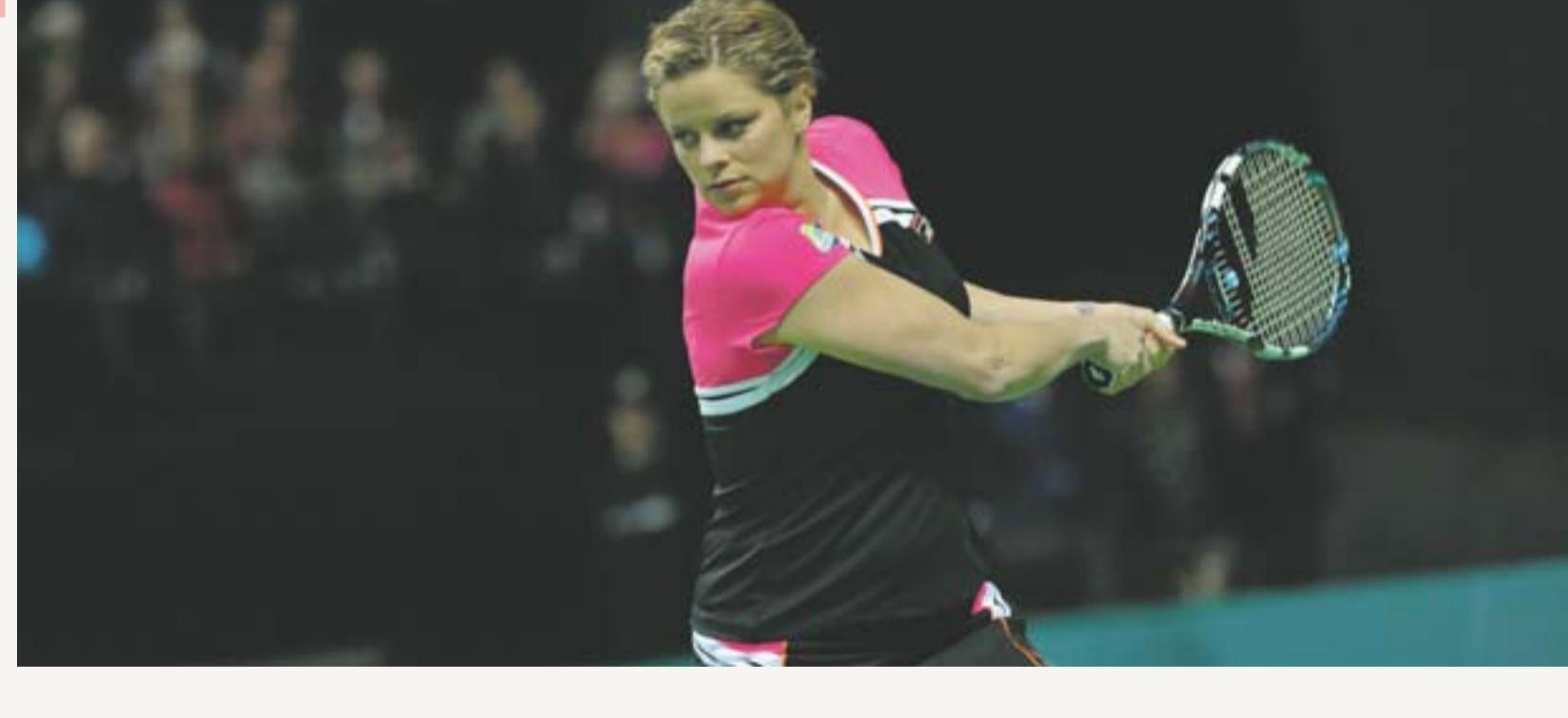
A survey shows many funds can still make a profit with lower levels of assets.

managers. Half of firms surveyed charged an annual fee of less than 1.5% of assets in their main fund, while funds starting up in the past year could only command a 1.25% fee on average, highlighting the pressure many face.

However, the survey also showed firms willing to run slimmed-down operations. Roles such as chief technology officer, chief legal officer and chief compliance officer, for instance, were often outsourced to reduce costs.

AIMA and GPP surveyed 135 managers globally managing less than \$500 million each. Funds surveyed ran \$16 billion in assets in aggregate.

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MARKETS

BOJ Tapers Without the Tantrum

BY MIKE BIRD

The European Central Bank is wrestling with a problem facing monetary-policy makers around the Western world—dialing back stimulus without upending financial markets.

But one central bank has been quietly balancing this act since late last year, buying fewer bonds without spooking investors: the Bank of Japan.

On Thursday, Germany's 10-year bund yield hit 0.5% for the first time since the start of 2016 as investors continue to anticipate the winding down of the ECB's €60 billion (\$68.3 billion) of monthly bond purchases.

Central banks have been buying bonds to stimulate the economy and inflation.

The BOJ does this by targeting where it wants government-bond yields to be, rather than setting an amount of money it will spend every month, as the ECB and Bank of England do and U.S. Federal Reserve once did.

So if the BOJ hits its target of a zero yield on 10-year government debt, it can adjust its buying without having to announce it. Likewise, the commitment to intervene if yields rise puts off anyone considering shorting Japanese bonds: nobody wants to go up against a buyer that can essentially print its own money.

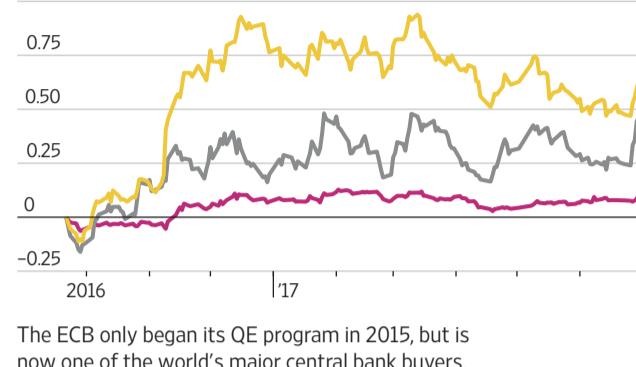
In the second quarter of 2017, the BOJ accumulated an average of ¥13.5 trillion (\$119 billion) in assets compared with a quarterly average of ¥22.8 trillion in 2016. That is less than at any time since the program began in the spring of 2013. Japanese government-bond yields have gyrated by far less than their European and U.S. peers in the past nine months, and haven't joined in the recent selloff.

That selling was sparked last week when ECB President Mario Draghi noted a "strengthening and broadening" recovery in the eurozone.

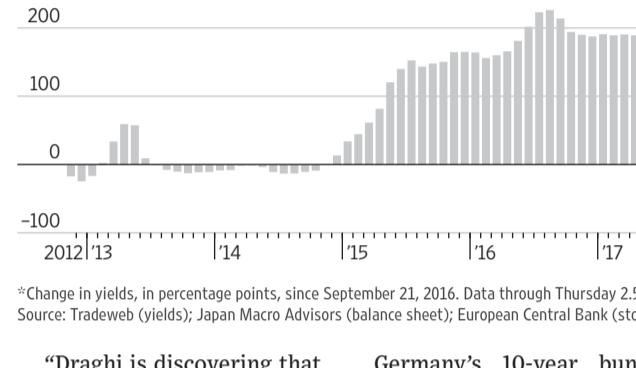
Market Control

The Bank of Japan has been quietly slowing down the growth in its balance sheet, but its yield control target has prevented a panicked reaction in the country's bond market.

Japan's 10-year bond yields have moved far less than their international peers since yield curve control was introduced in September.



The ECB only began its QE program in 2015, but is now one of the world's major central bank buyers.

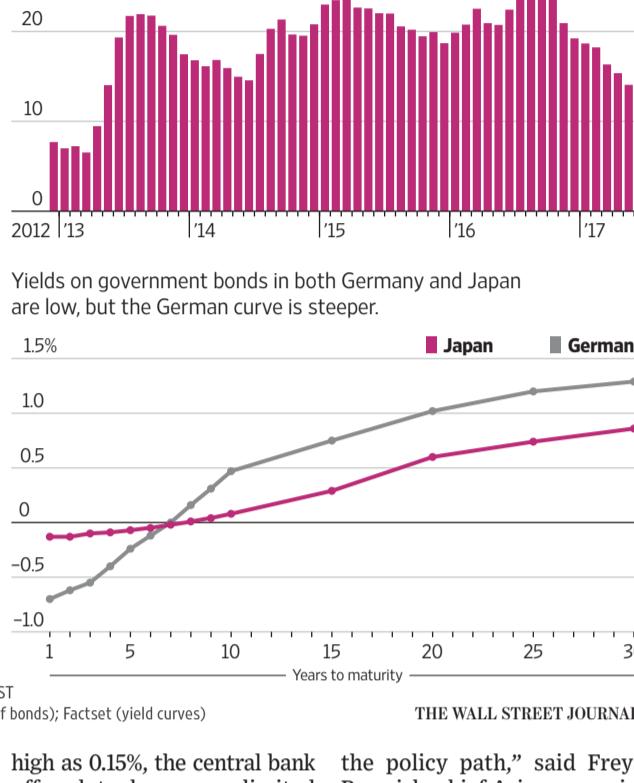


*Change in yields, in percentage points, since September 21, 2016. Data through Thursday 2.55 BST

Source: Tradeweb (yields); Japan Macro Advisors (balance sheet); European Central Bank (stock of bonds); Factset (yield curves)

The Bank of Japan's balance sheet expansion has quietly slowed down, with little reaction in the bond market.

Yields on government bonds in both Germany and Japan are low, but the German curve is steeper.



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"Draghi is discovering that narratives contrary to the one you want to get across can take hold in the market," said Grant Lewis, head of research at Daiwa Capital Markets Europe.

Minutes from the ECB's June meeting released Thursday showed policy makers weighing whether to drop their bias toward further stimulus. That followed the release of the Federal Reserve's meeting minutes Wednesday, where officials signaled they may be ready to start slowly shrinking their large portfolio of bonds and other assets in the next few months.

Germany's 10-year bund yield rose by 0.2 of a percentage point in five days, the largest jump since 2015's "bund tantrum" when investors dumped bonds as they also anticipated less stimulus.

Bonds in advanced economies tend to move together, and yields on U.S. and British 10-year bonds rose by a similar amount through the week. But Japan's 10-year yields rose by just 0.02%. Yields rise as prices fall.

The BOJ can keep its markets stable by setting a clear limit on what it will tolerate, analysts say. In early February, when 10-year yields rose as

high as 0.15%, the central bank offered to buy an unlimited volume of bonds at a yield of 0.11%, pushing yields back down.

"It's clearly been easier for [BOJ chief Haruhiko] Kuroda. He's stood up and said yields will be held at these levels. Try and beat me, I've got infinite resources," Mr. Lewis added. "That's actually allowed them to start purchasing less."

Some analysts even expect the BOJ to drop the ¥80 trillion target for annual bond purchases.

"Abandoning this target would come at little cost to

the policy path," said Freya Beamish, chief Asia economist at Pantheon Macroeconomics. "The yield-curve target is doing all the work."

Mr. Draghi has outlined the difficulty faced by any central bank looking to taper so-called quantitative easing. While the threat of deflation that the ECB's program was designed to counter has passed, "a very substantial degree of monetary policy is still needed," in part to ensure that "overall financing conditions continue to support that reflationary process," he said in late June.

—Riva Gold contributed to this article.

Stocks in U.S. Pull Back as Bonds Fall

BY RIVA GOLD AND AKANE OTANI

U.S. stocks retreated Thursday as government-bond prices slid.

The Dow Jones Industrial Average lost 158.13 points, or

0.7%, to 21320.04 on Thursday.

The S&P 500 fell 0.9% and

the Nasdaq Composite shed 1%, pressured by declines in technology and biotech shares.

In Europe, the Stoxx Europe 600 fell 0.7% to 380.43 as minutes from the European Central Bank's June meeting showed policy makers considered dropping a pledge to accelerate their massive bond-buying program. Banks and insurance companies in Europe outperformed as they tend to benefit from higher government-bond yields.

Some investors and analysts have said the 2017 stock rally could stall in the second half of the year, especially if borrowing costs rise but economic growth is mediocre. In recent weeks, government-bond yields have climbed as central banks have signaled the end of monetary stimulus is coming.

Energy stocks, the worst-performing sector in the S&P 500 in 2017, fell 1.7% by late afternoon, with Newfield Exploration, Apache and Cabot Oil & Gas among the biggest decliners. Seesawing oil prices have weighed on shares of energy companies, pulling them down 15% in the S&P 500 so far this year.

Government bonds pulled back, with the yield on the 10-year U.S. Treasury note rising to 2.369% on Thursday, from 2.334% Wednesday. Yields rise as bond prices fall.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

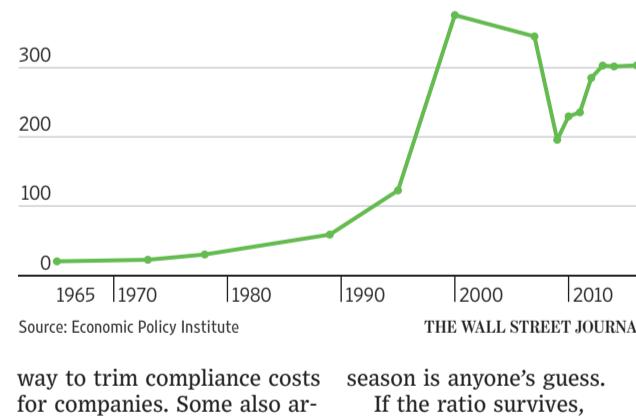
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Pay Ratio: Flawed but Useful Tool

Foul Pay?

Ratio of realized CEO pay to average pay for the top 350 U.S. firms by sales



way to trim compliance costs for companies. Some also argue the ratio isn't instructive: Wal-Mart will have a higher one than Goldman Sachs, but that only indicates that Wal-Mart employs more unskilled workers than Goldman Sachs.

The rollback made it through a House of Representatives bill in June.

Whether it can clear the Senate in time for next spring's proxy-statement

season is anyone's guess. If the ratio survives, shareholders might find it a modestly useful addition to their analytical toolbox. The key insights will come from seeing how it evolves for a specific company over time. A widening ratio could be a warning flag that a management team is getting greedy.

Admittedly, the SEC requires companies to update the calculation only once every three years, so useful in-

sights into how the median wage changes relative to profit, say, would take years to emerge.

That said, investors shouldn't assume more thrifitily paid bosses offer value for money. Simplistic studies can show an association between lower pay and higher returns, but this is partly because larger companies pay better while small-caps usually outperform large-caps.

Adjusting for size, using actual realized rather than the estimated target pay disclosed in proxy filings, and factoring in the performance of previously awarded shares, PricewaterhouseCoopers found a strongly positive correlation between executive pay and three-year total returns for big U.K. companies. This is logical, given how much executive pay is triggered by return thresholds these days.

Investors should welcome any move toward greater transparency, but wield their new analytical tool with caution.

—Stephen Wilmot

OVERHEARD

The holiday weekend has shown American moviegoers may be suffering from a mild case of sequel fatigue.

"Despicable Me 3," the latest installment of the franchise from Comcast's NBCUniversal topped U.S. box-office charts last weekend.

But its estimated \$86.4 million in receipts over the four-day period through Monday falls short of the \$119.4 million predecessor "Despicable Me 2" took in during the comparable period, according to Box Office Mojo.

Another cinematic sibling that hasn't lived up to its predecessors is "Transformers 5" from Viacom's Paramount Pictures.

In a possible sign of thirst for originality, Sony's "Baby Driver" was the weekend's second-highest grossing film.

That is a strong showing, but with an estimated \$35 million in box-office receipts through Monday, it still has a way to go to catch up with even the disappointing sequels.

Bond Yields Dictated by Europe Now

Bond investors, look to Europe. The dance of expectations between the European Central Bank and government-bond markets is the biggest driver of yields now.

Ten-year German bond yields Thursday broke decisively above 0.5% for the first time since January 2016, extending a selloff that started with a speech from ECB President Mario Draghi last week that seemed to surprise investors.

What happens in Germany matters immensely to U.S. markets at the moment. The move in Germany once again pushed Treasury yields higher and lifted the euro against the dollar while weighing on stocks.

The minutes also show policy makers wondering if they should change their guidance on bond purchases. In the end they decided to change only the guidance on interest rates, dropping a reference to the possibility of rates going lower.

The ECB and counterparts at the U.S. Federal Reserve don't want to shock markets. But bond markets that have relied upon central-bank buying will have less support if the ECB moves to slow its purchases, the Bank of Japan continues to buy less than expected, and the Fed starts selling its holdings.

Central bankers are likely to continue to stress they are moving very gradually. But markets may find it difficult to move as slowly as central bankers might like.

—Richard Barley

Trump Right About China Pressing North Korea on Trade

Donald Trump says China could do a lot more to rein in its recalcitrant neighbor. When it comes to trade, he has a point.

After North Korea's successful launch of an intercontinental ballistic missile on July 4, Mr. Trump cited Chinese customs data showing that the country's trade with North Korea was up nearly 40% on the year in the first quarter, despite promises from Chinese President Xi Jinping to ratchet up pressure on its neighbor following this spring's Mar-a-Lago summit.

China has put the squeeze on in one important way:

imports, although some black-market activity is almost certainly carrying on. As recently as February, before the Trump-Xi summit, coal counted for about half of North Korea's export earnings from China.

Yet that tough action hasn't been matched elsewhere. As coal imports have waned, imports of another commodity, iron ore, have ramped up.

The increase may not be deliberate: China's real-estate market, the main demand driver for iron ore, has recovered sharply over the past year. But the numbers are striking: Iron-ore imports from North Korea qua-

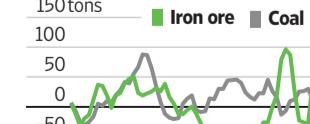
druped in value in the first quarter of 2017 compared with a year earlier and were twice as high by tonnage. China's overall iron-ore import tonnage rose only 12% on the year in the first quarter. By banning North Korean iron-ore imports as well,

China could instantly deprive it of an additional \$10 million or \$20 million each month, equivalent to around 10% of China's trade surplus with the country.

Other problems lie with the numbers themselves.

Taking Lumps

Chinese imports from North Korea, change from a year earlier



Note: 3-month moving average Source: CEIC

THE WALL STREET JOURNAL.

national Petroleum Corp. continue to serve as a lifeline for North Korea's energy sector, exporting crude and diesel from northeastern Chinese cities.

China could do much more to make life hard for North Korea, but it fears pushing too hard lest the regime collapse, resulting in a flood of refugees and, perhaps, American troops on its border.

For Mr. Trump and the U.S., however, a North Korea with intercontinental ballistic missiles is clearly unacceptable—particularly when progress appears sparse in other areas of the Sino-U.S. relationship, including trade.

U.S.-China trade tensions have taken a back seat to other concerns for investors since the Mar-a-Lago summit. Expect that to change again soon.

—Nathaniel Taplin

Why 'summer
sweater' is
not an
oxymoron
D5



OFF DUTY



Travel back
in time to
Prohibition-era
New York
D6

EATING | DRINKING | STYLE | FASHION | DESIGN | DECORATING | ADVENTURE | TRAVEL | GEAR | GADGETS

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THE WALL STREET JOURNAL.

Friday - Sunday, July 7 - 9, 2017 | **W1**



TED CAVANAUGH FOR THE WALL STREET JOURNAL FOOD STYLING BY HEATHER MELDRUM PROP STYLING BY NINA CUEVA

Does This Look Instant to You?

The Instant Pot has seduced legions with promises of stews that cook themselves. But what would Julia Child say? With a sophisticated summer menu based on her recipes, we put this gadget to the test

BY SARAH KARNASIEWICZ

RECENTLY, FOLLOWING the lead of millions of other harried cooks, I introduced an Instant Pot to my kitchen. Perhaps you've heard of the gizmo? It's the highest-profile brand of the increasingly pervasive countertop "multicooker"—combination Crock Pot, pressure cooker, rice maker, electric skillet and yogurt maker.

This \$99 appliance from the tiny Ontario-based company Double Insight has, in the seven years since its debut, progressed from a niche product modestly popular with Paleo dieters to a viral marketing sensation. At least a half-dozen multicooker-focused cookbooks are slated for publication over the next year. The product sits reliably atop Amazon's Home



and Kitchen bestseller list, and during 2016's Prime Day—the online retailer's annual one-day flash sale—it was the biggest-selling item in the U.S. market, in any category, with more than 215,000 units moved on that day alone. On Facebook, a community page dedicated to the brand currently counts more than half a million members.

This should be where I tell you the Instant Pot revolutionized my cooking and my life along with it. But that's not exactly the story. It was midwinter when I unpacked my new toy, and the test spins—my mother-in law's braciole, a rib-sticking stew, a spicy chili—were successes. Still, a gal, especially one with a taste for seasonal cooking, can only stomach so much braised beef and ranch beans. By the time the trees were in bloom, my Instant Pot was back on the shelf.

Please turn to page W2

OFF DUTY

MASTER THE ART OF THE MULTICOOKER

Continued from page W1

There the Instant Pot sat until a few weeks ago, when, packing for my family's annual trip to Cape Cod, I was reminded of an essay the novelist Jhumpa Lahiri once wrote. She made the case that you could cook everything you need during a summer getaway in a single cast-iron pan. Recalling the appliance's promises of ease—not to mention our un-air-conditioned cabin—I eyed my Instant Pot with fresh curiosity. Into a canvas tote it went, along with a few well-thumbed cookbooks by Jane Grigson, Julia Child and Elizabeth David that have become stalwart seaside references. Could the machine adapt to summer's lighter fare?

On arrival, I eased in with a simple challenge: a batch of hard-boiled eggs for beach snacking. Given the 8 minutes it took for the pot to reach pressure, the process proved no quicker than my usual method. Yet there were upsides: namely, shells that slid off with nary a nick and entirely avoiding the swelter of stovetop boiling. Multicookers keep the heat inside and the kitchen cool.

Recalling the promises of ease—not to mention our un-air-conditioned cabin—I eyed my Instant Pot with fresh curiosity.

A few days later, I threw a quart of sliced strawberries in with a spoonful of sugar and a splash of vanilla extract and closed the lid. After cooking it for two minutes at high pressure, I had a syrupy compote that thickened as it cooled and made a lovely sight at breakfast, spooned over ricotta toast. (Per the internet, I could have made that ricotta in the Instant Pot, too—but let's be serious, I was on vacation.)

Part of becoming a competent cook is learning to play to strengths and minimize shortcomings—in your ingredients, your equipment, yourself. With a few months of occasional use, I'd begun to understand the Instant Pot's flaws. Tender veggies like spring peas and petite carrots are obliterated in the intense atmosphere of high-pressure cooking. And because of the intense, moist heat the pot generates and the lack of opportunity for evaporation once the lid is sealed, you can forget about crisped edges.

But I appreciate the capacity to sauté ingredients in the pot, uncovered, before affixing the lid for a steam or a braise, saving the work of washing another pan. And plenty of delicious, summery dishes don't require browning. I began to wonder if I'd hamstrung the gadget's potential by relying so heavily on the economy-focused advice and down-home recipes dispensed on message boards and blogs.

So, over one humid weekend in Cape Cod, I staged a final throw-down: preparing an elegant summer supper for visiting friends using nothing but the multicooker and my 1961 edition of Julia Child's "Mastering The Art of French Cooking."

Success, I knew, hinged heavily on

canny recipe selection, but I didn't want to play it totally safe, either. In the end, I settled on a quartet of resolutely summery classics: homard à l'Américaine, ratatouille and soubise (a sweet onion risotto)—plus a fudgy (and gluten-free) gâteau Reine de Saba to finish it off.

To get the goods to the table at the proper temperature and degree of doneness would require me to stagger my cooking. I started a day prior with the cake, which calls for a chill before serving, and continued on with the soubise and the ratatouille, both of which cope well with gentle reheating. The lobster would have to be done, as Julia might put it, à la minute.

"Baking" inside an Instant Pot required a new technique: pot-in-pot cooking (PIP in the parlance of the message boards). Happily, that turned out to be as straightforward as it sounds, involving nothing more than lowering a small spring-form pan onto the steaming rack and sealing the Instant Pot for a half-hour session. I'd chosen the Reine de Saba because I suspected its dense, almost puddinglike consistency would be well suited to the steamy climate of the cooker. My hunch was right. Crowned with a cloud of freshly whipped cream and a corona of summer berries, it was a sight to behold.

The ratatouille and soubise were the menu's ringers: exactly the sort of succulent, moisture-loving dishes that pressure cooking can improve. The ratatouille's mélange of eggplant emerged from the pot silky and slicked with fragrant, herb-infused oil, and I may never make risotto another way again.

That left the lobster. Any recipe that begins with plunging a knife directly into a live animal is liable to give you a case of nerves, and indeed, as showtime approached I felt the panic of wading into uncharted waters. I was buoyed by a comment I read from chef Joël Robuchon that described pressure cooking as a lovely method for lobster. But nowhere on Facebook could I find references to Instant Pot flambéing.

Also, no disrespect to Mme. Child, but I'm no tomato-peeling cook. Dispensing with that step—and the flambéing, for safety's and sanity's sake—I simply split the lobsters and sautéed them in batches before returning them to the pot for a fast, final schvitz in a broth of vermouth, tomatoes and herbs.

It was remarkable. I'm sure the dinner I laid on the table a few moments later didn't resemble anything the engineers at Double Insight had in mind when they were designing their "closed loop control systems." Nor was this method exactly what Ms. Child had in mind when she addressed the "servantless American cook who can be unconcerned on occasion with budgets, waistlines and time schedules." I was having my (Reine de Saba) cake and eating it, too: With the Instant Pot, this really rather grand meal had come together with minimal sweat, figuratively as well as literally.

Will my Instant Pot face many more bouts in this weight class? Probably not. But it's nice to know how far I can push it. And I'll never again head to the beach without it.

Soubise

(Sweet Onion Risotto)

Apart from the optional garnish, this dish can be made a day ahead and reheated.

ACTIVE TIME: 15 minutes
TOTAL TIME: 35 minutes
SERVES: 4-6

1½ cups Arborio rice

2 pounds sweet onions, such as Vidalia, thinly sliced

8 tablespoons (1 stick) butter, divided

Kosher salt

3 tablespoons heavy cream

2 ounces Gruyère or

Emmentaler cheese, grated

Freshly ground black pepper

Fresh basil, shredded, or fresh oregano sprigs, for garnish



- Add 3 cups water to the pot of a 6-quart multicooker. Set to Sauté and bring to a boil. Add rice and stir. Simmer 5 minutes, then drain rice and set aside.
- With cooker still set to Sauté, add 4 tablespoons butter to pot. Once melted, add onions and stir to combine. Sauté, stirring frequently, until onions are soft and translucent, about 7 minutes. Return rice to pot along with remaining butter, ½ cup water and a pinch of salt. Stir until well combined. Seal multicooker, set manually to High Pressure and cook 7 minutes.
- When cooking has finished, let pressure release naturally for 10 minutes, then use the quick release method to open cooker. Add cream and cheese and stir mixture well. Season with salt and pepper to taste. Transfer to a serving dish and garnish with fresh herbs. Serve hot.

—Adapted from "Mastering the Art of French Cooking"



Gâteau Reine de Saba (Queen of Sheba Cake)

ACTIVE TIME: 10 minutes TOTAL TIME: 2½ hours (includes cooling) MAKES: 1 (7-inch) cake

Nonstick cooking spray

5 ounces dark chocolate chips or wafers (at least 60% cacao)

8 tablespoons (1 stick) unsalted butter, softened

½ cup sugar

3 eggs

1 teaspoon real vanilla extract

2 tablespoons dark rum

¾ cup fine almond flour

½ teaspoon kosher salt

¾ cup heavy cream

Seasonal fruits, for garnish, such as strawberries, blueberries, raspberries, sliced plums, sliced apricots and sweet cherries

- Spray a leakproof 7-inch springform pan with non-stick cooking spray. Set aside. Place chocolate in a heatproof bowl and melt, stirring occasionally, in microwave or over a saucepan of simmering water.
- Combine butter and sugar in a large bowl and use an electric mixer to beat on medium-high until pale, about 2 minutes. Add eggs one at a time and continue beating until mixture is very pale and fluffy, 4-5 minutes. Stir in vanilla and rum. Gently fold in melted chocolate, almond flour and salt.
- Spoon batter into prepared pan and smooth out top. Cover loosely with aluminum foil. Lower pan into

the pot of a 6-quart multicooker fitted with steamer rack. Pour 1 cup water into bottom of multicooker's pot.

4. Seal multicooker, set manually to High Pressure and cook 30 minutes. When cooking has finished, let pressure release naturally.* Then transfer pan to refrigerator to chill at least 2 hours or overnight.

5. Just before serving, whip cream until it forms loose peaks. Spoon generously onto cake and top with a colorful mixture of berries and sliced summer fruit.

—Adapted from "Mastering the Art of French Cooking" by Julia Child, Louisette Bertholle and Simone Beck

Homard à l'Américaine (Lobster with Wine, Tomatoes, Garlic and Herbs)

ACTIVE TIME: 20 minutes TOTAL TIME: 30 minutes SERVES: 4

2 (1½-pound) lobsters

4 tablespoons olive oil

1 carrot, peeled and finely diced

1 onion, finely diced

2 shallots, finely diced

2 cloves garlic, minced

½ cup Cognac

1 pound ripe tomatoes, chopped and juice reserved

2 tablespoons tomato paste

½ cup clam juice

1 cup dry vermouth

2 tablespoons chopped fresh parsley, plus more for garnish

1 tablespoon chopped fresh tarragon, plus more for garnish

6 tablespoons unsalted butter, softened

1 large baguette or other crusty loaf



- Quickly and humanely kill lobsters by positioning the tip of a chef's knife in the center of the head and plunging the blade in between the eyes. Next, split lobsters in half lengthwise. Spoon out the green tomalley and red coral (if present) and set aside. Remove heads. (Save for making stock, if desired.) Remove claws from body and crack them. (This makes them easier to open later.)
- Warm oil in the pot of a 6-quart multicooker set to Sauté. When hot, add lobster pieces in batches and sear, turning occasionally, until shells are bright red and meat is golden at edges, 4 minutes per batch. Transfer cooked lobster pieces to a plate.

- Add carrots, onions and shallots to pot. Sauté until fragrant and softened, about 4 minutes. Add garlic and sauté 2 minutes. Stir in Cognac, tomatoes with juice, tomato paste, clam juice and vermouth. Add parsley and
- Return lobster pieces to pot.
- Seal multicooker, set manually to High Pressure and cook 5 minutes. When cooking has finished, use quick release method to open multicooker.
- Transfer lobster pieces to a plate. Set multicooker to Sauté and let sauce simmer until reduced by half, 8-10 minutes.
- Meanwhile, combine softened butter with reserved tomalley and coral in a medium bowl. Drizzle a ladleful of the hot sauce into bowl and rapidly whisk together with butter mixture

until smooth. Add mixture back into sauce along with reserved lobster pieces. Cook 2 minutes more, stirring frequently, until warmed through.

7. Transfer lobster and sauce to a deep serving platter and garnish with fresh herbs. To serve, divide among 4 wide, shallow bowls and provide slices of crusty bread for sopping up sauce.

—Adapted from "Mastering the Art of French Cooking"

► Find a multicooker recipe for ratatouille at WSJ.com/Food

OFF DUTY



AVERAGE LOW

54°

Lucky enough to be summering at Lake Como? Then you'll need a pullover that's posh enough for an Italian industrialist. When temperatures dip to the mid-50s, Berluti's cashmere crewneck, gradient-dyed in cool blue-gray tones, will keep you from appearing uncouthly ill-prepared at cocktail hour. Sweater, \$1,010, [Berluti](#), 212-439-6400

Comparable Climates: London, Sydney, St. Moritz

Heat Weaves

Counterintuitive though it might seem, no July or August holiday jaunt is complete without a summer sweater

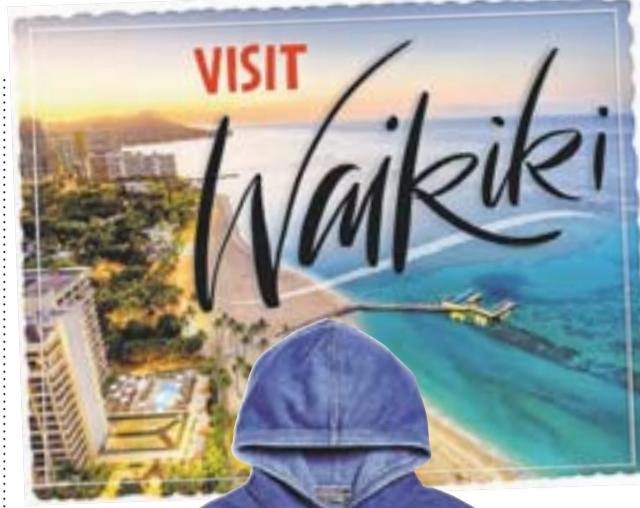
BY JACOB GALLAGHER

IT WASN'T FAIR. I was on summer vacation, and should have been baking in the SoCal sun, sipping from a moisture-beaded bottle of Corona. But I wasn't. I was shivering. Goosebumps ran up and down my arms, exposed in a flimsy cotton T-shirt. I wondered if any bars along the Venice boardwalk had a fireplace. I was pining for that most underappreciated of summer standbys: a light but, yes, moderately cozy sweater.

Even in the height of summer, there are nights "when it's still cold and people still need to layer up," said Mary Lou Ryan, co-founder of Bassike, a Sydney-based brand that excels at toasty, thin knits. "It all comes down to the weight of the yarn," she added. Instead of wool or cashmere, most summer knits rely on cotton, merino, silk or a blend.

The weave itself matters, too. Look for "something more open so that it's a little bit airier," suggested Don Weir, co-founder of Stag, a menswear boutique with outposts in Texas and Venice, Calif. Bassike's Ms. Ryan concurred: "[A loose weave] gives it that relaxed appeal, so it doesn't feel like an uptight knit." In other words: You'll look more appropriately dressed for a backyard barbecue than a session of resentful snow shoveling.

For easygoing summer style, minus the unmanly shivering, we've identified five suitably smart layers to handle July's average-low temperatures in five seasonal vacation spots. If you're stuck at work, any of these pliable sweaters can also counteract summer's biggest scourge: overactive office air-conditioning.



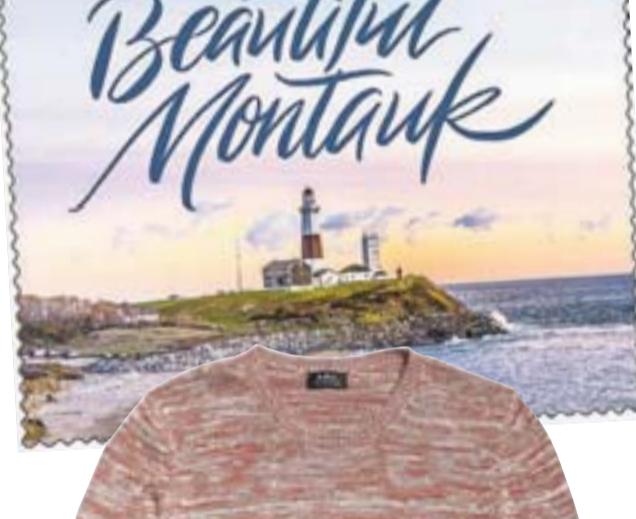
AVERAGE LOW

73°

A getaway in Waikiki requires a knit that won't weigh you—or your suitcase—down. Rag & Bone's thin knit-cotton sweatshirt will slip unobtrusively into a duffel. The sporty hood might get you mistaken for a board-toting local. Just don't agree to demonstrate your moves. Sweater, \$295, [rag-bone.com](#)

Comparable Climates: Rio de Janeiro, Havana, Ibiza

F. MARTIN RAMIN/THE WALL STREET JOURNAL, STYLING BY ANNE CARDENAS (SWEATERS); ANGELA SOUTHERN



AVERAGE LOW

64°

Watching the sunset at Montauk Point State Park is a favored ritual for weekend New Yorkers, but once the last rays recede, sending temperatures to the mid-60s, you'll need a reliable cotton layer, like A.P.C.'s marled crew with sweatshirt-like ribbed side seams for extra coziness. Sweater, \$250, [apc.fr](#)

Comparable Climates: Provincetown, Mass., Malibu, Nashville



AVERAGE LOW

47°

Even in high summer, Iceland's popular coastal capital Reykjavik can fall prey to quite the chill. When you're touring around Harpa concert hall and that brisk wind starts whipping off the Atlantic, you'll be happy to have Bassike's airy yet hardy-as-Viking-armor mélange merino knit. Sweater, \$395, [bassike.com](#)

Comparable Climates: Copenhagen, Cape Town, Vancouver



AVERAGE LOW

78°

In Palm Springs, where temps rarely fall below the high 70s, it's less about staying warm, than about staying prepared. The Armoury's featherweight merino crewneck is so light, you'll barely even notice it's there—that is until you appreciate its elegant insulation against the icy A/C at that dinner party. Sweater, \$250, [thearmoury.com](#)

Comparable Climates: Miami, Tokyo, Tulum

F. MARTIN RAMIN/THE WALL STREET JOURNAL, STYLING BY ANNE CARDENAS (SWEATERS); ANGELA SOUTHERN

FRESH PICKS

THE EXHIBITION

A Few Famous Faces

A stranger asks for the time: Do you check your watch or tap your smartphone? A growing number of men take the latter route.

And even Patek Philippe, one of the world's mightiest horological brands, concedes that watches no longer rule the world's wrists. And so, when gathering over 450 timepieces from its vaults in Geneva for the Art of Watches, Grand Exhibition, a retrospective opening July 13 in New York, the company knew it had to appeal not only to watch enthusiasts but to the dial-illiterate as well. Old-school fans would attend the show (which runs to July 23) even "if we put it at the North Pole," said Larry Pettinelli, president of the company's U.S. division. But those who don't know their tourbillons from their tachymeters might still like to see Duke Ellington and General Patton's chronograph wristwatches or President Kennedy's desk clock.

Should casual viewers catch the watch bug while ogling these tiny mechanical wonders, they can view demonstrations by watchmakers or participate in an interactive virtual-reality simulation which lets them "assemble" a watch. "You can literally create product out of thin air," said Mr. Pettinelli. "You can build your own movement."

The company is marking the event with a special timepiece: a Grand Exhibition edition of its World Time model (pictured) embossed with the Manhattan skyline at the center of its face. Only 300 of the \$53,299 watches will be made. The show itself, however, is free to everyone. [patek.com](#) —J.G.



Watch, Ref. 5230-010,
\$53,299, [Patek Philippe](#),
212-218-1240

THE COLLABORATION

Moncler's Compound Interest

Greg Lauren had a secret. With a label of his own, the 47-year-old designer already had a surfeit of outerwear, but he furtively coveted a Moncler jacket. "I just really admired the brand from afar," said Mr. Lauren. He'd see his 4-year-old son strut about in a glossy puffer from the Italian label, but it didn't seem to make sense to buy one for himself.

Then just over a year ago, Moncler artistic director Francesco Ragazzi, who's tasked with reaching out to buzzy talents for partnerships, contacted Mr. Lauren and tapped him to design a limited-edition collection, which arrives at Moncler boutiques and select Barneys New York stores this week.

Mr. Lauren's designs with the brand, however, detour dramatically from the look of his son's classic puffer. After hauling a selection of Moncler's traditional jackets, vests, hats and sweatshirts to his Los Angeles studio, the designer cut them apart and Frankenstein them back together with his own signature fabrics: recycled denim and surplus canvas. "I love nothing better than to see the frayed edge of vintage denim or canvas brush up against the smooth surface of the nylons," he said.

Despite the reconstructed look, Mr. Lauren took pains to ensure that the pieces retain Moncler's revered all-weather-resilience—and recognizability. "When you see a classic Moncler jacket going down the street, it's obvious," he said. Mr. Lauren's unique mashups are equally unmistakable. —J.G.



'Collide' Greg Lauren & Moncler Vest,
\$3,500, [Moncler](#), 646-768-7022

OFF DUTY



NIP AND TUCK // '20S-THEMED HIDY-HOLES IN NYC

For a wide range of Prohibition-era events in New York, check thisweekinswingnyc.wordpress.com. On the high end, the **'21 Club** has its \$42 prix fixe lunch, and if the restaurant isn't busy, ask your waiter about the secret wine cellar (21club.com). For a vision of Manhattan straight out of a period film, try the **Rainbow Room's** jazz brunch, complete with live band and revolving dance floor (rainbowroom.com). The 1930 **Pierre Hotel** hosts live jazz in their art deco Two E Bar on weekend evenings (thepierreny.com). **Prohibition Productions** throws weekly swing dance parties, and events at unique venues (prohibitionproductions.com). Most attendees don period dress at the monthly **Shanghai Mermaid** parties (shanghaimermaid.com). The **New York Hot Jazz Fest** celebrates benchmarks like the 100th anniversary of the first jazz record (nyhotjazzfest.com). At **William Barnacle Tavern**, you'll find a busted safe in the basement and the Museum of the American Gangster upstairs (museumoftheamericanangangster.org). The most imaginative addition to the retro bar scene is **BlackTail**, near Battery Park (blacktailnyc.com). A bit older but also fun is the **Raines Law Room** in Chelsea (raineslawroom.com). **KGB's Red Room**, in the East Village, hosts live jazz and a monthly absinthe party (redroomnyc.com). Former speakeasy **Chumley's** reopened in the West Village last year as an upscale eatery (chumleysnewyork.com). Annual events, worth planning a trip to the city around, include the **Jazz Age Lawn Party** on Governors Island every summer (jazzagelawnparty.com) and the **Great Gatsby Party** in the former bank Capitale in darkest winter (thegreatgatsbyparty.com).

Unquenchable Manhattan

The Prohibition era offered illicit fun, and a thirst for it lives on—from secret cellars to flapper parties

BY TONY PERROTTET

I FELT LIKE a furtive liaison from a vintage film noir. After midnight, downtown Manhattan seemed deserted: I barely saw another soul on the streets as I scurried past the wrought-iron fences of Gramercy Park. When I finally located the awning of the Player's Club, a stately old mansion on the park's south side, a hulking doorman looked me up and down before shouldering open the portals.

But the moment I stepped inside, my night erupted with music and light. Dapper crowds surged up and down the antique stairs, the men dressed in tuxedos with wingtip collars and bow ties, the women in flapper dresses and cascades of feathers. I squeezed my way beneath glittering chandeliers, past oil paintings of long-gone actors, into wood-paneled rooms where musicians were belting out raucous jazz and blues. Bartenders shook up Gin Rickeys, Sazeracs and Mary Pickfords. The main parlor was packed with swing dancers. I was at a "retro nouveau" Prohibition party, open to anyone who could buy a ticket and a pair of spats or a vintage chemise. The only concession to the 21st century was the absence of smoke.

Manhattan's fascination with the Prohibition era—the period from 1920 to 1933 when the U.S. government issued a nationwide ban on alcohol—seems never-ending. In a city where almost any pleasure is available around the clock, New Yorkers are evidently compelled by a time when fun was forbidden. Those years now inspire a host of parties all over the city evoking the period. For travelers, the events provide access to venues that might otherwise be off-limits, like the members-only Player's Club (a seasonal soiree hosted by Prohibition Productions), or allow a fresh view of classic New York sites. You can find the Jazz Age Lawn Parties on Governors Island, immersive theater pieces about gangland murders in an old bank in Williamsburg, even swing dance parties on the decks of the USS Intrepid aircraft carrier. Meanwhile, a string of historic speakeasies have been reborn as hopping retro bars.

I sidled up to the Players Club bar, ordered a classic Southside (gin, mint, club soda and lemon juice) and decided to immerse myself in all things Prohibition. That 13-year period of official austerity is now recalled as a festive golden age.



self in all things Prohibition. That 13-year period of official austerity is now recalled as a festive golden age.

Although the bright young things in many American cities are fond of '20s style, New York rightfully harbors a genuine Prohibition obsession. Jazz was born in New Orleans but thrived in Harlem, along with Swing and acrobatic dance styles like the Lindy Hop. Once, tens of thousands of speakeasies, bars and clubs selling illegal alcohol operated in the city and stories of hidden tunnels, rooms and chutes are part of its folk mythology.

Even the classiest New York venues cherish their secrets. After the Player's Club, I set out to explore an even more storied Prohibition relic, the '21' Club in Midtown Manhattan, where mayors, socialites and famous artists once came for illicit libations. There used to be 37 speakeasies on this block," said manager Avery Fletcher, as she led me down-



hidden away. After an FBI raid in 1930 cost the bar a fortune in confiscated liquor, a top architect was hired to design this secret cellar, which remained in use for decades afterward as a stash for celebrities' wine stocks. It's now been converted into a private dining room, with labeled bottles once owned by Richard Nixon, Sammy Davis Jr. and Elizabeth Taylor tucked into niches along the walls.

The '21' Club's downtown counterpart is the William Barnacle Tavern in the East Village. "While the mayor was drinking uptown at the '21' Club, the city councilors were drinking down here," explained the owner, Lorcan Otway. Al Capone was a regular at the once-bustling underground jazz club, which hosted bands, dancing and all-night cavorting. Though quieter now, it's just as atmospheric. Mr. Otway, who inherited the bar from his father and wears a vintage three-piece suit, gave me a hard hat so we could clamber through a smuggling tunnel to the bunkerlike basement. There, under a bare bulb, the original safe from the '20s sits with its door forced open. He remembers as a child seeing the previous owner remove \$2 million from it in gold certificates. Mr. Otway has set up the Museum of the American Gang-



HAUTE HOOCH Clockwise from top: A '20s-themed Shanghai Mermaid party at the Django bar; the Red Room's Fallen Angel cocktail; Lorcan Otway, owner of William Barnacle Tavern; the historic bar at '21' Club.

ster upstairs from the bar in homage to the period, when competing Jewish, Italian and Irish gangs roamed the Lower East Side. The two rooms are filled with mobsters' portraits, grisly photos of corpses riddled with bullets and relics like handmade "automatic shotguns." Despite Prohibition's dark side, he said, it ironically also opened up society, allowing women, for example, to frequent bars for the first time. "In the 1920s, a lot of people felt disempowered by the government," he said. "But then they realized that beating the law was fun. It's no surprise that the song 'Let's Misbehave' was such a hit."

Other Prohibition sites have also returned to their boozy roots. A few blocks from William Barnacle, I dropped by the KGB Red Room, a remodeled art-deco enclave at the top of a creaking set of wooden stairs—apparently, Lucky Luciano ran the Palm Court casino in the same building. In the Red Room, a monthly absinthe party called the Green Fairy was in full swing. As bartenders dripped the potent spirits over sugar, I ran into Don Spiro, the co-founder of Zelda magazine, dedicated to the '20s revival. He argued that the Jazz Age is far easier to relate to than previous historical periods. "It was the first truly recorded history," he said. "We can see pictures of what people looked like, see movies of what they did and hear recordings of how they sounded. We will never hear how Mozart played. But we can hear how Louis Armstrong played trumpet and how Cab Calloway sang."

just like it was yesterday."

The clandestine nature of the era also still appeals: The more furtive the venue, the better, it seems. To visit the Monday night swing party in the Back Room in the Lower East Side, I descended an unmarked stairway, followed an underground passageway to the entrance, where I gave a password (gleaned from a Facebook page) through a grille, before being admitted into a softly lit world of velvet lounge chairs and erotic oil paintings. In the '20s, this was the speakeasy "backroom" of Ratner's Deli and a hangout for Jewish underworld figures such as Meyer Lansky and Bugsy Siegel. Cocktails are still served in tea cups and saucers, as they were in the day.

Then Michael Katsobashvili, founder of the New York Hot Jazz Festival, took me to Iguana Restaurant and Dance Lounge, a cheesy-looking Mexican eatery on a generic Midtown street. I began to wonder if success in re-creating the free-wheeling spirit of the 1920s depended less on antique locations than on a state of mind—a liberated, improvised creativity that has always infiltrated the city.

"This is a postmodern speak-easy," the Russian-born impresario assured me. "It's hidden in plain sight." The moment we got upstairs, I saw what he meant. The dozen members of the band Vince Giordano and the Nighthawks were dressed to the nines and blasting jazz through vintage megaphones to a crowd that included comedian Mel Brooks. "Who would imagine a scene like this on top of a Mexican restaurant in Midtown?" said Mr. Katsobashvili. Not me, for one. It was an encouraging thought. Somehow, the defiant Prohibition spirit will always survive.

THE DRY SEASON // MILESTONES IN THE PROHIBITION ERA—FROM THE FIRST SIGN OF RESTRICTIONS TO FULL REPEAL

1893

Anti-Saloon League founded in Ohio; temperance lobby gains traction.



Artwork at '21' Club.

on Sunday alcohol sales except in hotels.

1918

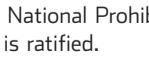
November 11 The Great War ends; U.S. gets ready to erupt into a festive frenzy.



banning the manufacture and sale of alcohol is ratified by the 36th state, Nebraska, ensuring it will pass into federal law.

1920

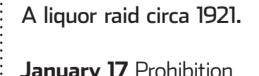
January 16 The killjoy reaction begins: 18th Amendment



Last day of legal alcohol sales causes uproar around the country.

A liquor raid circa 1921.

January 17 Prohibition goes into effect; illegal sales begin immediately. Hit songs include: "How Are You Going to Wet Your Whistle (When the Whole Darn World Is Dry?)"



1925

April 10 "The Great Gatsby" is published.

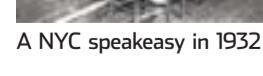
Bootlegging reaches epidemic proportions, fostering U.S. organized crime.



A relic at the Red Room.

1929

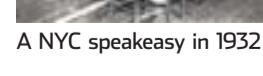
October 29 Wall Street Crash heralds the start of the Great Depression, increasing calls for tax revenue from liquor.



A NYC speakeasy in 1932

1933

March 22 Newly minted President Roosevelt, who promised "repeal" during his campaign, signs Cullen-Harrison Act legalizing low-alcohol beer and wine.



December 5 The 21st Amendment repeals Prohibition. Macy's liquor store is mobbed. The date is still celebrated as "Repeal Day" by aficionados.

OFF DUTY

HOUSE TOUR

The City Mouse's Country House

A designer known for edgy, urban spaces grapples with a provincial second home

BY SARAH MEDFORD

KARA MANN has a reputation as something of a sparkplug in the design world, capable of juicing up a tired setting or a well-known brand with a series of unexpected moves, often carried out in high-contrast black and white. Her clients have included the Hotel Chelsea in Manhattan—where her proposed redesign honored the building's decadent past with ingredients like leather and leopard—and the newly reopened Talbot Hotel, on Chicago's Gold Coast, into whose sparely furnished guest rooms she introduced leggy bedside tables of smoke-colored marble and rust sofas trimmed in bullion fringe.

All of this re-energizing can be exhausting, and in 2015 Ms. Mann, who maintains offices in New York and Chicago, went looking for a place to unwind. On the website Circa Old Houses, she found it: a four-bedroom, 1790s farmhouse in Connecticut's Litchfield County. Well-proportioned and in turnkey condition, it would come together overnight, she assumed—until she started decorating.

"I thought I was going super modern on the interior," she explained, "but the original details of the house came through and the tension was just too strong. Everything wasn't blending. I told my office, 'I need to hire a designer!'" Instead, she unraveled her overly contemporary scheme for the house and wove in a more polyglot range of furnishings that, though updated in terms of palette and materials, evoke 18th-century antiques—upright sofas, blocky trunks and chests, small-scale tables with some height.

I thought I was going super modern, but the house's original details came through and the tension was too strong.'

The living room's center table, for instance, whose proportions mimic a blanket chest, is made of cola-colored cast glass and wood; a white-painted four-poster in the master bedroom is a relatively minimalist take on a mahogany pencil-post.

Thanks to such subtle substitutions, the rooms retain the historic charm that made them so appealing in the first place. A full year into the project, said Ms. Mann, "I realized I was creating a new version of my aesthetic, which can be a little rock-n-roll, that would feel comfortable in the country."



RICHARD POWERS

▲ Art of (Just Enough) Darkness

In decorating a 1790s farmhouse in Litchfield County, Conn., designer Kara Mann chose furnishings that reference early American antiques in purpose and scale, and don't contrast too strongly with the home's 18th-century details. At first the designer installed a curvy black sofa in this sitting room but felt it struck an overly loud note, so she opted instead for furnishings in textured, re-

storative neutrals, restricting her high-contrast gestures to a single inky chair. "I love the fur stool," she said of the sheepskin seating from Coup D'Etat in San Francisco. "It feels like an animal, and it balances the visual weight of the chinoiserie armoire." The Moroccan Tuareg mat and vintage cast-glass and wood coffee table add texture without introducing too-exuberant colors. On the wall: a Yoshitomo Nara drawing saucily riffs on Ms. Mann's new persona.



◀ Spare Change

Architectural alterations in the kitchen yielded a combination of high-performance workspace and unembellished refectory. Ms. Mann kept the black granite counters and hulking range but removed a window seat ("too country") and added windows at one end. She also replaced an overhead beam housing downlights with dimmable globe pendants to simplify the ceiling. Ms. Mann held on to the earthy brick floor but softened it with an antique Khotan carpet, the room's one busy pattern. A work table that runs the length of the room is by Belgian fashion designer Ann Demeulemeester, who gives the classic American form a twist by covering its surface with gessoed canvas. Equally sober-yet-stylish chairs by Peg Woodworking in New York City flank the table. "They're like macramé but on a strict steel frame," said Ms. Mann.



▲ Twee Tweaked

Ms. Mann discovered that overtly contemporary furnishings fought with the home's original elements such as the raised-panel wainscoting and wide-plank floors in this guest bedroom. So she subverted the 18th-century quaintness subtly, in this case with a high-gloss black rattan side table from New York City furniture dealer Michael Bargo. Its hard edges and modern stance contrast unpredictably with the elegant 1940s-vintage swan-motif bed. Bare windows and Benjamin Moore's China White paint contribute to the room's monastic simplicity. Said Ms. Mann of the paint color, "It's ethereal, with a little gray in it."



◀ Skirting the Past

"This room is really about the original granite fireplace," said Ms. Mann of the combined dining/living room. A 72-inch round table parked next to the fireplace alludes to a time when families gathered around the hearth for warmth and light. The designer refined petite antique Windsor-style chairs from Liza Laserow in New York with an emphatic black stain to amp up their drama, satisfying her taste for contrast by pairing them with a traditional white linen tablecloth ("like a beautiful dress, pretty and soft"). When the rustic candlesticks on the mantelpiece—reproductions from the website Food52—go onto the table next to the chairs' spindles, the result is a chorus of delicate vertical lines, traditional and contemporary at once.



▲ Soft Cell

Introducing a note of softness and romance, the master bedroom is all about decorative details that play off the austere geometry of the space. A custom-made bed by H2L Design, in Clifton, N.J., offers a reductive take on the traditional pencil-post style; its frilly Shabby Chic spread avoids granniness in pure white, part of a mostly neutral palette that extends to the white sisal underfoot. The rose-toned antique carpet echoes the flouncy attitude of a Victorian wicker armchair from Pavilion Antiques, in Chicago, that draws the eye out into the hall like a piece of sculpture—and continues the hard-soft conversation already under way inside. Ms. Mann hung a single curtain panel of Rogers & Goffigon's Edelweiss wool like a gown in the window: "It kind of dissolves in the light," she said.

OFF DUTY



BLADE RUNNER The 2017 Ford GT has a top speed of 216 mph. Production is limited to 1,000 cars, with 250 made annually for the next four years.

RUMBLE SEAT: DAN NEIL



2017 Ford GT: When Performance Tops All

STRAPPED INTO the slim-hipped driver's seat, my helmet bumping the roof, my heart in my throat, I swung the nose of the pharmaceutical-yellow Ford GT toward the main straight of Le Mans and opened the taps. Destiny.

Officially, and for tax purposes, I went to France last month to test this car, the DOT-approved version of Ford's Le Mans-winning GT, now being built at a rate of one per day by Ford's assembly partner, Multimatic, in Ontario, Canada. Unofficially, my audience was with *la belle circuit*: the towering circus maximus of grandstands, the blind approach to Dunlop Bridge, the Porsche curves, all splitting at speed around me for three whole laps.

I'm sorry to say these laps were merely warm, not hot. I had to stay behind a safety car limited to 140 mph, which in the GT felt like following a Bourbon Street funeral procession. Still, this was bucket-list sports tourism. Imagine getting to play pitch-and-putt at Augusta, or plinking grounders from home plate in an empty Yankee Stadium, or excusing yourself from the tour at Churchill Downs to hurl in Eddie Arcaro's private stall.

If you think the price is high, remember the GT is like getting two cars in one.

The car is pretty special, too: a slashing, belt-high fantasy of grills and glass, a pinup of hips and headlights coming at you at angles you never saw in Euclid. This thing looks like it flew off God's ax handle.

At first you may be blind to all but the spectacular roof buttresses staving off the rear side-pods. The buttresses are one of many design details that turned out to be good for both the race and road car. The arrangement reduces overall form

drag (top speed is a whopping 216 mph) by channeling air around the teardrop-shaped fuselage like blood grooves on a sword. The design also aids cooling by positioning the heat exchangers into cleaner airflow.

At speed, these buttresses also act like airfoils, generating a bit of downforce while also looking like hell's kitchen drawer.

Deep inside its folded figure is the cause of all the fuss: a production-based 3.5-liter twin-turbo V6, massively boosted to generate 647 hp and 550 lb-ft of torque, blasting creation through high-mounted dual exhaust ports that are always nicely blackened, like the tips of retrorockets. Crackle, Pop? Your ride is here.

Let's just run the checklist: seven-speed dual-clutch rear transaxle; inboard spring-and-damper suspension with hydraulic ride-height adjustment (which, put a pin in it, is the secret to the whole operation); active aerodynamics in the front and rear, including the articulating rear wing/air brake; carbon-ceramic brakes that would stop time.

It is rather fast. The following day I was able to take a GT into the French countryside, with Ford executive vice president Raj Nair joining me in the narrow cockpit—or conjoined, like Siamese twins. Here and there on two-lane roads, I was able to drift back from the cars I was going to overtake, downshift into 2nd and lean into the GT's throttle. A blur, a sawtooth roar, a flash of the digital tachometer, and then a thudding upshift like a meat mallet on a thick steak. The GT's quickness from a standing start—under 3 seconds to 60 mph—is the first act of a much bigger performance drama.

And now, dear readers, as we come to the price, please refrain from eating or drinking anything spit-able: \$450,000. Ford will limit production to 1,000 cars over four years. That's right: as in Henry Ford.

While it looks like a machine, the Ford GT is actually 100% narrative. From its initial conception, in 2013, as the "Phoenix Project," the GT was blueprinted to win its class at Le Mans. Management targeted the 2016 race for the big push to celebrate the 50th anniversary of Ford's epic 1-2-3 sweep, with Carroll Shelby and the original GT40s.

After a pretty horrible 24 hours, a Ford GT did win the GTE Pro class, by the skin of team owner Chip Ganassi's teeth. In 2017, they weren't even as lucky as that, *quelle dommage*.

While many sports cars are turned into professional race cars—Porsche 911, Ferrari 488 GTB, Aston Martin V8 Vantage, Chevrolet Corvette—not many purpose-built race cars go the other way. The design compromises are pretty fundamental. For example, in order to minimize the GT's frontal area—one of the multipliers of aerodynamic drag—the GT's greenhouse canopy was kept low and narrow, requiring driver and passenger to sit/slump shoulder to shoulder. The seats are molded into the floor, and the pedal box, steering wheel and seat-back adjust to accommodate.

Whereas other production sports car must get a roll cage installed, the GT's carbon-composite safety cell has one already built in, partly explaining the low ceiling.

The GT's very proportions, especially its grandiose nose, are dictated by the slew of radiators required to run Le Mans, around which cars are at wide-open throttle 80% of the time.

Talk about an afterthought: The entire cargo capacity amounts to a hatched compartment, built into the roof of the car, that's about the size of a four-slice toaster. Your grand touring better involve a lot of nudity.

Between the 12.8-inch rear tires and the thrumming turbo V6 in the small of your back, the GT's cabin noise and vibration levels are also pretty vivid. Fortunately, my declining hearing compensated.

The key enabler is the car's two-stage hydraulic ride-height adjustment, and if you think the price is high, just remember it's like getting two cars in one. At normal ride height, the GT sits on a sophisticated inboard suspension with spring-and-damper sets, an arrangement typical of race cars. In part thanks to its extra long lower suspension arms, the GT's real-world ride comfort is surprisingly tolerable. But when the driver switches over from Sport to Track, everything changes. The car's chassis abruptly drops 2 full inches, as hydraulic pistons compress the springs completely. This leaves the torsion bars as the only source of elasticity. The damping gets hard, the road feel gets thrashy, the body

roll goes from nil to none.

Switching to Normal mode causes the car to jump back up like a Pop-Tart.

There was a time when the beau ideal was to drive your sports car to the track, paint numbers on it, go racing and then drive home. It's been decades since any road car could be really convincing on track against purpose-built race cars—the McLaren F1 and Maserati MC12 come to mind. But in its thoroughly dual nature, its ability to leave public roads and hunker down to speed work with a press of a button, the GT can do this gallant old trick as well as any car I've ever driven.

For all its blade-running futurism, it's actually a bit of a throwback.



2017 FORD GT

Price, as tested \$450,000

Layout/construction Two-seat, mid-engine berlinette coupe, carbon-fiber safety cell/monocoque, aluminum front and rear subframes, inboard suspension, rear-wheel drive.

Powertrain longitudinally mid-mounted, dual turbocharged and intercooled, port- and direct-fuel injected, 3.5-liter DOHC V6; seven-speed dual-clutch rear transaxle; rear-

wheel drive

Horsepower/torque 647 at 6,250 rpm/550 lb-ft at 5,900 rpm

Length/dry weight 187.5 inches/3,054 pounds

Wheelbase 106.7 inches

0-60 mph < 3 seconds (est.)

1/4-mile elapsed time < 10.5 seconds (est.)

EPA fuel economy 11/18/14 mpg, city/highway/combined

GEEK CHIC

BE A SNAPPY SNAPPER

With the help of these dapper camera straps, you can bring style into focus

1 57-inch Leather Adjustable Sling Camera Strap, \$90, cubandcompany.com



42-inch Natural Leather Camera Strap, \$130, tannergoods.com

2 26.5-inch Nylon Climbing Rope Camera Strap, \$29, topodesigns.com

4 47-inch Cotton Herringbone and Leather Camera Strap, \$140, hardgraft.us

5 37-inch Paracord Braided Camera Strap, \$108, dsptch.com

MANSION

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THE WALL STREET JOURNAL.

I am terrified of being bored.'

—Marie Antoinette

Friday - Sunday, July 7 - 9, 2017 | W7



DOROTHY HONG FOR THE WALL STREET JOURNAL (3)

ABOVE IT ALL In Old Brookville, N.Y., this newly completed 17th-century-style chateau was inspired by the Palace of Versailles. Owner Raphael Yakoby, an Israel-born entrepreneur who created Hpnotiq liqueur, says he plans to move in next month, but once it's completed he's also planning to put it on the market for \$100 million—a figure he says is close to the cost of building the home.

My Very Own Versailles

Wealthy homeowners continue to re-create Louis XIV's opulent behemoth, but building the dream requires a big bank account.

BY CANDACE TAYLOR

ON AN UNASSUMING side street in Long Island's Old Brookville, a 1,000-foot-long driveway flanked by an allée of pear saplings leads to a 120-room, 17th-century-style château bedecked with elaborate limestone carvings. Atop its slate roof, a copper ridge decorated with rosettes shines in the early summer sun. Above the front door, the initials "RY" are flanked by horn-blowing cherubs.

Though it is a brand-new building in suburban Long Island, the roughly 23,000-square-foot structure looks for all the world like it belongs in France at the Palace of Versailles, Louis XIV's famous creation. That was the goal of its owner Ra-

phael Yakoby, an Israel-born entrepreneur who created Hpnotiq liqueur, a bright blue liqueur popularized by hip-hop artists in the early 2000s.

The front door, with its wrought-iron metal-work, is a scaled-down replica of a door found at Versailles. On the grand staircase in the foyer, the cast-iron and gold-leaf banister is a replica of one found at Le Petit Trianon, Marie Antoinette's retreat on the grounds of Versailles.

Mr. Yakoby, who has spent about four years building the house, says he plans to move in next month, but once it is completed he's also planning to put it on the market for \$100 million—a figure he says is close to the cost of building the home.

There is something about Versailles that has produced a seemingly constant stream of imitators, ever since the late 1600s, when King Louis

XIV transformed a hunting lodge into the opulent palace known world-wide. With roughly 2,300 rooms and its chandelier-laden Hall of Mirrors, Versailles started prompting imitations as soon as it was completed, from other European palaces to grand homes. Even the layout of the city of Washington, D.C., borrowed elements from the gardens of Versailles.

When it comes to private homes, Versailles continues to have an outsize influence: According to Realtor.com, 23 homes currently on the market or recently sold referenced Versailles in their marketing copy. "It's maintained this huge mystique," says historian Tony Spawforth, author of "Versailles: A Biography of a Palace."

The allure of Versailles was no accident: Louis

Please turn to page W12

HOUSE CALL | SHERRY LANSING INSPIRED BY HER MOM'S COURAGE

The former Hollywood executive started out helping her widowed mother collect rents; today, opera in Bel Air.

HOUSE OF THE DAY

wsj.com/houseoftheday

Sherry Lansing, 72, is the former chairman and CEO of Paramount Pictures. She is the subject of Stephen Galloway's biography, "Leading Lady: Sherry Lansing and the Making of a Hollywood Groundbreaker" (Crown Archetype). She spoke with Marc Myers.

When I was 8, my father wasn't well. We didn't have air conditioning, so late one night, while I was asleep, my mother helped him out to the porch off my bedroom. "Oh dad, be quiet," I shouted. "You woke me up." He died later that night of a heart attack at age 42.

My last words to my father and my tone have hung over me my entire life.

Losing my father so suddenly taught me to seize opportunity. I also never liked to leave disagreements unresolved. Subconsciously, I was afraid the other person might die before we patched things up.

I was born in Chicago. My family first lived in an apartment on South Merrill Avenue and then moved to a house on

Please turn to page W11



REEL WOMAN Sherry Lansing in her Mediterranean-style home in the Bel Air section of Los Angeles. The former head of Paramount Pictures started her career as a model and actress before becoming a script reader, producer and senior executive.



New York, N.Y.
A tailor-made loft
in Manhattan's Tribeca



Buckingham, Pa.
A gentleman's farm
in Bucks County



Harrison, N.Y.
A Colonial-style home
with a fashion pedigree

BALANCE SHEET

An Escape for Mom and Dad

London couple's renovation includes a private 'apartment' where they can take a break from the chaos

RUTH BLOOMFIELD

I THREE CHILDREN—

13 to 27—and three ex-ant dogs, it is little wonder that Caroline and Martin Cruddace occasionally feel the need to seek a sanctuary. So when renovating a rundown Edwardian villa in London, they made creating a calm, private "apartment" to escape the domestic maelstrom central to their plans. The Cruddaces bought a 3,065-square-foot home in the north London neighborhood of Highgate for £1.875 million, or \$2.3 million. When they moved in with Mrs. Cruddace's two sons, Josh and Harry Hogan, now 27 and 24, and their daughter Amelie, now 13, it had a cramped living room and kitchen in a dark basement. There were nine bedrooms on the floors above. "It was not an easy house to live in," said Martin Cruddace, an artist and photographer.

A friend Mrs. Cruddace met through the children's schools, the actress Gwyneth Paltrow, recommended her (then) brother-in-law Alexander Martin, founder of Alexander Martin Architects, to help with the design.

Key to the design was giving the grown-ups some space of their own. "We have some of the kids' friends over, we are a family which likes parties and entertaining," said Mrs. Cruddace. Mr. Martin's solution was to demolish the double garage, which stood beside the house and build a two-story wing in its place. The ground floor would feature a large, modern kitchen with folding-glass doors that lead directly to a back garden. Above would be a two-level master suite with bathroom, dressing room, room, bedroom and study.

The original part of the house could then be renovated with a living room, dining room, and six bedrooms. The basement, which was the main communal area, now contains a utility room and TV room.

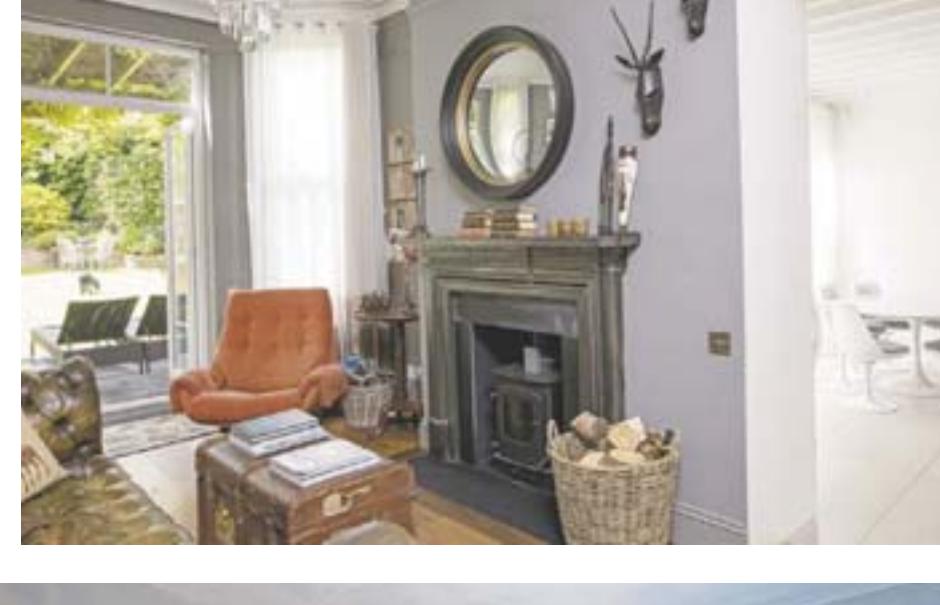
Work on the yearlong project began in 2014. The family lived in the house while the garage was demolished and the new wing built. Halfway through, however, the chaos became too much for Mrs. Cruddace and Amelie and the dogs decided to return to the family's vacation home in Devon. "It was a bit scary," she said.

Once the structure of the new wing was in place, designing the interiors could begin. The older section remains Mrs. Cruddace's eccentric, colorful tastes and inclination for vintage and industrial style. The new section embodies Mr. Martin's more austere vision of clean lines and a restricted, neutral palette.

In the basement TV room, for example, Mrs. Cruddace wanted to paint the walls a



FAMILY AFFAIR Above, from left to right, Martin Cruddace, Josh Hogan, Harry Hogan, Caroline Cruddace and Amelie Cruddace. Clockwise from below, the rear facade, a sitting room and Amelie's bedroom.



deep, charcoal blue, giving the room a clubbish, intimate feel with velvety mustard-yellow sofas.

By contrast the new kitchen is lofty and light, with high ceilings and views of the front and backyards. Ceramic floor tiles are pale, and the cabinetry is painted off-white. Almost the only splashes of color are the denim-blue kitchen island and orange seat cushions.

The master bedroom suite is where Mr. Martin's taste coexists with that of his client (Mr. Cruddace admits he left all design decisions to his wife). A luxuriously large bathroom and a yoga studio take up most of the lower level. An elegantly minimal floating staircase leads to the bedroom, furnished with only a bed, side tables and a chair. The palette is entirely neutral, but a little color finds its way onto the terrace in the form of retro turquoise chairs.

All three children have bedrooms in the original house, and Amelie's passion for horses is reflected in the wallpaper featuring a herd of grays. Fairy lights and a



princess dressing table keep things suitably girly. Mrs. Cruddace also had some fun with the spare rooms—one has wallpaper printed with tiny, vividly colored birds—and her own office for which she mixed the shade

of vivid turquoise herself.

This project added 840 square feet to the house and cost about \$1.1 million. The couple is sanguine about the cost, partly because they have no intention of selling and partly because renova-

tated homes in their neighborhood routinely sell for \$2.5 million to \$3.9 million.

Today Mr. Cruddace, who is the chief executive of leisure company Arena Racing Co., says he is glad he has had the experience of renova-

tating a house but would want to do it again.

His wife, on the other hand, glows at the idea of taking on a new project. "I would love, love to do another house. Just not live there at the same time."



SETTING THE MOOD The basement TV room, left, with its deep blue walls and yellow sofa; the bathroom, right.

MANSION



ROIS & STUBENBAUCH FOR THE WALL STREET JOURNAL (4)

ONCE A TAVERN The centuries-old building, below, now a seven-bedroom modern home, is for sale for about \$3.97 million. The dining area, above, of the four-level home.

LIVING HISTORY

A Viennese Gem's Tipsy Past

A wine tavern in the city's village-like Grinzing has been transformed into a luxury home



BY J.S. MARCUS

RETIRED AUSTRIAN jewelry designer Dieter Bakalarz-Zákos knows a diamond in the rough when he sees one. When he looked at a dilapidated historic wine tavern in Vienna's Grinzing neighborhood, in the Alpine foothills above the city, he saw the potential for a modern luxury villa.

The building bore witness to centuries of Viennese history, roughly taking its present form in the late 1600s. Parts of the building's foundation could be much older, though exactly how much older is disputed. A guest book, however, shows the tavern had special allure in the mid-20th century, welcoming celebrities such as Liz Taylor and Walt Disney.

"I was looking for a challenge," Mr. Bakalarz-Zákos, 76 years old and a Vienna native, says of his purchase.

Developers have bought similar taverns to convert into million-dollar condos, adds Mr. Bakalarz-Zákos, "but I wanted to turn mine into a home."

He bought the building, set on a one-tenth acre lot in Grinzing's village-like core, in 1998 for about \$525,000, after it had fallen into bankruptcy. He then invested about \$1.7 million to convert the architectural hodge-podge—U-shaped, three stories with a sprawling basement—into a 6,500-square-foot, seven-bedroom home.

with five bathrooms and two powder rooms. He created the home for his wife and four children, now grown.

The property is for sale for €3.5 million, or about \$3.97 million.

The transformation includes, for example, under-floor heating and an outdoor pool. A cluster of south-facing rooms where the tavern's clientele once likely drank white-wine spritzers (a Viennese favorite) became a double-height salon, decorated with ornate antique furniture from Mr. Bakalarz-Zákos's family, a clan of Hungarian aristocrats long settled in Austria.

The home is one of several noteworthy buildings in the heart of Grinzing, says art historian Paul Mahringer, of Austria's Federal Monuments Authority, now in the process of designating the Bakalarz-Zákos home and dozens of surrounding structures as part of a protected historic zone.

Mr. Mahringer says the home was likely used as a residence and workplace for centuries by farmer-winemakers, who would have grown grapes in Grinzing's nearby vineyards and then made wine on the premises.

Shortly after buying the property, Mr. Bakalarz-Zákos had the house examined by an expert affiliated with a local museum. The examiner found what he believed to be ancient Roman traces in the basement.

Mr. Mahringer, however,

argues that the basement is probably no older than the 16th century, when Grinzing, then a small village miles from the walled city, was first caught up in the Ottoman Empire's expansion into central Europe.

Grinzing was largely destroyed twice, adds Walter Öhlinger, a historian at Vienna's Wien Museum, citing Vienna's two major Ottoman sieges of 1529 and 1683.

"The oldest depiction of Grinzing shows the village in flames," he says of a 16th-century rendering of the 1529 battle, now part of the museum's collection. Most Grinzing structures were destroyed, he adds, but "the cellars survived," along with the wine that farmers hid from marauding armies.

The Wien Museum archive contains several depictions of what became the Bakalarz-Zákos home and courtyard.

Both Mr. Mahringer and Mr. Öhlinger believe the home likely was built in the years following the final 1683 defeat of Ottoman troops, after which the border between the Habsburg and Ottoman empires moved to southeastern Europe, leaving Vienna and its environs to redevelop.

When Mr. Bakalarz-Zákos bought the property, the basement had an earthen floor and was filled with debris. He made the space into a rec room. "My children could play music as loud as they wanted," he says.



LIGHTEN UP The courtyard was laid with new paving stones, top. The kitchen has sandstone floors and a utility island, above.

One part of the project took far longer than expected: the restoration of a Madonna fresco on the front of house, overseen by a team

from Vienna's Academy of Fine Arts and partly paid for by the Austrian government. Claudia Riff, the Viennese art restorer who supervised

the nearly two-year project, says the fresco dates to about 1800. Today, the fresco, showing a smiling, blue-draped Virgin, is a standout feature of the area.

With the Ottoman sieges a distant memory, Viennese in the early 19th-century started to see the Grinzing vineyards and taverns as a pleasure destination. A few houses down from Mr. Bakalarz-Zákos, a plaque commemorates composer Franz Schubert's many visits to the village, incorporated into the city in the 1890s.

After World War II, Grinzing became a hot spot, and by the 1950s, the future Bakalarz-Zákos home, then called Das Alte Haus (the Old House), had become a celebrity stomping ground, says area native Michael Lenzenhofer. It was more of an upscale restaurant than a traditional wine tavern. "Celebrities arrived in Grinzing in Rolls-Royces," he says.

The establishment likely began a spiral downward in the 1980s, in conjunction with a change in ownership and a courting of the mass-tourism trade.

These days, Grinzing is being transformed by rising real-estate prices. The number of Viennese homes sold at or above €1 million has jumped more than 50% since 2012. Mr. Bakalarz-Zákos thinks the time is right to pass its value onto his children. Elfie Zipper of Vienna's Otto Immobilien is handling the sale.

PRIVATE PROPERTIES

NFL's Paul Kruger Lists Multisport Colorado Estate

NFL football player Paul Kruger is putting his multisport Colorado estate on the market for \$8.5 million, a 57% markup from what he paid for it less than a year ago.

Located in Evergreen, an upscale community about 35 miles west of Denver, the over 9,000-square-foot house has views of snowcapped Mount Evans, said Emily Henderson of LIV Sotheby's International Realty, one of the listing agents.

Known as "Serenity Falls," the roughly 30-acre estate gets its name from the multiple waterfalls integrated into the landscaping. On the grounds, a gymnasium building measures about 6,300 square feet and contains a half basketball court, an exercise room, lockers and a sitting room. Mr. Kruger said when he's at the property he uses the basketball court to



noted the estate was listed for \$18.75 million in 2009, but sold for far less. The Krugers, who bought the property from a subsequent owner, also "got a really good deal," Ms. Henderson said.

Mr. Kruger said he and his wife, Jacqueline, bought the house planning to live there long term. But with his wife now expecting their first child, he said, they plan to move to Cleveland to be closer to family. "A lot changed for us in a short period of time," he said.

Mr. Kruger is a free agent after playing last season as a defensive end for the New Orleans Saints. He signed with the Saints in the summer of 2016 after being released by the Cleveland Browns, who had signed him to a five-year, \$40.5 million contract in 2013.

—Candace Taylor

"go shoot all the time," but he had planned to convert the building into storage for cars, snowmobiles and other "fun

toys." The property also has a stable for horses, with an upper level containing a two-bedroom apartment.

Mr. Kruger, 31, bought the property in January for \$5.4 million. As for the \$8.5 million asking price, Ms. Henderson

said the Krugers have made upgrades to the property, and the house is being sold with the furniture included. She also

LIV SOHETBY'S INTERNATIONAL REALTY

MANSION



TOTAL PACKAGE

From its production facility in Seattle, Henrybuilt designs, manufactures and ships entire kitchen systems. Space-saving features include a cutting board that fits over a cooktop when not in use and backsplash-integrated knife racks, shelving and colander hooks. The holistic approach makes the space feel more refined and functional, said Chris Barriatua, the company's executive director.

Price: \$80,000 to \$120,000 for a complete, small kitchen

EASILY CAFFEINATED

Made by Copenhagen-based Scandomat, the TopBrewer is a faucet-shaped espresso maker built into the countertop. Hidden below is a fridge to store milk. The whole unit takes up about the same space as a dishwasher, said export manager Sebastian Vibe-Petersen. The device is operated via smartphone or tablet and comes in five finishes.

Price: \$11,000



HOT SPOT

Wolf has eight different 15-inch-wide modules, one shown above, offering electric, gas or induction burners, as well as more fanciful items like a deep fryer or steamer. Fisher & Paykel offers a 12-inch-wide, two-burner induction cooktop.

Price: Wolf, \$1,100 to \$1,325 for cooktop modules; Fisher & Paykel, \$1,099

CHILL OUT

Under-counter refrigerators can slide open like a drawer. Liebherr's 24-inch model, shown at right, is available at 32- and 36-inches high. Released 18 months ago, it is sometimes used as a primary fridge in Europe, said Mark Livingood, the German company's eastern regional sales manager in the U.S. Sub-Zero's roughly 34-by-24-inch model comes in both fridge and freezer versions. Fisher & Paykel's CoolDrawer measures roughly 36 by 25 inches and has five temperature settings.

Prices: Sub-Zero, \$4,040; Liebherr, \$2,000; Fisher & Paykel, \$2,309-\$2,518



ELEMENTS

COMPACT KITCHENS

More kitchen appliances and fixtures are coming in smaller sizes to accommodate tight spaces in apartments, wet bars and butler's pantries

If "mini-fridge" conjures up images of college dorm rooms, listen up. More pint-sized versions of refrigerators, as well as dishwashers, stoves and sinks, are popping up in luxury homes.

Demand for petite appliances has been driven, in part, by baby boomers downsizing to luxury apartments.

In larger homes, kitchenettes and wet bars are increasingly found in master suites, media rooms, staff quarters and guest

apartments.

Most appliances can be mounted flush with countertops or come "panel ready," meaning the front can be outfitted with matching cabinetry. Sinks are smaller in diameter but just as deep. And designers are opting for a clean look, often forgoing hardware, to make spaces seem bigger and more sophisticated.

"We definitely see people choosing to be much more thoughtful about their kitchen

design," said Jean Brownhill, founder of Sweeten, a service that matches renovators and general contractors. "Oftentimes it does mean opting for a smaller footprint."

Here is a sampling of scaled-down appliances and fixtures. Width and height dimensions are approximate, and prices don't include installation. Check with the manufacturer for specifications.

—Leigh Kamping-Carder



SQUEAKY CLEAN

Auckland-based Fisher & Paykel makes a drawer-style dishwasher. At roughly 24 inches by 16 inches, the smallest model accommodates seven place settings and is small enough to allow for storage underneath. Models come in black, white, stainless steel or panel-ready.

Price: Fisher & Paykel single Dish-Drawer, \$649 to \$749

PRIVATE PROPERTIES

Lake Tahoe Waterfront Estate Asks \$75 Million



A sprawling estate on the north shore of Lake Tahoe, where hillside homes are connected to each other by two glass funiculars on heated tracks, is on the market with an asking price of \$75 million.

Known as Crystal Pointe, the 5.14-acre waterfront property in Crystal Bay, Nev., has 525 feet of lake frontage. Between the main house, guesthouse, beach house and caretaker's apartment there are 16,232 square feet of living space, eight bedrooms and 13 fireplaces.

The sellers are Stuart and



Geri Yount. Mr. Yount, 68, is the chairman and CEO of Fortiber, a family-owned business that his father started in 1939 that manufactures building products.

The Younts said they bought the land in 1994 and spent five years building the main house, which was designed to fit into the terrain. Mrs. Yount, 68, said she determined the color palette from sticks and stones on the property; some bright white-colored granite boulders were painted to match more weathered counterparts.

The couple said they finished building the beach house, a two-bedroom guesthouse closest to the water, last July. It took 10 years and two months to get the permits, and construction took another 2½ years, they said. There is no road access to the beach house, so all the materials had to be brought in by barge or helicopter; it is accessible via stairs or the funicular.

Tucked into the landscaping are a collection of animal statues that come with the home. A carved redwood wolf stands

on a boulder, while an eagle flying overhead is suspended by cables.

When the couple had to remove an approximately 100-foot-tall tree, they left the bottom 35 feet and an artisan spent three years carving bears, raccoons and squirrels into it, said Mrs. Yount.

The Younts are selling as they plan to downsize, though they will stay in the area, they said. Shari Chase, Susan Lowe, Kerry Donovan and Mike Dunn of Chase International share the listing.

—Sarah Tilton

MANSION

SHERRY LANSING

Continued from page W7

South Creiger Avenue a year before my father died.

It was a middle-class, two-story, three-bedroom brick house with small yards in the front and back, a stoop, a driveway and garage. We also had large closets. I'd hide out in them when I wanted quiet.

My father, David, set up an area in the back for a swing set where he pushed me. My father adored me. He gave me unconditional love, and we were very close.

My most vivid memory of my father was watching silent movies with him in a nickelodeon theater at a local museum. I loved seeing him laugh.

My father was in real estate and owned a handful of rental buildings. After he died, two men came to the house and told my mother, Margot, not to worry, that they would run his business.

My mother said, "No you won't. You'll teach me and I'll run it." Mom learned everything she needed to know and worked hard. She became my biggest role model. At 32, she was a widow and strong. I used to go with her to collect the rents. She taught me not to be a victim. She'd say, "Pull up your socks," which meant, "Go for it."

After my father died, I so wanted life to be normal again. I hoped my mother would marry every man she dated. I wanted a dad more than anything.

In 1956, when I was 12 and my sister, Judy, was 6, my mother married Norton Lansing, a successful furniture manufacturer. Norton was a widower who had two children, Andrea and Richard. We all moved in together.

In my teens, I fell in love with the movies. I went to the Hamilton Theatre as often as I could. I loved the stories and performances, and set my sights on Hollywood.

My parents wanted me to go to an all-girls private high school, but I insisted on a co-ed public school. I applied to the University of Chi-

cago's Lab School, a spectacular, nonjudgmental school that valued intellect rather than status.

You had to take a test to get in, and I took mine while I had the chicken pox. I didn't want to miss an opportunity. I was accepted.

My junior-year math teacher was most influential. He promised me that once I got math, the subject would be thrilling. He helped me get it, and I ended up loving math.

By the time I was a sophomore, I was 5-foot-10 and skinny. After my mother encouraged me to apply for a modeling job at the Carson Pirie Scott department store, I was hired and modeled in shows as the "young bride."

At Northwestern University, I studied for a teaching credit in English and math, and I minored in theater. During my junior year, in 1964, I married.

After graduation in '66, my husband and I moved to Los Angeles. My husband was studying to be a doctor and did his internship at Cedars of Lebanon Hospital, so he was gone most of the time.

Then he was drafted and was sent to South Korea. The marriage didn't survive the distance and we divorced. It was a tough time.

I taught high-school English and math for a while, and modeled. Then I landed a few movie roles in the late '60s before realizing that acting made me uncomfortable. I didn't like being anyone but myself. I also realized I had little talent for acting.

In 1971, producer Ray Wagner hired me to be a script reader at MGM. At the time, this was an alternate path for ambitious women in Hollywood.

I was a fast reader and could synthesize what I read and explain why a script was worthwhile or not. Four years later, I was MGM's executive story editor.

At 35, I became president of production at 20th Century Fox and then left to become a producer. In 1992, at 47, I became the



SHERRY LANSING

RIDING HIGH Sherry Lansing in the late 1940s on a prop horse outside her grandmother's home in Chicago.

head of Paramount Pictures.

When I got the job, I thought back to that 8-year-old girl sitting next to her father at the movies. I wished my father had been alive. I missed him terribly.

Today, my husband and I live in the Bel Air section of Los Angeles.

Our house is a three-bedroom Mediterranean that sits on top of a hill. We moved in 10 years ago after renovating.

The house is comfortable and isn't the least bit intimidating. Everyone who comes over plops down in our overstuffed furniture

and feels at home.

I have a ton of photos of my father and mother around the house. I wish I had his old opera 78s. My husband, movie director Billy Friedkin, also directs operas. It's as if my father is alive with us today through the music.

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MANSION

MY VERY OWN VERSAILLES

Continued from page W7

XIV created the massive palace as a way to showcase his power and draw attention to the glories of France. "There was an enormous 'wow' factor that Louis was aiming for," Mr. Spawforth says.

For many of those who choose to build homes inspired by Versailles, the palace represents the pinnacle of success and achievement, and the culmination of a lifelong dream. The costs of this dream are considerable: Not only is building a modern-day Versailles very expensive, it can upset neighbors and be difficult to sell.

"It's a little bit over the top," concedes Jean "Manouch" Pierre, a businessman who bought the "Versailles Penthouse" at the Metropolis condominium in Las Vegas last year for about \$2.8 million. "But this is what working hard is all about."

Mr. Pierre says his opulent condo was given its Versailles look around 2005 by a previous owner. It has 30-foot-high ceilings and cabinets trimmed with gold leaf. A chandelier hangs above a curving marble staircase with 18-karat gold detailing. A commercial real-estate investor in his mid-50s who is originally from Iran, Mr. Pierre bought the property at auction after it had failed to sell at its asking price of \$4.88 million; he says he was so amazed by photos of the condo that he bought it without ever visiting. The first time he saw the property in person, "I was extremely emotional," he adds, noting that the purchase felt like an embodiment of his hard work and success after "coming here with nothing."

To make the condo even more Versailles-like, Mr. Pierre got permission from the homeowners association to install fireplaces, and plans to complete the décor with period-appropriate antiques or replicas.

To Patrice Tarsey, Versailles is "the most beautiful palace ever built." So in 1992 when she saw a newly built house in Los Angeles that was inspired by Le Petit Trianon, she jumped at the chance to own it.

The roughly 11,000-square-foot home in Holmby Hills has wrought-iron and marble balconies and gold-leaf moldings throughout. In the entry there is a 46-foot-high dome, with twin rose marble circular staircases topped by an 18th-century Baccarat crystal chandelier. In the library and living room the cherrywood floors, in a Bordeaux pattern, are a copy of the floors in the Hall of Mirrors.

Ms. Tarsey is a real-estate heiress whose father Jason Tarsey owned the Dunes Hotel on the Las Vegas Strip. A few years ago, she relocated to Florida, and rented the house out. Now she's planning to list it for \$22.5 million with Gregory Bega and Lindsay Galbraith of Sotheby's International Realty.

Versailles-style details don't come cheap. Builder Tom C. Murphy, co-president of Florida-based Coastal Homes, says he has worked on three homes inspired by Versailles, ranging in size from 15,000 to roughly 80,000 square feet. These homes are pricey not just because of their size, he says, but because materials and artisans are often sourced from overseas. Moreover, 17th- and 18th-century homes didn't have to contend with things like electric lighting and HVAC systems, which take extra work to conceal without ruining elaborate design schemes.

In the U.S., homes inspired by Versailles don't always go over well with neighbors. When dentist Leonid Glosman and his wife, Natalie, set out to build a Versailles-inspired home in Beverly Hills in the late 1980s, it took two years to get permission to build, because the home's style "is not customary in the neighborhood" and "the height was much higher than the rest of the homes," says their daughter Monique Vayntrub.

Once they are built, Versailles-style homes can sometimes have trouble on the resale market. "A lot of people today want modern, contemporary, they don't want traditional and they don't want European," warns Beverly Hills-based real-estate agent Myra Nourmand of Nourmand & Associates.

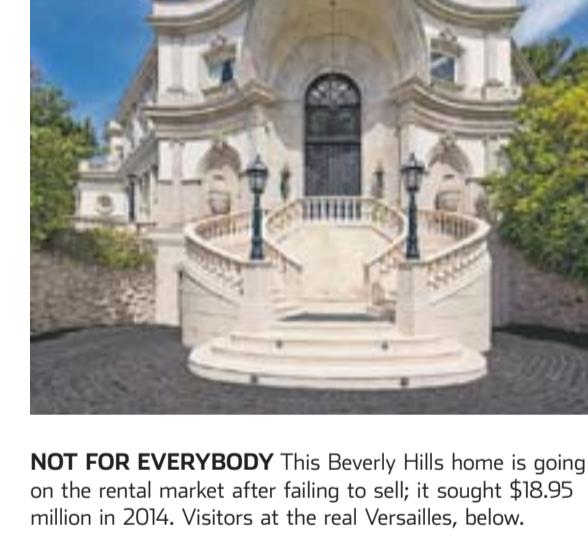
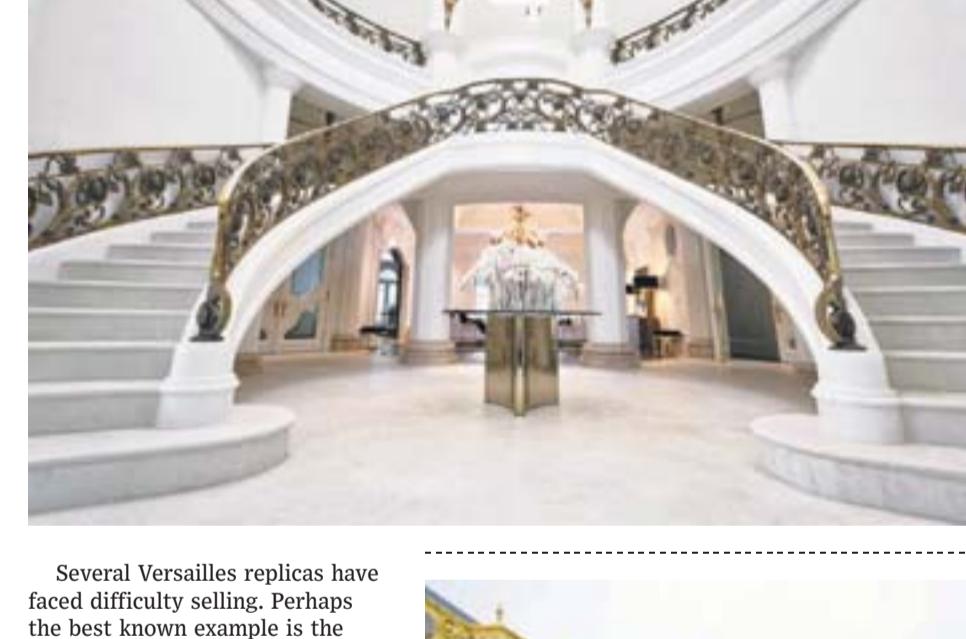
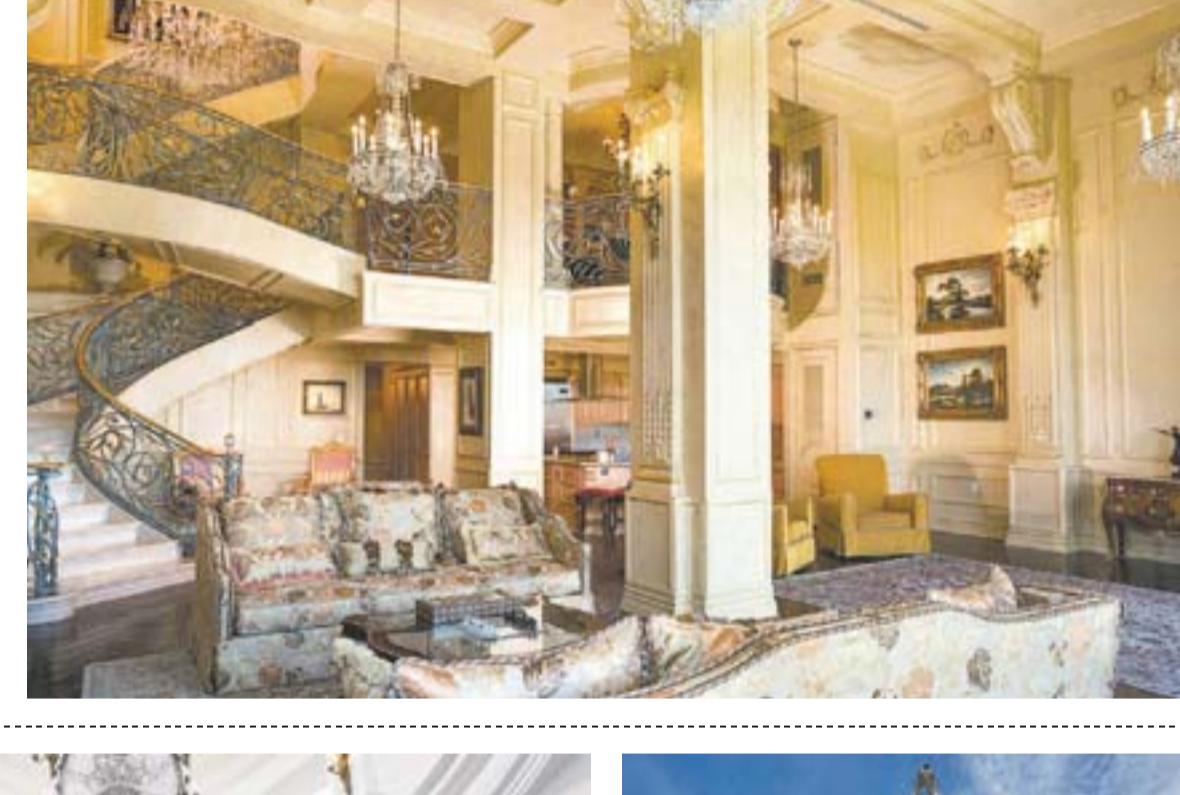
According to Realtor.com, homes that mentioned Versailles in their listing copy spent a median of 122 days on the market, far higher than the national median of 62 days and above the 111-day median for the top 5% highest priced homes in the country.



ALL YOURS This Los Angeles home was inspired by Le Petit Trianon, Marie Antoinette's retreat on the grounds of Versailles. It is going on the market.



DREAM COME TRUE Jean 'Manouch' Pierre, a commercial real-estate investor, in his 'Versailles Penthouse' at the Metropolis condominium in Las Vegas. 'It's a little bit over the top,' he concedes. 'But this is what working hard is all about.'



NOT FOR EVERYBODY This Beverly Hills home is going on the rental market after failing to sell; it sought \$18.95 million in 2014. Visitors at the real Versailles, below.



Several Versailles replicas have faced difficulty selling. Perhaps the best known example is the 90,000-square-foot mansion in Windermere, Fla., that inspired the 2012 documentary "The Queen of Versailles." Owners David Siegel, founder of timeshare giant Westgate Resorts, and his wife, Jacqueline, put the partially completed home on the market in 2010 for \$100 million fully finished, or \$75 million as-is. The home sat on the market for several years and had its price reduced before being taken off the market.

Ms. Glosman, who moved with her husband to the U.S. from Russia in the 1970s, says she chose Versailles as her inspiration because "it is one of the most magnificent architectural achievements in the world."

But when the family put the eight-bedroom house on the market for \$18.95 million in 2014, they found that not everyone had the same appreciation for the style.

The home had "a limited audience" of potential buyers, says Ms. Nourmand, one of the listing agents.

When the house didn't sell, the Glosmans took it off the market and spent millions on a renovation, replacing many colorful interiors with white and swapping out

antiques for modern furniture. Now they are seeking to rent the house out for \$100,000 a month for long-term rentals or \$300,000 a month for short-term rentals.

When it comes to Versailles-style homes, "either you love it, or it's not for you at all," says Debbie Sonenshine of Coldwell Banker Residential Brokerage, who is listing a \$4.75 million home in At-

lanta with elaborate gardens inspired by Versailles.

But if history is any indication, there will be no shortage of future mini-Versailles to come.

"It's unique—it's not cookie cutter," Kevin Harris says of the Versailles-inspired home in Indianapolis he bought in 2014 for \$650,000. The roughly 14,000-square-foot home has hand-plastered mold-

ings, murals on the walls and a ballroom. The Scalamandre fabric on the dining room walls is a copy of draperies at Versailles, he says.

Mr. Harris, a manufacturing executive, acknowledges that the home's ornate style may make it difficult to resell if that time ever comes. But he and his wife love the home, he says, and after all, "you gotta live somewhere."