

# THE WALL STREET JOURNAL.

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EUROPE EDITION

DJIA 21414.34 ▲ 0.44%

NASDAQ 6153.08 ▲ 1.04%

NIKKEI 19929.09 ▼ 0.32%

STOXX 600 380.18 ▼ 0.07%

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GOLD 1208.60 ▼ 1.11%

EURO 1.1400 ▼ 0.21%

## What's News

### Business & Finance

**Apple's iTunes Store**, already struggling with rising competition for music listeners, is also losing the battle for video viewers. **A1**

◆ **Banks are aiming** to use biometric data to replace PINs and passwords, but are relying on customers to store and safeguard the data on their own smartphones. **A1**

◆ **Tesla's sales** in Hong Kong plummeted after a tax break for electric vehicles was slashed on April 1. **B1**

◆ **While investors are** confident that the ECB soon will start reducing stimulus, there is less certainty about the details of tapering. **B1**

◆ **Fox News remained** first in prime-time viewers in the second quarter, but its lead over MSNBC is narrowing. **B3**

◆ **China's Cosco Shipping** agreed to buy smaller rival Orient Overseas for \$6.3 billion, establishing an Asian container giant. **B3**

◆ **Elliott Management** is considering making a bid for Oncor, which Berkshire Hathaway last week said it would acquire. **B4**

◆ **France unveiled** new measures to attract bankers to Paris after Brexit, pledging to cut taxes and labor costs. **B7**

◆ **A new, unregulated** fundraising method, with no connection to Wall Street and based in cryptocurrencies, is booming. **B1**

◆ **The battle that** smaller central banks have waged against their own currencies may have turned a corner, thanks to a stronger euro. **B7**

### World-Wide

◆ **At the G-20 summit**, Trump largely held firm to the nationalist principles that were central to his campaign identity. **A1**

◆ **Tillerson met** with Ukraine's Poroshenko, a visit that telegraphs U.S. support to Kiev after Trump's meeting with Putin. **A4**

◆ **Iraqi Premier Abadi** congratulated his military forces during a visit to Mosul, but stopped short of declaring a final victory over Islamic State. **A3**

◆ **Macron's plans** to loosen France's labor rules drew praise from business leaders, even as some warned that lowering unemployment will take time. **A4**

◆ **U.S. and German doctors** who examined cancer-stricken Nobel laureate Liu said he is strong enough to leave China, contradicting Chinese authorities' assessment. **A3**

◆ **The U.K.'s Conservative** government is having to consider easing curbs on public spending that have been a central policy. **A4**

◆ **Senate Republicans** are facing at least one more defection over their health legislation and sputtering talks between conservatives and centrists. **A7**

◆ **Holders of patents** to the Crispr gene-editing technology are willing to join a world-wide patent pool. **A7**

◆ **Two House Republicans** plan to propose legislation they say would give terminally ill U.K. baby Gard U.S. permanent residency. **A5**

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# Trump Doesn't Budge at Summit

G-20 leaders fail to change the U.S. president's mind on most key issues

By PETER NICHOLAS

HAMBURG—Through marathon meetings and dinners at the Group of 20 summit, various world leaders sought to coax America's new president to accept core tenets of the in-

ternationalist order they embrace, including commitment to free trade and tough environmental regulation.

He barely budged. In his second foreign trip, President Donald Trump largely held firm to the nationalist principles that were central to his campaign identity, suggesting that the America First doctrine that underpins his foreign policy is more durable than some of his European counterparts had hoped.

German Chancellor Angela Merkel, speaking Saturday at the close of the summit, said the ideological gulf has proved tough to bridge. Talking about the back-and-forth with the Trump administration over the summit's joint statement, the German chancellor said: "The negotiations on the climate issue reflected dissent—everyone against the United States of America. And that the negotiations on the trade issue were especially

tough was also a result of the United States taking certain positions."

Still bristling over Mr. Trump's decision to withdraw from the Paris climate accord, one French official said that an aim in drafting the joint statement was to ensure that the U.S. "is clearly identified as being alone."

If anything, Mr. Trump's two forays overseas have shown that some leaders are bending toward his positions,

not the reverse.

The statement, for example, carried language about America helping other countries use "fossil fuels more cleanly and efficiently." A European Union official conceded the reference to "these kind of energy sources is not something we like."

But the White House liked *Please see TRUMP page A4*

◆ **Germany scrambles** to explain G-20 riots..... **A4**

## Iraq Senses Victory Is Near in Mosul



**CENTER OF ATTENTION:** Prime Minister Haider al-Abadi went to Mosul as the regime sought to finish retaking the city from Islamic State. **A3**

# TIFFANY TRIES TO REGAIN COOL

Historic jeweler's former chief failed to turn around sales amid reliance on lower-priced baubles

By SUZANNE KAPNER

The turmoil at Tiffany & Co. reached a climax on a Sunday in February, just hours before the launch of a new Super Bowl ad campaign featuring Lady Gaga.

Instead of congratulating Chief Executive Frederic Cumenal on his effort to update the face of the 180-year-old jeweler, the board of directors had surprising news—he was out.

The Frenchman had been tapped two years earlier to boost growth and refresh the company's image. But sales and profits fell two years in a row, and directors grew more concerned when

Mr. Cumenal presented a three-year strategic plan in the fall of 2016 that didn't forecast much improvement, according to people familiar with the situation. Tiffany said it wanted a leader who could deliver results faster.

To make matters worse, the Friday before the Super Bowl, activist investor Jana Partners LLC alerted the company it had built up a 4.9% stake and wanted a meeting, according to the people.

At the root of the jeweler's tepid results is a stubborn perception: Tiffany has lost its cool and is struggling to get it back. "Audrey Hepburn versus Lady Gaga is a fine line to walk," said Citi an-

alyst Paul Lejuez.

Mr. Cumenal's goal was to shift that image, but his job was made harder by a surprising statistic—45% of Tiffany's sales last year came from jewelry categories with an average price of \$530 or less. Analysts say that could hurt its aura of exclusivity.

"You'd be hard pressed to find anything at Cartier for \$500," said Robert Passikoff, president of market research firm Brand Keys.

Chairman Michael Kowalski, a 34-year Tiffany veteran serving as interim chief, defended the company's wide

*Please see TIFFANY page A6*

## iTunes Loses Ground In Video

By BEN FRITZ  
AND TRIPP MICKLE

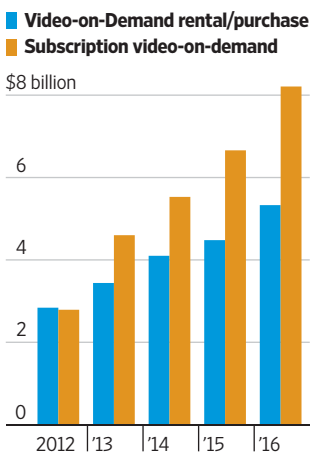
Apple Inc.'s iTunes Store—already struggling against rising competition for music listeners—is losing the battle for video viewers as well.

The company's market share for renting and selling movies has been falling for several years, tumbling to between 20% and 35% from well over 50% as recently as 2012, according to people with knowledge of the matter.

No third parties track market share in the digital-movie business, making exact figures impossible to obtain. Different Hollywood studios do different amounts of business with Apple, but several of them report a marked decline in iTunes' *Please see ITUNES page A2*

### Rising Competition

Subscription services are overtaking video-on-demand rentals and movie purchases.



Source: PricewaterhouseCoopers  
THE WALL STREET JOURNAL.

## Search for Justice Roils Turkey

**OPPOSITION MARCH:** Turks gathered by the hundreds of thousands at a seaside park in an Istanbul suburb to excise their anxieties over their country's future. The rally highlighted how the issue of justice is consuming Turkey since last summer's failed coup. **A3**



OSMAN ORSAL/REUTERS

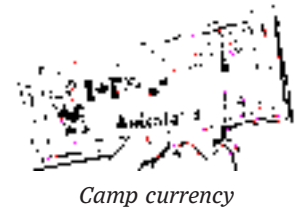
## At This Summer Camp, Lessons in Finance and Trade

◆ Children take economics classes, make piggy banks in arts and crafts ◆

By AKANE OTANI

DENVER—In an increasingly competitive business world, prospective bankers and executives need every edge they can get. That's why people like Kashious Vela have opted for a specialized camp this summer, where he will learn about economics, financial markets and theories of international trade.

He is also 8 years old and starting third grade later in the year. He's unapologetic about



Camp currency

why he's devoting his summer to high finance when many children his age will be playing sports and singing campfire songs.

"I like money," said Kashious,

who goes by Kash. "And you could get really rich."

Kash is one of 85 children between the ages of 7 and 11 who traveled from around the country to Denver in June for the Junior Money Matters camp. These camps come for a week inside classrooms, spending seven hours a day studying things like the U.S. current-account deficit and supply and demand dynamics.

Teaching economics and fi- *Please see CAMP page A6*

# Phones Now Hold Key to ATM Access

By TELIS DEMOS

In 2015, Citigroup Inc. began testing an ATM that would scan a customer's iris and make four-digit access codes obsolete. Two years on, Citi has shelved the project.

Among the reasons: the cost and complexity of collecting and managing millions of customers' biometric data. A large database of biometric data is also a particularly juicy target for hackers.

"If I steal your password, you make a new password," said

George Avetisov, chief executive of HYPR Corp., a banking-technology startup. "But how do you make a new fingerprint?"

Perhaps as a response to that issue, banks are taking a different tack on collecting biometric data. They aim to use the information to replace personal-identification numbers and passwords, but are relying on customers to store and safeguard it themselves—via their own smartphones.

Over the past year, lenders such as Wells Fargo & Co., J.P. *Please see ATM page A2*

## INSIDE



MEN ARE DONE WITH FASHION TRENDS

LIFE & ARTS, A8



CAREER OF THE FUTURE: ROBOT PSYCHOLOGIST

KEYWORDS, B1



WORLD NEWS

# A Wary Eye Returns to Italy's Debt Markets



## EUROPE FILE

By Simon Nixon

The recent volatility in bond markets has stirred up old fears in Europe. Investors have long been concerned about the possible impact of the end of the European Central Bank's quantitative easing program on the eurozone's periphery, not least Italy—the country long-regarded as too big to save. Now with markets abuzz with talk of central bank monetary policy “normalization,” those concerns are once again front of mind: Without the fire blanket of ECB government bond-buying, will Italian borrowing costs soar once again, plunging the eurozone back into crisis?

For the moment, there is no sign of any panic—or any immediate cause for alarm. Italian 10-year government bond yields have risen sharply in the past two weeks to just over 2.2% in tandem with other eurozone government bond markets. But the spread between German and Italian bond yields—a measure of the perceived riskiness of Italian bonds—has widened only modestly to 1.7 percentage points, well below the recent peak of 2.2 percentage points ahead of May's French presidential election though still above the 1.3 percentage points a year ago before fears about Italian political risks started rising in the run-up to a November constitutional referendum.

Nonetheless, investors are wary because at some point rising Italian government bond yields run the risk of creating negative feedback loops into the real economy via higher domestic borrowing costs. With the trifecta of Italian government debt equivalent to 132% of gross domestic product, growth not expected to ex-

ceed 1.4% this year, and inflation still below 1%, any sharp rise in borrowing costs risks reviving questions over the sustainability of Italian debt. Italy can cope with bond yields rising above 2%, but what if they rise above 3% or 4%? asks Marchel Alexandrovich, European economist at Jefferies International.

uid assets and is currently adding to those savings at an annualized rate equivalent to more than 8% of GDP. At the same time, the government is running a primary budget surplus which means that Rome only needs to issue new debt to roll over existing debt and cover its interest expense—a task made

committed to taking Italy out of the euro, the eurozone would be plunged into crisis from which there is no obvious escape. Under such circumstances, Rome is unlikely to request the kind of bailout program needed to unlock further ECB assistance.

Yet even if the eurozone survives this test—continuing this year's pattern of market-friendly political surprises—policy makers fear that long-term political risks will continue to hang over the government debt market. True, Italy is currently enjoying a cyclical upswing, helped by a buoyant global economy. It should also reap some benefits from the recent, belated efforts finally to clean up its banking system and tackle the legacy of bad debts. Other recent overhauls should also contribute to stronger growth including reforms of the labor market, judiciary and new incentives to encourage equity investment which should help unlock access to capital markets. But these reforms are unlikely to lift Italy's long-term growth prospects to levels

that would remove concerns about its long-term debt sustainability. In a recent speech, ECB executive director Benoît Coeuré drew attention to the striking correlation between the quality of a country's institutions as measured by the World Bank's Worldwide Governance Index and its GDP/capita. Italy's position at the bottom of the eurozone governance league, ahead of only Greece, may partly explain why Italy's GDP/capita growth performance has also languished at the bottom of the European league, having remained stagnant for the best part of two decades. This suggests that the key to sustainably boosting Italy's long-term performance lies in deeper institutional overhauls that will speed up the reallocation of resources to the most productive sectors of the economy and discourage the kind of rent-seeking that continues to drag on productivity and GDP/capita. For that, Italy needs a stable government committed to delivering reforms. Until it finds one, the specter of crisis will continue to stalk Italy—and the eurozone.

*Rumblings of an ECB policy change revives concerns about how Rome will fare.*

These concerns are shared by policy makers, though ECB officials say they won't allow this to influence its decision-making: The ECB's task is to set monetary policy conditions for the whole eurozone, not an individual country. Besides, there is no reason why any ECB decision to taper its purchases of government bonds should trigger a crisis. After all, the Italian government benefits from a deep and liquid domestic market for its bonds: the Italian household sector holds €3 trillion worth of liq-

easier by the Treasury's efforts to lock in current low-interest rates and extend the maturity profile of its debts. Policy makers also note that a rise in interest rates may not be as damaging as investors fear since higher household investment income could boost spending and growth. The real short-term risk is that ECB tapering might crystallize existing fears about Italian political risks ahead of the general election that must be held by the end of February. If the outcome was a populist 5 Star Movement

# ITUNES

Continued from Page One leadership position. An Apple spokeswoman, who didn't dispute the market-share estimates, said Apple is focused on providing customers with video content across subscription services such as Netflix and HBO, as well as iTunes, where she said movie purchases and rentals have increased over the past year and hit their highest level in more than a decade.

Apple's growth appears to be a consequence of overall industry increases, despite its market-share losses. Last year, total U.S. digital-movie sales and rentals rose a combined 12% to \$5.3 billion in the U.S., according to PricewaterhouseCoopers. Apple's challenges in video come as the company looks to double by 2020 its \$24 billion services business, which includes App Store sales, Apple Pay and Apple Music. iTunes, where Apple sells and rents films, has served as the foundation of that services business since 2003 when it made its debut as a digital store for music downloads before expanding to include TV shows and movies. Services, the com-



A scene from 'Power Rangers.' Apple is facing a slowdown in the movie rental and sales market amid rising competition.

pany's second-largest business, have taken on increasing importance as Apple seeks to reduce its dependency on the iPhone, which accounts for two-thirds of annual sales. iTunes video, music, book and magazine sales last year accounted for an estimated \$4.1 billion in revenue, making it the second-largest services business behind App Store sales, which were nearly twice as large, according to estimates by Bernstein Research.

Apple's iTunes has faced a host of rising competitors in recent years in the market for renting and buying new movies online, which typically cost about \$6 and \$15 each, respectively. One that has had a big impact is Amazon.com Inc., which in addition to its Prime subscription service rents and sells movies on a “transactional” basis. Its market share in that business has recently risen to around 20%, studio

## Apple Was Leader In Movies for Years

Apple's iTunes struggles come following years of steady growth in the business. After launching iTunes movies in 2006, the company quickly took a dominant position in movie sales and rentals largely because of the success it was already enjoying in digital music sales. No other competitors had as sophisticated an online store or a suite of devices to play its content, like the iPod and Mac. Netflix was still relying on the U.S. Postal Service to mail DVDs to subscribers and entertainment was a tiny business for Amazon. In the decade since iTunes

launched movies, other firms offering transactional video-on-demand and movie purchases, in which consumers pay for each piece of content, have increased the quality of their offerings. Comcast has invested heavily in its X1 set-top box that offers the ability to search on-demand content by voice and Amazon has beefed up its entertainment business. Apple's loss of market share in the digital movie business isn't uniform across genres, people who work with the company say. It has promoted independent films and signed deals for exclusive rights to some produced outside the major studio system, making it a stronger competitor in that space.

reason why video-on-demand movie rental revenue in the U.S. declined 4% to \$1.8 billion last year, the first year it has dropped in recent memory, according to PricewaterhouseCoopers. Digital movie purchase revenue grew 21% to \$3.5 billion, compared with a 29% increase the prior year. Apple's market share declines are independent from the broader slowdown in the business, but both affect the company. The transition mirrors what happened to iTunes' music business after Spotify AB began offering a subscription service in 2011. Just as Apple responded by launching a \$10 music-streaming service in 2015, it is moving to beef up its video offerings in a subscription service. The company also has tried to capitalize on the broader shift to subscription streaming services by selling subscriptions to Netflix, HBO and others through its app stores, including an Apple TV app store and operating system introduced in 2015. It takes a 15% cut of the subscriptions it sells. The Apple TV app store offers more than 1,300 video channels and 6,000 video, gaming and other apps, which Apple calls the future of TV.

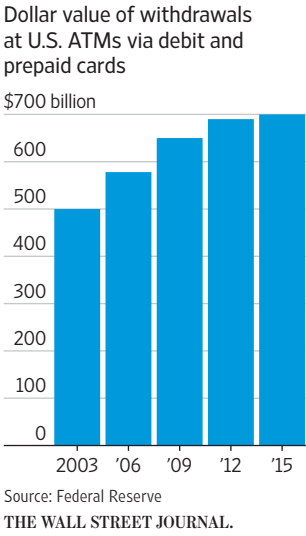
# ATM

Continued from Page One Morgan Chase & Co. and Bank of America Corp. have started to roll out ATMs that can link to customers' mobile devices. Customers will sign in through their phones, potentially using a fingerprint, and then transmit a code to the ATM. Though this adds a step to the identification process, customers are nonetheless eager to ditch the PINs and passwords needed for transactions. Mobile phones are also one device on which biometrics has worked, as about two billion units globally can use fingerprints, pictures of eyes and faces, and voice recognition, according to HYPR. Those tools are already widely used for signing in to mobile-banking applications. Citigroup's apps, for example, use voice, face and fingerprint recognition, although the bank has yet to roll out cardless ATMs. As for the iris-reading

ATMs, Citigroup has “reasons ranging from logistical to operational” for not pursuing them at this time, a spokesman said. Other banks have shared similar difficulties with how to approach biometric data. A survey by the U.K.'s University of Oxford and Mastercard Inc. published in June found that while nine out of 10 bankers wanted to take advantage of biometrics, only about a third reported a good experience so far using the technology. An added complication is that, unlike some other countries, the U.S. doesn't have national identification databases. In countries such as Chile, which does have such a database, banks could tap into it to enable customers to sign into an ATM with a fingerprint. So, banks in the U.S. are on their own to figure out how to record and store customers' biometric markers. That process adds extra steps, complexity and cost. Meanwhile, the need for next-generation ATMs is urgent. For one, card fraud is ris-

ing despite new security measures such as chip-enabled cards. Fair Isaac Corp., a credit-data provider, has said it detected a 70% uptick in compromised cards being used at ATMs and merchants in 2016. Though ATMs—introduced 50 years ago—might seem quaint in the mobile age, their usage remains strong, and banks are still investing in them. Last year, J.P. Morgan, for example, increased the number of ATMs it owns by 4%, even as it closed 3% of its branches. In their quest to use smartphones for biometrics, banks are relying on processes that are already well established. A customer using a phone at an ATM would authenticate her identify, using, say, a fingerprint as is the case with Apple Inc.'s iPhone and Apple Pay. The phone would then create an individual digital token and transmit that to the ATM. That would validate the transaction without revealing any underlying biometric data to the bank. That means banks wouldn't

## Cashing In



have to protect treasure troves of genetic templates from hackers. This is because the biometric data would be stored on individual devices, not in a central location. “With tokens, there's no use in attacking the bank server,”

said HYPR's Mr. Avetisov. Such digital tokens are already widely used in mobile-payment applications and they are also generated by the chips now embedded in most credit cards. That approach does shift more of the security burden to the user. People must protect their phone from being imitated or hacked, and will have to be conscious of their phone's security measures. “Think of your phone as becoming like your house keys,” Mr. Avetisov said. David Kuchenski, director of business development for design and new technology at Diebold Nixdorf Inc., which built the eye-reading ATM that Citigroup tested in 2015, said those units were a few years ahead of their time. “People have gotten so used to biometrics on their phones,” he said. “So banks are reutilizing what they learned about biometrics through mobile.” Last year, Wells Fargo was touting the potential for ATMs with biometric readers built into them in its annual investor presentation, among other biometric capabilities. This year, the same presentation featured biometric authentication on a mobile device. A spokeswoman said Wells Fargo has “no current plans” to implement bio-

metrics at its ATMs. Later this year and in 2018 Wells Fargo will enable customers to tap their phones at ATMs using apps such as Apple Pay and Android Pay, from Alphabet Inc.'s Google, which use a fingerprint for access. But smartphones might pose a different risk for banks, by empowering tech companies to compete more directly with them, said Lex Sokolin, head of fintech strategy at Autonomous Research. Apple, for example, recently launched a mobile peer-to-peer money-transfer service that competes with banks' apps. “If Apple and Google continue to gain share in the physical world, they will control authentication,” Mr. Sokolin said. —Emily Glazer contributed to this article.

## A (Relatively) Calm Running of the Bulls



GETAWAY: The third day of bull runs in Pamplona, Spain, resulted in only minor injuries, officials said, after five gorings on the first two.

## CORRECTIONS & AMPLIFICATIONS

Oregon utility PacifiCorp has filed plans with state regulators to spend \$3.5 billion on wind and transmission projects. A Business & Finance article Thursday incorrectly said it had filed plans to spend \$13.6 billion.

Readers can alert The Wall Street Journal to any errors in news articles by emailing [wsjcontact@wsj.com](mailto:wsjcontact@wsj.com).

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# WORLD NEWS

## Turkey Riven a Year After Coup Bid

Opposition holds long march as government prepares to mark uprising's anniversary

By NED LEVIN  
AND MARGARET COKER

MALTEPE, Turkey—As Turkey prepares nationwide commemorations marking last year's failed military coup, the country is divided over a single word—justice—and where to find it.

For nearly a month, Kemal Kilicdaroglu, leader of the main opposition Republican People's Party, or CHP, has been seeking justice along State Road D100. His protest march from the capital Ankara, which ended Sunday in an Istanbul suburb, was intended to highlight what many see as a sharp undemocratic tilt in their nation.

Mr. Kilicdaroglu told the crowd that Turks standing united could restore the values of justice and accountability that he believes have been lacking in government.

He said that it was time to reverse the wave of arrests, mass firings and closures of dozens of media outlets that have occurred under the state of emergency.

"We walked for nonexistent justice. We walked for the rights of victims, jailed lawmakers and journalists," Mr. Kilicdaroglu said.

Officials in Turkey's ruling party say Mr. Kilicdaroglu is looking in the wrong place. "You don't seek justice in the streets," Prime Minister Binali Yildirim said shortly after his political opponent started the march on June 15. He chided Mr. Kilicdaroglu for not working through parliament.

The thousands of Justice Marchers who joined Mr. Kilicdaroglu along one of Turkey's main highways brought public attention on a topic that is hard for the ruling party to ignore. The protest also threatens



Opposition supporters gathered in force in Istanbul on Sunday to mark the end of the 260-mile 'justice march' from Ankara.

to dim the spotlight on a week of events led by President Recep Tayyip Erdogan's government to mark the uprising, in which at least 270 people died. The CHP opposed last year's coup.

The government plans to unveil monuments across the country, including a nearly 100-foot-tall sculpture depicting heroic citizens raising the Turkish star-and-crescent across from the presidential palace in Ankara.

Mr. Erdogan will address the nation early on July 16, marking the time a year earlier when the tide turned against the coup.

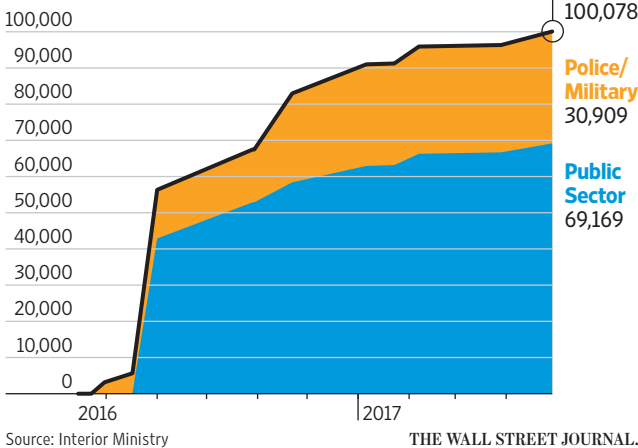
On that day, military jets bombed parliament and tanks opened fire on the streets of Istanbul and Ankara. Millions of citizens from across Turkey's deeply divided political landscape mobilized overnight in a show of nonpartisan people power.

But that surge of national unity quickly fizzled as the government used the state of emergency imposed after the coup to purge tens of thousands of civil servants and arrest tens of thousands more.

The purges predominantly

### Early Retirement

The government has dismissed tens of thousands of civil servants who it says backed the failed coup attempt on July 15, 2016.



targeted people in the political opposition, not members of Mr. Erdogan's ruling Justice and Development Party party, despite their once close political alliance with the cleric Fethullah Gulen, whom the government blames for the coup. Mr. Gulen, who lives in the U.S., has denied any role in it.

At least a dozen trials are

under way of military officials and civilians accused of treason and murder for their alleged roles in the coup—as well as alleged ties with Mr. Gulen.

The trials have become morality plays about contemporary Turkey, with AKP officials urging citizens to attend as an act of patriotism and newspapers deriding arguments of-

ferred by the defense, reflecting broad national sentiment against the defendants.

Mr. Yildirim, the prime minister, has expressed impatience with the slow progress of the trials and defendants' expressions of innocence.

"It is certain who dropped the bomb, who gave them permission, who killed people, who drove the tanks and who flew the planes. What are we waiting for?" Mr. Yildirim told journalists last month.

Mr. Kilicdaroglu, a mild-mannered former bureaucrat, feels a similar impatience. He decided to protest after one of his CHP lawmakers, a former journalist, was convicted of spying.

That followed Erdogan-backed constitutional changes which narrowly passed in an April referendum the CHP says was fraudulent.

Mr. Kilicdaroglu said he has given up on Turkey's judicial system, turning to a march for justice for all those who stand against what they perceive as creeping authoritarianism in government and in the judiciary.

## Iraq Leader Praises Troops on Mosul Visit

By ASA FITCH  
AND ALI A. NABHAN

MOSUL, Iraq—Prime Minister Haider al-Abadi congratulated Iraqi military forces during a visit here following nearly nine months of battle to oust Islamic State, meeting with commanders and walking the streets greeting residents.

But he stopped short of declaring a final victory over the extremists on Sunday. Mr. Abadi's visit had raised expectations that he would announce the full recapture of the nation's, but Iraqi forces were still battling Islamic State fighters on Sunday over a narrow strip of land near the Tigris River.

"Victory is settled and remaining Daesh [fighters] are trapped in the last spans," Mr. Abadi said, after meeting with security commanders at the Nineveh province operations command. "It's only a matter of time [before] we announce the big victory to our people."

Islamic State's defeat in Mosul stands to be a major military, psychological and political blow to the ruthless Sunni Muslim militant group. It was in Mosul that it achieved perhaps its greatest military victory, its forces capturing the city in just four days in early June 2014, handing the Iraqi military a humiliating defeat and sending shock waves through the region.

The official declaration was likely to come Sunday evening or Monday, according to Lt. Gen. Sami Al Ardhi, a counterterrorism commander who attended the meeting with Mr. Abadi.

## Two Foreign Doctors Clear Chinese Dissident to Travel

By JOSH CHIN

BELJING—The U.S. and German doctors who examined cancer-stricken Nobel Peace Prize laureate Liu Xiaobo say he is strong enough to leave China, contradicting Chinese authorities' assessment of the long-imprisoned dissident's health.

With Beijing under pressure to let Mr. Liu travel abroad for treatment of late-stage liver cancer, hospital authorities announced last week that foreign specialists would be brought in. The physicians, Joseph Herman of the University of Texas MD Anderson Cancer Center and Markus Büchler of the University of Heidelberg, met Mr. Liu and his Chinese medical team over the weekend at a hospital in the northeastern city of Shenyang.

The foreign doctors said in a statement Sunday that "both physicians believe Mr. Liu can be safely transported with appropriate medical-evacuation care and support." The evacuation, their statement said, "would have to take place as quickly as possible."

The First Hospital of Chinese Medical University, where Mr. Liu is being treated, said Saturday that it was "unsafe" for him to travel. In recent days,

the hospital said, Mr. Liu had accumulated a large amount of fluid in his abdomen and was having difficulty eating.

The foreign physicians' statement—which was emailed to reporters and posted on both their universities' websites—marks a surprise break in Chinese authorities' tight control over information about Mr. Liu.

### American, German contradict Beijing's assessment of Liu Xiaobo's condition.

Mr. Liu has been in custody since late 2008 for organizing a signature drive for a manifesto calling for peaceful political change. Rigorous government censorship has kept his name out of the media and off the internet in China ever since, and his wife has lived under house arrest since he was awarded the Nobel Peace Prize in 2010.

Mr. Liu was diagnosed with late-stage liver cancer in May and granted medical parole in early June, though news of his illness wasn't confirmed by the government until June 26. Hos-

pital authorities have released little information about Mr. Liu and kept him under police guard on an isolated floor, requiring doctors to hand over their smartphones to prevent unauthorized photos, according to a family friend who said he spoke with a member of the Chinese medical team.

Beijing extended invitations to Dr. Herman, an oncologist, and Dr. Büchler, a surgeon, to come to China as it faced mounting pressure from the U.S. and European Union to let Mr. Liu seek treatment abroad. On Friday, the office of the United Nations High Commissioner for Human Rights also demanded access to the political activist, according to a spokeswoman.

China's Ministry of Foreign Affairs didn't immediately respond to a request for comment. A woman answering the phone Sunday evening at the First Hospital said no one was available to comment.

A statement posted to the hospital's website Saturday quoted the foreign physicians as saying they couldn't do more for Mr. Liu than the Chinese team had.

In their statement, Drs. Herman and Büchler acknowledged "the quality of care" provided to Mr. Liu so far.



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Liu Xiaobo is shown receiving treatment for late-stage liver cancer at a Beijing hospital in June.



WORLD NEWS

# French Industry Backs Freer Labor Laws

Business leaders endorse Macron's plans for rules making it easier to hire, fire

By Nick Kostov  
And Stacy Meichtry

AIX-EN-PROVENCE, France—French President Emmanuel Macron's plans to loosen rigid labor rules drew praise from business leaders attending an annual summer retreat, even as some warned the measures will take time to lower the country's chronically high unemployment.

The elite gathered in sun-kissed Provence over the weekend described an air of "Macron-mania" as many of the corporate chieftains who backed the presidential campaign of the former investment banker lauded his proposals to make it easier for companies to hire and fire staff.

"We're very keen for there to be change," said Ross McInnes, chairman of aerospace firm Safran SA.

Mr. Macron is counting on French industry to open its purse strings, betting that private-sector hiring, rather than



President Emmanuel Macron, shown Saturday, is counting on French industry for private-sector hiring to fuel the country's economy.

AGENCE FRANCE-PRESSE/GETTY IMAGE

public spending, will fuel France's recovery. The overall unemployment rate is nearly 10% and about a quarter of young people are jobless.

However, some managers struck a note of caution, saying firms that have long avoided investing in France could still take years get on board. Many are waiting until

September when Mr. Macron is expected to pass the labor measures into law.

"The fruits of the reform will not come in one year. They will come after two or three years," said Antoine Frérot, chief executive of water and waste-management firm Veolia Environnement SA. Since the start of the 2008

financial crisis, Germany and European regulators have demanded that countries along the bloc's Mediterranean rim boost their competitiveness by stripping away rules protecting workers from being fired, even in an economic downturn. Doing so would lower costs and legal uncertainty for firms and encourage them to

hire, European officials say.

Trade unions, however, say such measures risk exposing workers to massive job cuts.

Mr. Macron wants to avoid the fate of another European centrist, former Italian Prime Minister Matteo Renzi, who was counting on his own overhaul of labor rules to spur a job-market recovery. Instead,

Italy's jobless rate has remained stubbornly high, and Mr. Renzi resigned last year.

Unlike his Italian counterpart, Mr. Macron has some economic wind in his sails. The Bank of France recently raised its forecast for economic growth to 1.6%.

Some business leaders also are chafing over signs the Macron government wants to delay cuts to payroll and wealth taxes by one year to make up for overspending by the previous administration.

One French business leader said he was disappointed the lowering of the wealth tax would no longer coincide with the government's plan to privatize its stakes in large French companies.

"It would have meant a river of money coming from frozen assets in real estate and going into capital markets," the business leader said.

On Sunday, the government tried to assuage those concerns. "I think we can perfectly [well] reduce public spending very significantly to meet our European commitments and at the same time cut taxes for French households and French companies," Finance Minister Bruno Le Maire told reporters here.

## Conservatives Waver on Austerity

By Paul Hannon  
And Wiktor Szary

LONDON—Britain's Conservative government, licking its wounds after an election setback last month, is having to consider easing curbs on public spending that have been a central policy of the party since it came to power in 2010.

Chancellor of the Exchequer Philip Hammond said in a speech last week that Conservatives "recognize that the British people are weary after seven years' hard slog repairing the damage of the Great Recession," even as he added Britain had to acknowledge that "borrowing to fund consumption is merely passing the bill to the next generation."

According to media reports, Foreign Secretary Boris Johnson is one of several cabinet ministers who have recently pressed for a relaxation of

strict spending rules.

"People's tolerance for austerity is drying up, even if that means higher taxes," said Roger Harding, head of public attitudes at the National Center for Social Research, which published a survey in late June showing that 48% of Britons—a higher share than at any time in the past decade—thought the government should increase taxes and spend more.

The potential shift away from a focus on bringing down the national debt, which ballooned after the financial crisis, comes in the wake of Prime Minister Theresa May's reversal at the polls and a series of national traumas.

After a deadly fire in a public-housing block, opposition politicians suggested public spending limits had encouraged corners to be cut in reducing fire risks, while a series of terrorist attacks raised questions

about budgets for policing.

Matthew Goodwin, professor of politics at University of Kent, said it wasn't clear those recent fatal events could be linked to public-spending cuts, but a connection between the two has "entered the public mind."

Several leading Conservative Party politicians, he added, have interpreted the election result as "a reflection of public anger over a continuing period of fiscal austerity and a desire for greater spending and wage growth."

By international standards, the U.K.'s budget tightening hasn't been particularly harsh. According to the Organization for Economic Cooperation and Development, the U.K. government cut its annual borrowings before interest payments to 2.0% of economic output in 2016 from 3.8% in 2008.

That reduction of 1.8 percentage points of gross domes-

tic product was below the average for OECD members. Britain's belt tightening was nowhere near the 18.6 points cut by Greece or Ireland's 7.5-point reduction over the same period. Indeed, it was below the 2.9-point drop in borrowing by the U.S.

But if the cuts haven't been deep, they have lingered. Explicit spending curbs have been in place for longer in the U.K. than for any other European country, bar Greece.

"Generally, people are tired of austerity and the same old thing," said Max Neal, a 19-year-old student at the University of Kent, who was among the many whose votes transferred the Canterbury electoral district to the opposition Labour Party after a century in Conservative hands. "This was a chance to put an end to the cuts."

—Amanda Coletta contributed to this article.

## Tillerson Offers Backing To Ukraine's President

By Thomas Grove

MOSCOW—U.S. Secretary of State Rex Tillerson met Sunday with Ukrainian President Petro Poroshenko, a visit that telegraphs U.S. support to Kiev after President Donald Trump's historic meeting with Russian President Vladimir Putin.

In an appearance with Mr. Poroshenko in Kiev, Mr. Tillerson said the Trump administration was looking for a fresh solution to the crisis in the country, which is locked in a conflict with separatists in the eastern Donbas region.

The U.S., Mr. Tillerson said, was committed to restoring "Ukraine's territorial sovereignty and integrity," adding, "It is necessary for Russia to take the first steps to de-escalate the situation in the east part of Ukraine" by encouraging separatists to pull back heavy weaponry.

Mr. Tillerson traveled to Ukraine with Kurt Volker, the Trump administration's new point man on the crisis, appointed Friday as Washing-

ton's special representative for Ukraine negotiations.

"We are disappointed by the lack of progress under the Minsk agreement, and that is why we are appointing a special representative," Mr. Tillerson said, referring to a peace process that has failed to deliver a lasting cessation in hostilities.

Ukraine is one of the major sources of friction between Washington and Moscow. The conflict in Ukraine began after street protests in Kiev led to the ouster of Kremlin-friendly President Viktor Yanukovich in 2014. Russia then annexed the Black Sea peninsula of Crimea from Ukraine and has backed separatists in eastern Ukraine, prompting U.S. sanctions on Russia.

Mr. Poroshenko thanked Mr. Tillerson for the expression of U.S. support. He told journalists after the meeting that Washington said it had no intention of lifting sanctions on Russia until Ukrainian territory is "freed"—a reference to Crimea—and the Minsk agreements are fulfilled.

## TRUMP

Continued from Page One

it. Trump officials cast the wording as a victory for a president who still sees a place for oil and gas drilling.

"We got language in there that is consistent with the speech the president gave when he announced the decision to withdraw from the Paris accord," one senior White House official said Saturday.

So it went with trade.

Mr. Trump has long complained that past trade deals favored other nations at the expense of the U.S., resulting in large trade deficits. The final statement bore a distinctly Trumpian ring, stressing the importance of "reciprocal and mutually advantageous trade."

The White House was happy with it. When the subject of trade came up a few months ago at a meeting of finance officials from the 20 leading countries, "it was kind of 19-1—me being the one," Treasury Secretary Steven Mnuchin recalled.

Far from showing that his views have shifted, Mr. Trump used the three-day trip to deliver the clearest vision he's offered to date of his world view: a commitment to preserving western civilization. He held up the West as the standard all should reach.

The location he chose for that message was Poland, home to a socially conservative government that has at times antagonized European partners.

"The fundamental question of our time is whether the West has the will to survive," Mr. Trump said. "Do we have the confidence in our values to defend them at any cost? Do we have enough respect for our citizens to protect our borders?"

As he did in Belgium in his first foreign trip in May, Mr. Trump called on NATO countries to pay their share of maintaining the alliance.



Donald Trump and Angela Merkel attend a panel discussion at the G-20 summit on Saturday.

Thousands of Poles cheered him: "Donald Trump! Donald Trump!"

It made an impression. "Poland was so terrific to me," he said at an event Saturday showcasing a women's entrepreneurial fund that was his daughter Ivanka's brainchild.

Mr. Trump did give a long-sought endorsement of NATO mutual defense measures in his Poland speech, but he also showed in his meeting with Vladimir Putin that he is intent on finding ways to work with Russia, as he has vowed to do since early in his campaign.

If Europe is wary of Mr. Trump, his core voters are likely to be reassured, analysts said. The Donald Trump speaking at Warsaw's Krasinski Square was the one they remember from red-state rallies.

"He wants to show at least his domestic base that he's true to all of the principles that he enunciated during the election campaign," said Angela Stent, a government professor at Georgetown University.

Still, European leaders aren't giving up on the idea that they can bring Mr. Trump around to their views.

One diplomat at the summit said Mr. Trump is something of a "work in progress" and

that officials need to exercise patience in dealing with him.

As president, Mr. Trump is getting more of a firsthand look at how his international counterparts actually work.

The women's fund championed by his daughter might be one example. It is run by the World Bank, a symbol of the sort of multilateral institution Mr. Trump has at times scorned. Different countries are ponying up millions of dollars to get the fund up and running—to Ivanka Trump's delight.

Mr. Trump heaped praise on World Bank President Jim Yong Kim at an event formally rolling out the fund on Saturday.

He also showed he's willing to challenge Mr. Putin, who has been a pariah among many European leaders partly because of Russia's 2014 intervention in Ukraine and support for Syrian leader Bashar al-Assad.

In their two-hour meeting Friday, Mr. Trump told Mr. Putin that Americans aren't happy about Russian interference in the 2016 campaign. "I strongly pressed President Putin twice about Russian meddling in our election. He vehemently denied it. I've already given my opinion....."

Mr. Trump tweeted Sunday morning. "We negotiated a cease fire in parts of Syria which will save lives. Now it is time to move forward in working constructively with Russia!"

Earlier in the week, Mr. Trump equivocated on whether Russia was solely responsible for election meddling. Other countries could have done it, too, he said, though he didn't specify which ones.

In an account Mr. Putin gave Saturday, Mr. Trump pressed him on the issue repeatedly. "He allocated a great deal of attention to this," the Russian president said.

Mr. Trump's third foreign trip comes later this week, when he travels to Paris to mark Bastille Day.

That visit could also test Mr. Trump's principles, as he meets French officials wary of him moving in a protectionist direction.

"We have sent a message to Americans that if there are unilateral measures from the U.S. we will react and react very quickly," one French official said.

—Emre Peker, William Horobin, and Anton Troianovski contributed to this article.

## WORLD WATCH

### KOREAS

#### U.S. Sends Bombers To Military Exercise

The U.S. sent two B-1B bombers to the Korean Peninsula to practice "attack capabilities" with South Korean jet fighters, the latest show of force by the U.S. military following North Korea's first-ever intercontinental ballistic-missile test launch last week.

The joint exercise, which included U.S. F-16 fighters jets as well as fighter planes from the South Korean and Japanese air forces, came a day after U.S. President Donald Trump said in Warsaw that he was considering "some pretty severe things" in response to North Korea's latest actions.

Friday's flyover also followed a joint missile drill by the U.S. and South Korean armies on Korea's east coast on Wednesday. It was met with a sharp denunciation from Pyongyang, which called the B-1B drill "a dangerous military move of the war maniacs to ignite a nuclear war on the Korean Peninsula."

—Jonathan Cheng

### GROUP OF 20 SUMMIT

#### Widespread Protests Vex German Officials

Riots that raged for hours just a mile from the Group of 20 meeting site left German officials struggling to explain over the weekend how protests that had long been predicted spiraled out of control.

Only after SWAT teams, riot police and water cannons swept block by block were authorities able to end the riots early Saturday in the left-leaning Schanzen-

viertel neighborhood near the venue where leaders of the world's 20 largest economies met.

Stores were looted, barricades and cars set on fire, and officers attacked with rocks, bottles and slingshots, Hamburg police said. Authorities moved to quell the riots late Friday night only after they had raged for hours, several shopkeepers in one of the hardest-hit streets said. Unrest continued, to a smaller degree, on Saturday night, as more barricades and vehicles burned in the streets.

A police spokesman said intelligence suggesting some of Friday night's roughly 1,500 rioters were preparing to pelt authorities from buildings with cobblestones and Molotov cocktails had caused the delay in stopping the unrest.

—Anton Troianovski

### VENEZUELA

#### Opposition Backers Laud Freed Activist

Thousands of opposition supporters gathered in the capital Caracas to commemorate the 100th day of antigovernment protests and celebrate the release from jail of opposition leader Leopoldo Lopez.

Mr. Lopez was moved from the Ramo Verde military prison to house arrest Saturday morning in a surprise move that could break the political deadlock gripping the country. One of the country's most popular politicians, Mr. López was serving a nearly 14-year sentence for allegedly instigating violence at protests in 2014, the charges he denies.

His wife, Lilian Tintori, said there was no political negotiation to free Mr. Lopez.

—Anatoly Kurmanaeve



## U.S. NEWS

# FBI Nominee Known to Eschew Politics

By ARUNA VISWANATHA  
AND DEL QUENTIN WILBER

If fireworks erupt at Wednesday's confirmation hearing for President Donald Trump's pick to be the next director of the Federal Bureau of Investigation, they aren't likely to be sparked by the nominee, Christopher Wray, a former Justice Department official known as a workhorse who eschews the spotlight.

Many current and former FBI agents say that is exactly what the agency needs—someone who focuses on running investigations while leaving politics to others—as the FBI navigates turbulence following the firing of former Director James Comey. Other agents and legal observers wonder if Mr. Wray, who has spent a decade as a defense lawyer, has the gravitas to buck political pressure and chart an independent course for the nation's premier law-enforcement agency.

The public will hear from Mr. Wray on Wednesday for the first time since his selection, as the Senate Judiciary Committee weighs his nomination to lead the FBI and its 13,000 agents. If confirmed, the 50-year-old Mr. Wray would take over one of the most challenging jobs in law enforcement, charged with impartially overseeing investigations while weathering political storms.

"Chris looks for the way that creates the least drama," said John Richter, an attorney who worked with Mr. Wray at the Justice Department and at

his law firm, King & Spalding.

Few would say that about Mr. Comey, a larger-than-life figure at 6-foot-8 who was known for his dramatically timed press conferences, his performances before Congress and, by his own account, information leaks to the press. Mr. Comey was beloved by many agents for standing up for them, but he also attracted sometimes-unwelcome attention to the agency.

The FBI in recent months has been criticized for its handling of the investigation into former Secretary of State Hillary Clinton's use of a private email server, buffeted by Mr. Comey's firing, and stung by Mr. Trump's allegations that its agents are on a "witch hunt."

Democrats plan to press Mr. Wray on whether he could stand up to White House pressure if necessary. Mr. Comey told Congress Mr. Trump demanded his loyalty and pressured him to drop an investigation of a former top aide, allegations the White House has denied.

Mr. Comey's dismissal remains a sore point in the Bureau. At a "Family Day" event last week at headquarters, some agents wore T-shirts reading "Comey Is My Homey," as have others at field offices around the country, according to photos and people at the events.

"They are still ticked off," said Frank Montoya Jr., a longtime FBI agent and supervisor who retired last year. Mr. Wray is "going to be viewed first and foremost as a politi-



Christopher Wray's confirmation hearing with the Senate Judiciary Committee is set for Wednesday.

cal appointment by a president who demanded loyalty from the last director and didn't get it, so he fired him," Mr. Montoya said.

A big test for Mr. Wray would come the next time Mr. Trump tweeted criticism of the FBI, Mr. Montoya said. "Is he going to apologize for the tweet or is he going to speak out forcefully and say that's not the way it is?" he said.

Mr. Wray appears to be reaching out to agents, meeting with the FBI Agents Association at his request, according to the group's president, Thomas O'Connor.

Mr. O'Connor said he was impressed by Mr. Wray's understanding of how agents do their job. "It was a positive meeting," he said, adding that agents are looking for someone who is "ruled by what is the

right thing to do."

Mr. Wray's associates said he would walk away from the job if put in a compromising situation. They cited his threat to resign in 2004 along with Mr. Comey, then deputy attorney general, because the two believed a domestic surveillance program up for reauthorization was unconstitutional.

"He's very good at convincing people of a wiser course,

but he's highly principled, and if he can't stop the train, he'll find a way to blow the whistle and get off," Mr. Richter said.

Mr. Wray spent several years near the top of the Justice Department hierarchy in the aftermath of the Sept. 11, 2001, attacks, routinely working 15-hour days that began at 6:30 a.m.

Mr. Wray also ran the department's criminal division between 2003 and 2005.

He comes from a storied New York family. Mr. Wray's mother, Gilda Wray, is a descendant of Revolutionary War Gen. Horatio Gates, and his father and grandfather were partners at a top Wall Street law firm, Debevoise & Plimpton. His uncle, Edwin Williamson, was legal adviser to the State Department.

The question is whether his reserved demeanor is the right medicine for an agency that has faced harsh scrutiny in recent months.

Some agents felt Mr. Comey should have let the Justice Department make all public statements in the case.

Agents said they hoped Mr. Wray would seek a lower profile than Mr. Comey while continuing his efforts to modernize the bureau and combat the fast-evolving threats of terrorism and cybercrime.

"If he can do an effective job without being in the spotlight, he would prefer it that way, and the bureau really needs that," said Joe Robuck, a former FBI agent who worked with Mr. Wray on a 2000 major corruption case in Atlanta.

**THE OUTLOOK** | By Paul Hannon and David Harrison

## Weak Inflation Is a Quandary for Central Banks

Leading central banks plan to withdraw some of the stimulus measures they have put in place since the financial crisis. But their timing seems a little puzzling: Inflation, which is already below their targets, is falling world-wide.

The decline in inflation is a mystery since the global economy appears to be growing at a faster pace than during recent years, while unemployment rates continue to edge lower.

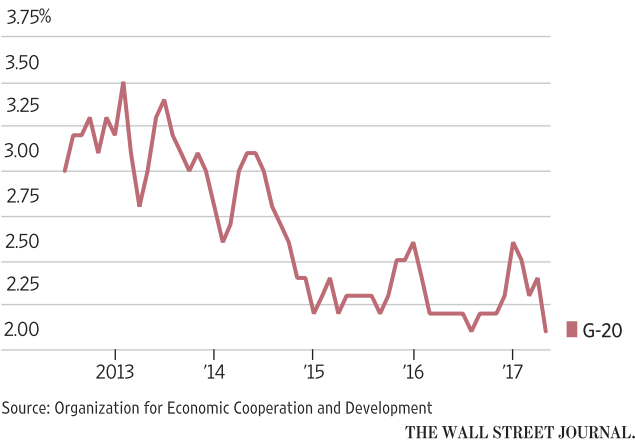
According to central bankers, inflation is generated by the gap between the demand for goods and services and the economy's ability to supply them. When that output gap is wide, inflation is lower, and when it is narrow, prices grow more quickly. Low inflation is a symptom of a weak economy, something they want to avoid as much as high inflation, a sign of an overheated economy.

To boost inflation, central banks stimulate demand by lowering interest rates, encouraging households and businesses to borrow and spend. As the volume of goods and services that people want to buy nears the limit of the economy's capacity to supply them, wages rise, as do prices, generating inflation.

But try as they might, central banks have been unable to reach their inflation targets over recent years, despite their success boosting growth and lowering jobless num-

### That Sinking Feeling

Though unemployment is falling globally, consumer prices haven't gained traction in the world's largest economies. Change from a year earlier in CPI:



Source: Organization for Economic Cooperation and Development

THE WALL STREET JOURNAL.

bers. That has raised questions about the reliability of the traditional link between the output gap and prices.

"Central banks across the Western world are struggling to define that relationship," said Bert Colijn, an economist at ING Bank.

Across the Group of 20 largest economies, which account for most of the world's economic activity, annual inflation slumped in May to its lowest level since August 2016, according to the Organization for Economic Cooperation and Development.

Much of that decline was due to easing energy prices. But even excluding that volatile item, and similarly choppy food prices, "core" inflation is slowing in many

places.

That isn't a recent phenomenon. Core inflation in developed economies hasn't changed much in the years since the financial crisis, never reaching the 2.5% rate it stood at in September 2008, when Lehman Brothers collapsed, or going below the 1.1% rate it hit in December 2010.

Central bankers are struggling to explain why inflation isn't responding the way the textbooks say it should to an improving global economy and falling jobless rates. According to the OECD, the unemployment rate in developed economies fell to 5.9% in May from 6.3% a year earlier.

In the U.S., Federal Reserve Chairwoman Janet Yellen has shrugged off the past few months of low inflation numbers, saying they were caused by temporary domestic factors, such as cheaper new cellphone plans. But the global inflation slowdown calls that thesis into question.

Chicago Fed President Charles Evans suggested last month that poorly understood technological advances or aging populations could also be holding down inflation around the world.

"I sometimes wonder if there isn't something more global, more technological that's taking place that we don't quite have our arms around very well," he said.

Fed officials devoted part of their June 13-14 meeting to debating inflation's surprising weakness. Some argued the link between the output gap and inflation had weakened over the past few years. Others worried letting the economy grow too fast would bring about a sudden burst of inflation that would be hard to control.

The picture is just as confusing in Europe.

In a June 27 speech that was widely viewed by investors as signaling a readiness to remove some stimulus later this year or early next, European Central Bank President Mario Draghi said inflation has been weaker "than one would expect on the basis of output gap estimates and historical patterns."

Mr. Draghi concluded that a narrowing output gap would eventually have its usual effect on prices. It would just take longer.

Other global factors may be at play. Because so many companies compete around the world, weaker economic growth and sluggish inflation in one country could keep a lid on prices in other countries, propagating low inflation across continents.

Another explanation could be lower inflation expectations around the world. After years of tepid price growth, workers may not push that hard for a raise and companies may not feel compelled to increase prices despite signs of improvement in the economy.

Whatever the cause, central bankers appear willing for now to look beyond the past few months of weak inflation numbers as they shift away from easy money policies. Faith in output gap theory is one driver. Some also are growing worried about other problems. For example, recent speeches from Fed officials and the minutes of the last meeting suggest a growing concern about financial stability as asset prices rise.

If consumer price trends don't turn soon, however, central bank officials could find they have undermined the inflation mission they've established as their core objective.

## ECONOMIC CALENDAR

**WEDNESDAY:** Business surveys suggest the eurozone's economic recovery gathered pace in the second quarter, and official figures on activity are starting to support that evidence.

Figures from the European Union's statistics agency are expected to show a 0.8% rise in **industrial production** in May from the previous month, which would be the largest increase since November 2016.

However, there are few signs that more rapid growth is lifting inflation, and the European Central Bank is therefore likely to proceed cautiously when considering a withdrawal of stimulus.

Separately, Federal Reserve Chairwoman Janet Yellen will deliver her semiannual monetary policy report to Congress on Wednesday and Thursday.

Ms. Yellen has said job growth in recent months has been well above the pace necessary to absorb new entrants to the labor force and that weak inflation numbers largely reflect transitory factors.

**THURSDAY:** China's foreign trade, a bright spot in the world's second-largest economy this year, probably remained strong last month.

Economists expect **exports** grew 9% from a year earlier, accelerating from May's 8.7% rise.

Growth in imports probably moderated to 12.4% from 14.8%, widening the trade surplus to \$44.2 billion in June, from May's \$40.81 billion.

**FRIDAY:** The Commerce Department releases U.S. **retail sales** data for June, after sales in the struggling sector fell 0.3% in May, driven by a decline in car purchases and less spending at service stations.

Economists surveyed by The Wall Street Journal expect sales ticked up 0.1% in June.

Economists will watch the U.S. labor Department's June **consumer-price index** for any indication of whether recent weakness in inflation might be transitory, after May's report showed consumer prices fell slightly.

Economists surveyed by The Wall Street Journal expect CPI increased 0.1% in June.

Later in the morning, the Federal Reserve releases U.S. **industrial production** data.

This measure of output at factories, mines and utilities was unchanged in May from the prior month.

Manufacturing, which accounts for the bulk of industrial production, has shaped up as a bright spot in the economy so far this year.

Economists surveyed by The Wall Street Journal forecast industrial production grew 0.3% in June.

## Residency Proposed for Terminally Ill U.K. Baby

By JOANNA SUGDEN

Two House Republicans plan to propose legislation in the next week that they say would give terminally ill British baby boy Charlie Gard permanent residency in the U.S. so he can travel for experimental therapy in America, after U.K. courts ruled doctors should discontinue his life support.

The case has been the focus of international attention in recent days, with President Donald Trump offering unspecified assistance to Charlie's family and Pope Francis voicing his support for them. It has also drawn attention to the role of British and European courts in end-of-life decisions for the very young.

Brad Wenstrup (R., Ohio) and Trent Franks (R., Ariz.), said in

a joint statement Friday that their bill would "support Charlie's parents' right to choose what is best for their son" and enable him to "receive treatments that could save his life."

The 11-month-old's parents, Chris Gard and Connie Yates, lost a legal battle against London's Great Ormond Street Hospital in June to continue his artificial ventilation and travel to the U.S. for a therapy that hasn't been tested on humans or mice with Charlie's condition. His parents later that month asked the European Court of Human Rights to overturn the ruling, but it declined to intervene.

The rare genetic disorder, which affects the boy's brain, breathing and muscles, has left the boy so brain-damaged, the courts said, that any treatment

would be futile and that keeping him on artificial ventilation wasn't in his best interests.

On Friday, the London hospital said fresh evidence about a potential treatment for Charlie from researchers at two international hospitals had prompted it to apply to the U.K. High Court for a new hearing. The hospital's view on Charlie's condition hadn't changed, it said in a statement, but it agreed with the boy's parents that fresh evidence should be examined.

It wasn't immediately possible to reach lawyers for the boy's parents Sunday.

Reps. Wenstrup and Franks added in their statement that, "When government is able to overrule a parent or guardian in determining a patient's best interest, every vulnerable patient is put at risk."



Chris Gard and Connie Yates with their son Charlie Gard



IN DEPTH

TIFFANY

*Continued from Page One*  
range of prices and styles. “We built a very large tent,” he said. “That has been a great strength of the company, and also a great challenge.”

Managing that challenge will fall to its next CEO, who is expected to be appointed soon, according to a person familiar with the situation.

Mr. Kowalski said Tiffany has struck the right balance between its high and low-end offerings and has elevated its entry-level categories in recent years by adding more gold items and raising prices. He said Tiffany’s proprietary research showed it continues to be a “respected and highly desired brand.”

Helena Cawley, a 38-year-old Manhattan entrepreneur, said she wore Tiffany jewelry in her teens and 20s, but now prefers pieces from Cartier or David Yurman, which she says are more sophisticated. “Tiffany lost a bit of its cachet,” Ms. Cawley said. “Their styles haven’t changed very much over the years.”

Mr. Cumenal was working to update that image. He hired Grace Coddington, Vogue magazine’s creative director at large, to conceive a new advertising campaign featuring celebrities, including teenage actress Elle Fanning. He also picked Lady Gaga to star in Tiffany’s first Super Bowl ad.

In the past, Tiffany’s marketing spotlighted a piece of jewelry along with an anonymous couple caught in a romantic interlude. The new campaigns feature so-called style influencers.

“The recipe for marketing on social media, particularly to millennials, is to have an endorser who people believe in,” said Simeon Siegel, an analyst at the brokerage firm Nomura Instinet.

Mr. Cumenal, 57 years old, widened Tiffany’s reach beyond its 310 retail stores by making some designs available at edgy boutique Dover Street Market and at Net-a-Porter, a fashion website.

He upped the hip factor with a deal to sponsor the Whitney Museum of American Art’s Biennial exhibitions. “All the cool kids” were at the opening party in March, according to a Vogue article, which noted that “revelers sipped Moët & Chandon through paper straws with a Tiffany-blue swirl.”

The former CEO, in an interview, said he is pleased the board is continuing to pursue strategies he laid out.

But new designs represented less than 10% of jewelry sales last year, according to Mr. Kowalski. And two or more years can elapse between the launch of collections.

“They are still selling product lines that were introduced in the 1960s,” said Credit Suisse analyst Christian Buss. “Given that consumer purchases are driven by newness, updating legacy styles hasn’t been adequate to drive demand.”

The company’s HardWear line, which made its debut this spring with the Lady Gaga ad, was its first new collection since Tiffany T was introduced in 2014.

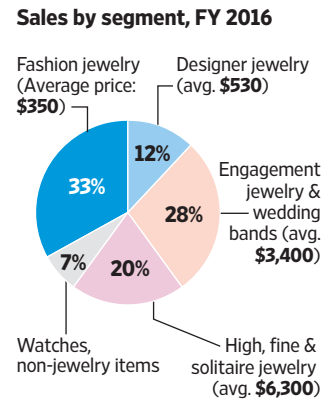
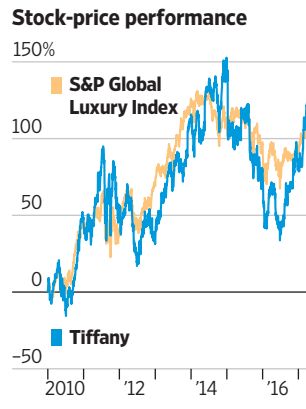
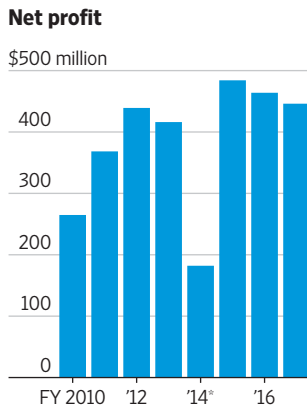
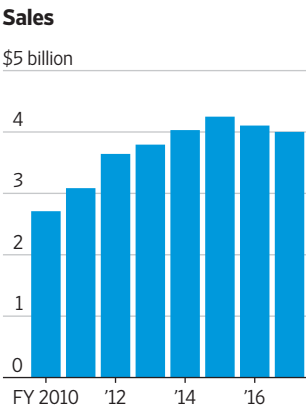
Tiffany is playing catch-up in watches, which accounted for 1% of sales in the past two years, the company said. Other luxury brands can get as much as half their revenue from the category, according to Brian Tunic, an analyst with RBC Capital Markets. Tiffany launched a new watch line in



**A Tiffany store in Singapore, shown last year, features a blue glass wall. Some employees felt Frederic Cumenal's decision to dial back the use of Tiffany's signature blue, which he felt had become overused, indicated the new CEO lacked respect for Tiffany's heritage.**

All That Glitters

Tiffany is trying to turn around sales and profit, although its shares have risen lately and loosely have tracked the overall luxury index. About 45% of the jeweler’s sales come from lower-priced items.



Note: For fiscal years ending in January where noted \*Affected by damages paid in dispute with Swatch. Source: the company (Sales, profits, segments); Thomson Reuters (performance)

2015, after a failed partnership with Swatch ended in a lawsuit. In 2014, Tiffany paid Swatch \$480 million in damages, but it has appealed the ruling.

Tiffany said it plans to launch a new home and accessories collection this fall that will include leather goods, flatware and silver objects designed by Reed Krakoff, the former creative director of Coach, who was hired earlier this year as Tiffany’s chief artistic officer.

Mr. Kowalski, who groomed Mr. Cumenal to replace him after 16 years as CEO, said in an interview at the company’s New York headquarters that some of the legacy styles, including collections by Jean Schlumberger and Elsa Peretti, continue to be best sellers. Ms. Peretti’s designs accounted for 9% of Tiffany’s sales last year, according to the company.

Mr. Cumenal tried to speed up the development of new lines by creating a research center near Tiffany’s headquarters that will open later this year. The center is expected to shorten product cycles by having the design and production departments work together more closely from the outset. In the past, designers would first sketch their ideas and then pass them to the production team.

Charles Lewis Tiffany and a partner opened their first store in 1837 to sell parasols, scent bottles and other items imported from Europe and the Far East. By 1850, when Mr. Tiffany opened a branch in Paris, the company was selling the gemstones of European aristocrats to America’s newly minted millionaires.

The brand entered the national zeitgeist with the 1958 publication of Truman Capote’s novella, “Breakfast at Tif-

fany’s,” and the subsequent movie starring Audrey Hepburn, in which she declares of the company’s Fifth Avenue store, “Nothing very bad could happen to you there.”

Mr. Cumenal joined Tiffany in 2011 from LVMH Moët Hennessy Louis Vuitton SE, where he ran

its wine and spirits business. He found initial success overseeing Tiffany’s international operations, where sales rose about 20% during his tenure.

As CEO, Mr. Cumenal ruffled feathers by recruiting outsiders, including a former Cartier executive to head international



**Lady Gaga, top, is the face of Tiffany's new HardWear collection, above.**

operations and a former Saks Fifth Avenue executive to oversee the Americas, as well as Mr. Krakoff in the artistic post, according to people familiar with the situation.

He introduced a more formal structure to what had been, according to Mr. Kowalski, a “process light” company. Some senior executives balked at his requirement that they spend one week a month in New York to attend meetings, arguing they would be more effective in the field, visiting stores or working with their teams, the people said.

Other changes annoyed the rank and file, including a new hierarchical atmosphere that was a shift from the open-door, collegial tone fostered by the popular Mr. Kowalski, the people said.

Especially irksome was Mr. Cumenal’s decision to dial back the use of Tiffany’s signature blue, which he felt had become over used. Some Asian stores were using blue plate glass, and the company’s print ads often consisted of an entire glossy magazine page printed in the robin’s egg hue. Some believed the move indicated the new CEO lacked respect for Tiffany’s heritage, the people said.

Mr. Kowalski, in the interview, said the use of the color was an issue the company wrestled with over the years. “There was legitimate concern over the wise use of such an important brand asset,” he said.

Some board members were put off by Mr. Cumenal’s management style, which they described as disdainful and aloof, other people familiar with the matter said.

Directors were perturbed

when Mr. Cumenal didn’t tell them he decided to name Mr. Krakoff, who had been working for the company as a consultant, to the chief artistic post until January, after the contract was signed, the people said.

Mr. Kowalski said he tried to help Mr. Cumenal navigate board relationships, but acknowledged there “was a natural ebb and flow of tensions around that.”

Another point of contention was a push by Mr. Cumenal to add younger board members who had more fashion, digital and global experience, the people said.

The board, which included four directors age 70 or older, agreed it needed a refresh and had instructed an executive search firm last year to help it identify new candidates, one of the people said.

But it wanted to move at a more gradual pace, given that much of Tiffany’s senior management had turned over during the previous three years. The board had already raised the retirement age to 74 from 72 in 2014, and there was talk of raising it again, to 75, the people said.

In February, after Mr. Cumenal’s ouster, Tiffany reached an agreement with Jana Partners, the activist investor, to add three new directors, including a former CEO of luxury jeweler Bulgari and a co-CEO of fashion house Tory Burch LLC.

Tiffany also agreed to limit waivers for directors who exceeded its retirement age. One director didn’t stand for reelection at the company’s annual meeting in May, and Tiffany said two directors won’t stand for re-election next year.

Mr. Kowalski said the board is attuned to the changes in luxury retailing, where opening new stores is no longer a recipe for success. “It recognizes that the growth strategies that proved successful a decade ago are not likely to drive financial success today,” he said.

Tiffany’s shares, which had sunk below \$60 in June 2016, are now trading above \$90. They are up nearly 17% since the company announced the CEO change on Feb. 5.

Jana Partners is pushing Tiffany to expand more overseas, particularly in the Middle East, and for growth in e-commerce, which accounts for about 6% of Tiffany’s sales.

Some analysts and investors also say Tiffany should streamline its supply chain. The jeweler is rare in the business for owning processing and polishing operations. It also has agreements with diamond producers to purchase a minimum number of stones each year. The company said its rationale is to secure enough high quality supply to satisfy its production requirements.

Mr. Siegel, the Nomura Instinet analyst, said the strategy ties up working capital and creates a backlog of inventory. According to his estimates, inventory totaled 54% of sales in the most recent fiscal year, up from 39% in 2000. He said locking up supply wasn’t as important now that monopolies no longer control the diamond trade and that prices, according to Rapaport-RapNet Diamond Trading Network, have declined from their 2011 peak.

Mr. Kowalski said the strategy is less costly and results in better quality products. He added Tiffany is working to manage its inventory more efficiently by editing down its offerings and by using new software to better predict demand.

—David Benoit contributed to this article.

CAMP

*Continued from Page One*  
nance to this age group demands patience, creativity and the occasional bribe. Camp counselors punctuated lessons with clapping exercises meant to recapture errant campers’ attention, lunchtime sessions of the tag game “Sharks and Minnows” and plenty of Cheez-Its and Capri Sun juice packs. In arts and crafts, they made piggy banks.

During lectures, some children squirmed in their seats or attempted to wander around, promptly attended to by counselors who promised to hand out colorful stickers if they were quiet. Others didn’t need much coaxing to participate.

“How do countries make money?” a camp counselor asked during one day’s international trade lesson. “By suing people!” one boy shouted.

The nonprofit Young Ameri-

cans Center for Financial Education has offered a program for fourth-, fifth- and sixth-graders since 1990. But the center concluded the real growth area is in children who have just started losing their baby teeth. Enrollment in Junior Money Matters—for those who have completed second or third grade—rose to a record 247 campers this summer, according to the center. It is one of several camps, including Camp Millionaire, Youth About Business and the Future Investor Clubs of America, that cater to the money-minded and their offspring.

Spencer Smith, a 9-year-old from nearby Castle Pines, is a first-timer at the Denver camp. But he is already looking ahead, explaining he wants to “work with money” when he grows up.

“When you train puppies, it’s better to train them when they’re younger,” he noted. “It’s the same with people.”

Madison Grider, a 10-year-old camper from Centennial, Colo.,

aspires to attend Harvard University and medical school. That’s not going to come cheap. She said she has already started saving money for her tuition, and has learned how to write checks, exchange currencies and withdraw money from a savings account at camp.

“When you grow up you don’t have to learn it—you can just do it,” Madison said.

As parents see it, the immersion could mean a leg up for their children.

This capitalist training ground can be challenging. Two hours into the third day of camp, one child retreated to a corner of an empty room, crying while waiting for a counselor to call his mother. Counselors don’t necessarily have financial backgrounds; most have experience in youth programs or nonprofit work.

Jennifer Starr said her 8-year-old daughter, Brooke, wanted to go to camp after her older sister enjoyed attending a field trip with a similar itinerary.

Brooke said it was as much her mother’s idea as her own. “My mom sent me here to learn more about money and see what it’s like to be a grown-up,” said Brooke,

decked out in a soccer jersey and soccer-ball earrings.

As some parents see it, the weeklong immersion in business and finance could mean a leg up for their children over more-indulged peers.

“Spencer is only 9, but is interested in becoming an accountant and has always been interested in money concepts and

saving his own money. We want to foster that,” said Sara Smith, a senior vice president at a network of hospitals who drove her son through an hour of traffic so he could attend.

The Denver program’s curriculum sprang from the vision of the late Bill Daniels, a cable-TV pioneer who felt government interference could strangle business, according to the website for his philanthropic foundation. The camp aims to instill a love of free enterprise early in childhood, for \$235 a week. Representatives for the camp said its curriculum is nonpolitical.

Richard Martinez Jr., president and CEO of the center, said early on, his neighbors asked him why he was sending his children to “bank camp” when he put them in the program. But times have changed for current campers, he said.

“Especially today with everything going on around the world right now—talk of trade deals, immigration—it’s really playing out firsthand,” he said. “I see

they’ve learned about supply and demand today and ask them to tell me about that, and boy, they just go crazy.” He said he isn’t expecting every camper to become an investment banker, but it is important children learn about economics and personal finance early.

At the end of the week, campers ran a simulated town for a day, some filling out applications for positions at a post office, auto shop, bank and newspaper. They went to work at mock offices and shops, built using funds from corporate sponsors, emblazoned with logos including those of McDonald’s Corp., United Parcel Service Inc., Janus Henderson Investors, Cambiar Investors and Comcast Corp.

Some children are already dreaming of other careers.

Even Kash, who professed his affection for money, doesn’t see himself working on Wall Street or occupying a corner office. “When I grow up, I want to race cars!” he said.



U.S. NEWS

# GOP Health Push Takes Harder Turn

Focus is now on possible steps to take if Senate Republicans can't unite around bill

By **STEPHANIE ARMOUR**

A weeklong recess has only made Senate Republicans' path toward health legislation harder, with lawmakers returning to Washington facing at least one more defection and negotiations sputtering between conservatives and centrists.

In addition, a concession by Senate Majority Leader Mitch McConnell (R., Ky.) over the recess that lawmakers would have to act to stabilize health-insurance markets if GOP senators can't agree on legislation drew sniping from within his own party.

The recess, which GOP leaders hoped would spur Republican senators to coalesce around a bill to overturn much of the Affordable Care Act, instead saw lawmakers getting an earful from constituents and casting further doubts on the Republican plan. Sen. John Hoeven of North Dakota told a local newspaper that he doesn't support the current legislation, joining nine other members who had already come out against it.

Negotiations over changes to the bill to bring more Republicans on board have reached an apparent standoff. Conservatives, like Mike Lee of Utah, are insisting on a provision that would let insurers sell cheaper,

less-comprehensive plans. But centrists have signaled they would oppose such a measure, fearing it would erode protections for people with pre-existing health conditions.

The intraparty divide presents a tough obstacle for Mr. McConnell. Republicans initially aimed to get health legislation to President Donald Trump's desk by early April, according to a presentation by GOP leaders. Then a vote was planned for just before the recess, but Mr. McConnell, of Kentucky, was forced to postpone it.

Now a vote, if one occurs, would likely come in mid-to-late July, with Congress's August recess serving as the next deadline. If that fails, the legislative calendar would only get more difficult.

While the ACA funds expansions in health coverage with taxes on health industries and high-income households, the GOP bill does the reverse. It would repeal taxes and lower projected government spending toward Americans' health coverage while phasing out the ACA's Medicaid expansion and cutting Medicaid more broadly. It would reduce the ACA's tax credits for low-income consumers and would let states get waivers from some insurance regulations. It also would scale back ACA requirements imposed on employer-based health plans.

The most conservative senators say the bill doesn't go far enough toward repealing the ACA, while more centrist lawmakers such as Sen. Susan Collins of Maine worry it guts



The U.S. Capitol, shown above in late June, will be the focus of health-care maneuvering as lawmakers return from their recess.

too much of the current law and takes coverage from too many people. The legislation would leave 22 million more people uninsured in a decade compared with the ACA, according to the nonpartisan Congressional Budget Office.

As Republicans struggled to unite behind a bill, Mr. Trump said in late June that if they can't, they should pass a bill repealing the ACA, sometimes called Obamacare, and then work on a replacement. Mr. McConnell has shown little enthusiasm for that idea, and some Capitol Hill aides say Mr. Trump's suggestion has complicated the ability to get legislation passed.

The majority leader, who presides over a narrow 52-48

majority, can only afford to lose two GOP votes and still pass the bill, with Vice President Mike Pence breaking a potential 50-50 tie.

Conservatives responded sharply to Mr. McConnell's suggestion that Republicans, presumably working with Democrats, would have to pass a measure to stabilize the insurance markets if they couldn't agree on their own health bill. Such efforts could include continuing billions of dollars in payments to insurers to offset their costs for providing subsidies that lower out-of-pocket costs for low-income consumers. Mr. Trump has threatened to stop those payments.

"If the Republican Party wants to work with Democrats

to bail out Obamacare, the results will be catastrophic for the party," said Michael Needham, CEO of Heritage Action. "For seven years it has pledged it is the party of repeal, and now is the time to work toward that goal."

A recent proposal from Sen. Ted Cruz (R., Texas) has also provoked divisions. It would let insurers that sell plans complying with ACA regulations to also sell policies that don't.

Health analysts say that would likely cut premiums for younger, healthier people, who would buy more limited policies, while causing premiums to rise for people with pre-existing conditions who would buy the more comprehensive plans that comply with the ACA.

Conservative groups are insisting the Cruz proposal be a part of the Senate legislation. Mr. Cruz's plan has been sent to CBO, which is expected to provide an analysis of its financial and coverage impact as early as this week, according to a person familiar with the talks.

Mr. Cruz has said that providing additional choices would lower premiums for many, and that sicker people would still have options.

But Democrats said the plan would create a bifurcated system with insurance becoming increasingly expensive for older, less-healthy individuals. "This is nothing more than a two-track system for making Trumpcare even meaner," said Sen. Patty Murray (D., Wash.).

# McConnell Deploys Steely Reserve in Health Fight

By **SIOBHAN HUGHES**

LOUISVILLE, Ky.—President Donald Trump's ability to land his first major legislative achievement, on health care, now rests with a Republican who kept a studied distance from the party's nominee during the campaign and since: Senate Majority Leader Mitch McConnell.

The Kentuckian didn't campaign with the president and rarely mentioned him. Shortly before the 2016 election, Mr. McConnell told businesspeople in his state that if they expected him to talk about the presidential race, they "might as well go ahead and leave." Since the election, his most public engagement with the president has come in his admonitions to lay off Twitter.

Now, Mr. McConnell's role in steering legislation through the Senate that largely guts the Affordable Care Act will link the fortunes of both men. It will also determine whether Republicans are able to deliver on a seven-year-old campaign promise to repeal the law.

It is a bedeviling assignment, made harder after Mr. Trump recently suggested in a tweet they could repeal the 2010 health law and replace it later. The majority leader can lose only two Republican votes and still drive the GOP health bill through the Senate, and he has threatened to cut a final deal with Democrats if his caucus



Sen. Mitch McConnell is steering his party's contentious health-care legislation through the Senate.

doesn't get in line.

"No action is not an alternative," Mr. McConnell said at a Rotary Club lunch in Kentucky last week.

Few people are willing to write Mr. McConnell's threats off, given his credentials as a smart, tenacious strategist who hates losing.

"Never underestimate Mitch McConnell," Sen. Heidi Heitkamp (D., N.D.) said.

In his effort to assemble the votes to pass a bill before an August recess, Mr. McConnell, 75 years old, will rely

on skills he has honed since childhood, including keeping his cards close, using every tool to build a coalition and moving decisively when the moment is right.

The distance he has kept from Mr. Trump, whose approval rating is about 40%, reflects the way Mr. McConnell has sought political safety—and leaving his options open—by keeping his head down and his circle of confidants tight. The Kentucky senator is renowned for avoiding small talk with fellow lawmakers on long overseas flights by keeping his nose buried in history books. Some congressional aides refer to Mr. McConnell as "the lockbox."

Democrats and some Republicans complain that he is taking the same approach to writing a health-care bill, which featured no public hearings and no input from the other party.

"If you at least have open committee hearings and hear from both sides, I think that's better," said fellow Kentucky Republican Sen. Rand Paul in late June.

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"If you at least have open committee hearings and hear from both sides, I think that's better," said fellow Kentucky Republican Sen. Rand Paul in late June.

Mr. McConnell, who declined to be interviewed, operates on the assumption that sharing too much information can be damaging.

"Most campaigns err, he believes, by talking too freely with media about matters they should be keeping confidential, or under more calculated control," conservative lawyer John Dyche wrote in a book about the majority leader.

A son of a midlevel manager, Mr. McConnell has spent a lifetime studying the elements of power. He believes not in the power of personal relationships but in the power of political leverage—and a lightning-sharp willingness to dress down those who don't bend his way.

Mr. McConnell didn't hesitate to tell White House chief of staff Reince Priebus that it was "incredibly stupid" for a Trump-aligned group to run ads pressuring Sen. Dean Heller (R., Nev.) into backing the health bill, according to a GOP operative with knowledge of the conversation. The outside group pulled the advertisement.

Mr. McConnell is also willing to do a bit of horse trading to line up votes.

To advance the GOP health bill, Mr. McConnell has floated adding \$45 billion to the bill to combat opioid addiction and to expand health-savings accounts so that the tax-advantaged funds can be used to pay health-insurance premiums, according to outside groups and

Republican aides who have followed the negotiations.

That opioid provision is aimed at winning over Republican Sens. Rob Portman of Ohio and Shelley Moore Capito from West Virginia, whose states have been beset with drug overdoses, and conservatives like Sen. Ted Cruz of Texas, who has pushed the health-savings-account idea.

If he can package together an acceptable bill, Mr. McConnell is expected to push to get the legislation through as soon as possible.

When Mr. Trump earlier this year proposed that the Senate change its rules so that all legislation could pass with a simple majority, Mr. McConnell simply said "we're not going to do that." The president dropped the subject.

Mr. McConnell wrote in his book that he learned the lesson of good timing in grade school, when he watched little boys boxing and concluded that the one who stood his ground—and not the one who exhausted himself by throwing the most punches—won the fight.

"Being effective, and staying around for a while, requires a penchant for standing firm," Mr. McConnell wrote.

Now, Mr. McConnell is calculating that standing firm and forcing Senate Republicans to come to a consensus on a GOP health bill is a winning strategy.

—*Jim Oberman*  
contributed to this article.

# Crispr Patent-Holders Consider Joining Global Pool

Holders of key patents to the Crispr gene-editing technology are willing to join a world-wide joint patent pool—a development that medical and legal ex-

By **Amy Dockser**  
**Marcus, Joe Palazzolo**  
**and Jonathan D. Rockoff**

perts think could hasten the development of new human therapies.

The Broad Institute of MIT and Harvard, along with three other institutions that own Crispr-Cas9 patents—Harvard University, Massachusetts Institute of Technology and Rockefeller University—have submitted 22 patents for evaluation to the proposed pool, including patents involved in a dispute

over intellectual property rights to the technology.

The move comes amid growing concerns that the logjam over rights to Crispr technology may hinder breakthroughs in disease treatment.

Crispr is the defense system of bacteria and was adapted by scientists, using the protein known as Cas9, to edit genes in plants, animals and people.

Two main camps lay claim to key developments in the technology: One is the Broad Institute group, which was issued a patent in the U.S. for the Crispr-Cas9 technology for Cas9 gene editing. The other is a group led by the University of California, Berkeley, which is challenging the Broad patent in court and has been issued its own patents

for Crispr-Cas9 in other areas of the world, including Europe.

Forming a patent pool would allow researchers or companies around the world to obtain a one-stop license more efficiently. In patent pools, patent holders typically merge their assets together and voluntarily negotiate terms of the license, fees and how any royalties will be divided.

Pool members may also pay royalties to the pool if they need a license to commercialize products, depending on the terms of the agreement.

Kathleen Denis, associate vice president for the Office of Technology Transfer at Rockefeller University, said the university believes the patent pool "holds promise for simplifying

the process for scientists to obtain the appropriate licenses" for Crispr.

Rockefeller's decision to join the Broad in exploring a patent pool follows a separate clash between the two institutions over credit for Crispr. Ms. Denis

*Forming a patent pool could help simplify the licensing process for gene-editing technology.*

said Thursday that Rockefeller and Broad have agreed to settle their differences via an "informal dispute resolution process."

The proposal for a pool comes from a group called MPEG LA LLC, based in Denver

and Chevy Chase, Md. It operates licensing programs for a number of different technologies, primarily video.

In the uncertainty over resolution of the patent dispute, some companies have chosen sides, signing licensing deals

licensing, at MPEG LA.

Some companies and researchers are calling on the government to play a greater role in ensuring access to Crispr technology, whose discovery was funded by federal grants. Therapeutics based on the technology could home in on a gene defect, cut it out and, if necessary, replace it with other DNA, potentially revolutionizing the treatment of disease.

Although the patent dispute is unresolved, the main Crispr players have granted exclusive rights to spinoff companies formed by their own researchers to use Crispr in developing human therapies.

A spokesman for UC Berkeley didn't respond to requests for comment.



# LIFE & ARTS

FASHION WEEK

## Men Are Done With Trends

As fashion week gets underway in New York, a new consumer gravitates toward independent labels that specialize in classics

BY RAY A. SMITH

**AS THE FASHION** industry gets ready for men's fashion week in New York starting July 10, retailers and style arbiters are focusing on a new type of male customer: Call him post-trend.

After several years when many fashionable men impulsively chased popular runway fads, the industry is now recognizing a new breed of consumer who gravitates toward independent labels that specialize in classics, craftsmanship and quality.

"There was a time when guys didn't really want to talk about their clothes and then we got way past that," says Will Welch, the editor of the quarterly magazine *GQ Style*, and a proponent of the new look. The new consumer is "a guy who already knows a lot about fashion and has a pretty dialed-in personal style."

Mr. Welch and retailer Josh Peskowitz are two leading promoters of the post-trend aesthetic. Although they don't work together, their shared sensibility is having a major influence on the industry. Both have worked in the business for many years: Mr. Peskowitz is a former Bloomingdale's men's fashion director and co-founder of *Magasin*, an eclectic menswear boutique in Culver City, Calif. He has a large social media following with 16,300 Instagram followers.

Mr. Peskowitz likens the post-trend customer to the type of person who buys organic, farm-raised, fair-trade, or locally-sourced food. A consumer "who cares how their clothes are made and the meaning behind these clothes."

Such a consumer is interested in high-end Italian fashion brands, not only the usual suspects such as Gucci and Prada, but obscure ones like Massimo Piombo and Salvatore Piccolo. He's likely to visit a cool, niche specialty store like Noah in New York or RTH in West Hollywood, Calif., more than a Neiman Marcus or Saks Fifth Avenue.

Mr. Welch and Mr. Peskowitz have introduced many of their respective acolytes and customers to idiosyncratic brands, such as Needles of Japan and Massimo Alba of Italy.

"We wanted to have interesting stuff, one or two standard deviations away from normal," said Mr. Peskowitz about his store. *Magasin* carries independent, under-the-radar Italian and Japanese labels mixed with some pieces from indi-



The *GQ Style* staff are proponents of the post-trend fashion movement, above from left, Will Welch, Mobolaji Dawodu, Noah Johnson. Below left, Josh Peskowitz; runway looks from Dries Van Noten, Missoni and MP Massimo Piombo.

vidualistic designer labels like Dries Van Noten and Missoni.

Both men believe the men's fashion pendulum has swung too far to the extreme. Among the looks that went over the top: Guys who like the post business-casual mix of tailored blazers with hoodies or track pants; dandies who wear Italian or Savile Row-inspired suits with artfully-folded pocket squares; sneak-

supplies information to customers on everything from how garments are made to how much it costs to make and eschews trends.



PLAYLIST: CHRISTOPHER BROOKMYRE

## HIT OF THE HIGHLANDS

Christopher Brookmyre, 48, is an author and winner of the 2016 *McIlvanney Prize for Best Scottish Crime Novel of the Year*. His latest thriller is *"The Last Hack"* (Atlantic Monthly Press). He spoke with Marc Myers.



I first heard Big Country's **"IN A BIG COUNTRY"** in 1983, just after the song was released. I was 15 and reading in my parents' living room in Glasgow, Scotland, with "Top of the Pops" on TV. As soon as I heard Stuart Adamson's guitar evoking the sound of the bagpipes, my head snapped up.

At the time, everyone I knew was into the new romantics and synth-pop bands, which I found a bit vapid. I also detested the bagpipes, which sounded like a tour-

ist-shop notion of Scottishness. But Adamson's guitar captured the pipes in a way that was just Scottish enough.

His chords were reminiscent of a soaring Celtic folk song and awakened in me a sense of Scotland as a place both ancient and modern. Scotland's countryside has an epic landscape that inspires optimism and storytelling. The song lifted me up the same way.

"In a Big Country" is about hope and defiance: "Pull up your head off the floor, come up screaming / Cry out for everything you ever might have wanted."

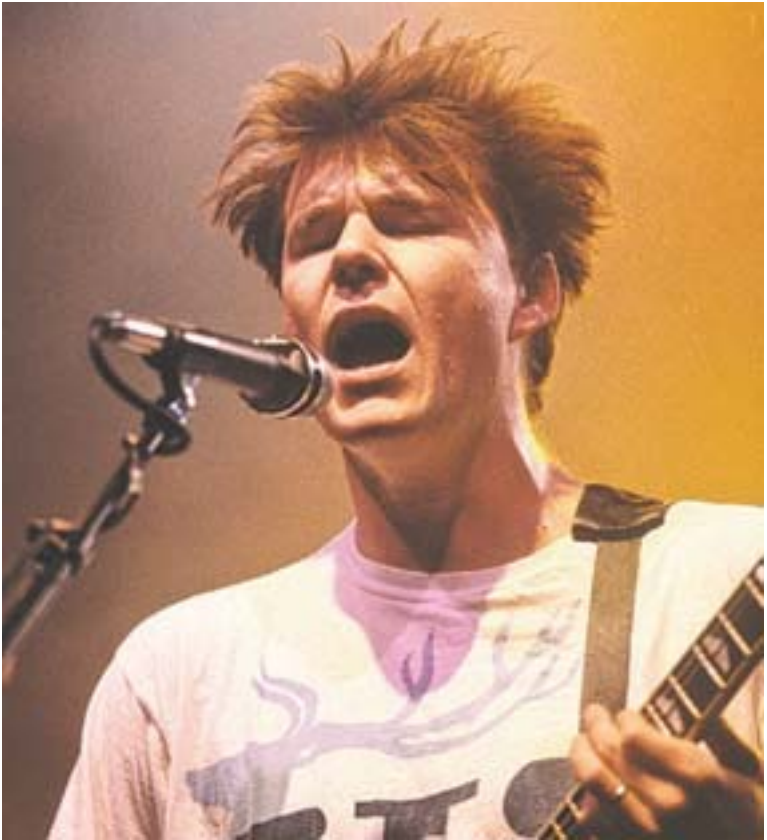
Two years later, when I was 17, I was at a Glasgow University orientation retreat, just before starting

my first year. I was helping to clean up after dinner when I made a silly joke and watched as a woman walked out of the room.

When I caught up with her later at the pub, it turned out she hadn't even heard me. We got to talking about music. The first band she mentioned was Big Country, and we talked about what "In a Big Country" meant to us. Marisa and I began dating, and we married in 1991.

Several years ago, we were on a drive up through Glencoe in the Scottish Highlands. The region offers some of the most beautiful, dramatic views of imposing, jagged mountains and dark streams, with the sun sliding in and out from behind the clouds.

As we drove along the winding roads, I put on "In a Big Country." Marisa and I looked at each other. It was an amazing feeling. There could be no better combination of Scottish song and landscape.



Big Country's Stuart Adamson around 1984.



LIFE & ARTS

**WEEKEND CONFIDENTIAL** | By Alexandra Wolfe

# On the Road With a Slew of Soundtrack Hits

**WHEN OSCAR-WINNING** composer Hans Zimmer stepped on stage last year, he almost ran right off again. He was performing in public for the first time in 40 years, and as he sat down at the piano to play the introductory song for “Driving Miss Daisy,” a 1989 film whose score he wrote, stage fright overwhelmed him. “I thought I should apologize to everyone and tell them that I made a terrible mistake,” he says. Sensing Mr. Zimmer’s anxiety, one of the musicians on stage accompanying him told him to smile. “You can’t quite retain the angst and all that Germanic-ness if you have a little bit of a smile on your face,” he says.

Mr. Zimmer, 59, has composed more than 100 original film scores, earning nine Academy Award nominations and one win for best music, original score for “The Lion King” (1994). Other films include the “Pirates of the Caribbean” and “The Dark Knight” series, “Gladiator” (2000) and “Interstellar” (2014). Now he’s about to embark on the U.S. leg of his show, “Hans Zimmer Live,” playing songs from his films. It kicks off in Dallas on July 13 and runs through mid-August.

“This is the opposite of my normal life, where I’m thinking about long, dramatic arcs” in movies, he says. On tour, he has to be in the moment. “If I even try to think 30 seconds ahead, I will play badly,” he says. “It’s quite a learning curve for me, actually.”

His goal when writing a score is to make both audiences and himself happy. The latter isn’t easy. “Nothing leaves my studio unless I’m happy with it,” he says. He quickly adds, “‘Happy’ is a big word. Let’s say ‘slightly less unhappy.’”

Mr. Zimmer started playing piano when he was a child in Frankfurt. His mother was a classical pianist, and his father, an engineer, died when he was young. Mr. Zimmer preferred composing his own music to learning to play others’ songs. As a teenager, he moved to London to play keyboard and synthesizers in a band. He went on to produce music for groups such as the Buggles, who released the 1979 hit song “Video Killed the Radio Star.”

He took up film composing in the early 1980s because he thought that staying in a band would confine him to making the same kind of music. In London, he began apprenticing for the composer Stanley Myers, whose scores featured in films such as “The Deer Hunter” (1978) and “My Beautiful Laundrette” (1985).

Mr. Zimmer was soon working on his own. He got his first Oscar nomination for the 1988 Dustin Hoffman-Tom Cruise film “Rain Man.” After working on the movie in Los Angeles, he decided to stay there. As he says, “I sort of got



**Hans Zimmer, a composer with nine Academy Award nominations, is touring the U.S. with a full orchestra in July and August.**

PAL HANSEN FOR THE WALL STREET JOURNAL

stuck.”

When developing a score, Mr. Zimmer begins by asking the director to tell him the story of the movie. “A good director is by nature a great storyteller,” he says. “I actually get far more than I would get from the script.” When he started to work on “Interstellar,” director Christopher Nolan didn’t tell him the story; instead, Mr. Nolan gave him a page-long fable about what it meant to be a father. Mr. Zimmer came up with a fragile, intimate tune based on the fable and was surprised when he found out that the movie was an epic space odyssey (though it did have two narratives about father-daughter relationships).

On any movie, Mr. Zimmer’s goal is to add to the story: “Your job is

to invent, and your job is not to be a slave to the movie but to elevate it somehow and bring your own personality into it.”

He says that he has an easier time expressing himself in music than in English or even in his native German. When he records a score, he often works with musicians from other countries. He remembers working with one musician on “Gladiator” who barely spoke English. “I think the most conversation we ever had was ‘hello,’ ‘good night,’ and a raised eyebrow when you played the wrong note,” he says with a laugh.

Mr. Zimmer lives in Los Angeles with his second wife, Suzanne. They have three teenage children together, and he has a 29-year-old daughter from a previous marriage.

He spends most days in his studio in Santa Monica. “I force myself to sit on my hands and not touch the keyboard until I have actually an idea in my head, because otherwise it’s just muscle memory,” he says. “I’m just playing stuff from the last movie.”

He’s in his studio on weekends, too. “Weekends for me are the most perfect time because nobody phones and you can get more writing done,” he says. He sometimes sees friends. “They put up with [the fact] that we start a thought three years...before we get to finish it because I got sidetracked into a piece of music,” he says.

He generally doesn’t listen to other music. “It just sort of confuses me because when you’re writing, you’re trying to sneak up on an idea, and they have a habit

of being elusive and disappearing too quickly,” he says. “You want as much silence around you as possible.”

One of his next scores will appear in “Dunkirk,” a World War II thriller directed by Mr. Nolan that will be released later this month. The score, he says, is based on long conversations that he had with the director. “I usually start hearing musical ideas in my head while he discusses his story with me,” he says.

He is driven by his love of coming up with sounds and melodies. “Deadlines are great motivators,” he says, but what really excites him is the point when a tune suddenly comes to him and he starts seeing one note after another in his head. “That moment is so delicious that nothing can quite beat it.”

**EXHIBITION REVIEW**

## AN ODE TO THE QUEEN OF MISCHIEF

BY EDWARD ROTHSTEIN

*New York*

**GROUCHO MARX**, who knew something about anarchic comedy, once said he was glad he was not Eloise’s father, which is fine, because in Kay Thompson’s “Eloise” (1955), with illustrations by Hilary Knight, no father is mentioned. Even the 30-year-old mother, who has a charge account at Bergdorf’s, never appears, having zero interest in her 6-year-old daughter, whom she has deposited at the Plaza Hotel with an English nanny.

It isn’t the most promising background for a heroine who has charmed readers for over 60 years, selling more than two million books. Nor does Eloise provide much of a behavioral model. She bangs on walls, harasses guests and staff, and boasts of being a nuisance. But she has immunity: Her mother, she tells us, knows the “Owner.”

Yet, somehow, this spoiled, self-created, self-celebrating child works her charms. And now that she has taken over galleries of the New-York Historical Society in “Eloise at the Museum,” under the guidance of curator Jane Bayard Curley, we begin to understand this book’s place in American culture.

The designers have imported Mr. Knight’s deft illustrative style. Old hotel phones here offer Bernadette Peters reciting excerpts from “Eloise” and lesser-known sequels—“Eloise in Paris” (1957), “El-

oise at Christmastime” (1958) and “Eloise in Moscow” (1959). One gallery includes a life-size replica of the Plaza’s elevator man worriedly looking as if a crew of Eloise wannabes is about to invade.

A reading area is stocked with Eloise books and others Mr. Knight illustrated, along with Eloisian artifacts: a one-eyed doll that she sawed in two and an empty bottle of gin. Mr. Knight’s trial drawings of Eloise suggest her knowing smile and overactive imagination in a half-dozen pencil strokes. He was born in New York to equally talented parents: His mother, Katherine Sturges Knight, displays a “vibrant decorative sensibility”; his father, Clayton Knight, specialized in aviation art.

We see too, how close Eloise is to Ms. Thompson, who is called here “a multi-talented boundary pusher.” A piano prodigy who performed with the St. Louis Symphony, she became mentor to Judy Garland, and was vocal coach to both Lena Horne and Frank Sinatra. She had five nose jobs and (not unjustly) still thought she looked like Basil Rathbone. In the early 1950s she was the highest paid cabaret singer around. She appeared in “Funny Face” (1957)—a clip is shown here.

Eloise was part of her personality. Through much of her own self-created life—she was born Catherine Fink to a Jewish pawnbroker in St. Louis in 1909—she regularly channeled the voice of that 6-year-old when she wanted to break



KAY THOMPSON COLLECTION OF HILARY KNIGHT

**Painting of ‘Eloise’ (1956), by Hilary Knight**

down opposition. When “Eloise” was adapted for television in 1956, Ms. Thompson resented the child actress and insisted on being her dubbed-in voice—a grotesque arrangement ultimately discarded.

One attraction here is Mr. Knight’s 1956 painting of Eloise, mounted at the Plaza Hotel until, in 1960, it vanished; it turned up two

years later, in a dumpster and was restored for this show. Thompson’s biographer, Sam Irvin, suggests it was all a stunt cooked up by Thompson, getting Eloise into the news as Dr. Seuss books and Barbie dolls were eclipsing her.

Thompson’s petulance is as clear as her gifts. Mr. Knight was not permitted to re-create images until

after Thompson’s death in 1998. (She also pulled the three sequels out of circulation and never completed the fourth, published posthumously as “Eloise Takes a Bawth.”) Such are Eloise’s progenitors.

Ms. Thompson must have also been aware of at least one other: Ludwig Bemelmans’s “Madeline” (1939), the subject of another show curated by Ms. Curley in 2014. Both books led to sequels; both inspired merchandising (this exhibition ends in a gift shop); and both celebrated girls who would never consent to walking in two straight lines, in rain or shine. Bemelmans, like Thompson, was also enticed by hotels—designing for the Waldorf-Astoria, creating murals for the Carlyle Hotel.

In writing “Madeline” a German-born American immigrant chose an Old World setting for his tales of iconoclastic mischief; in creating “Eloise,” a St. Louis-born lower-class child, later an emigrant into the upper-class social world, gives us a French chateau-like setting also ripe for disruption. Eloise calls herself a “city child,” but what we see is the American child rebelling against the Old World: self-created, self-governed—ready for encounters with cats in hats and Sendakian wild things. Eloise celebrates autonomy, now often given a feminist twist—one reason, perhaps, why Lena Dunham has Eloise tattooed on the small of her back.

Those who grew up with Eloise at large, or those who live in a world she helped shape, should—to use her favorite words—sklank, slomp, skitter, skibble and scurry to see this show.

**Eloise at the Museum**

New-York Historical Society, through Oct. 9

*Mr. Rothstein is the Journal’s Critic at Large.*



OPINION

REVIEW & OUTLOOK

Trump’s Defining Speech

The White House description of Donald Trump’s speech Thursday in Warsaw was simply, “Remarks by President Trump to the People of Poland.” In truth, Mr. Trump’s remarks were directed at the people of the world. Six months into his first term of office, Mr. Trump finally offered the core of what could become a governing philosophy. It is a determined and affirmative defense of the Western tradition.

To be sure, Mr. Trump’s speech also contained several pointed and welcome foreign-policy statements. He assured Poland it would not be held hostage to a single supplier of energy, meaning Russia. He exhorted Russia to stop destabilizing Ukraine “and elsewhere,” to stop supporting Syria and Iran and “instead join the community of responsible nations.” He explicitly committed to NATO’s Article 5 on mutual defense.

But—and this shocked Washington—the speech aimed higher. Like the best presidential speeches, it contained affirmations of ideas and principles and related them to the current political moment. “Americans, Poles and the nations of Europe value individual freedom and sovereignty,” he said. This was more than a speech, though. It was an argument. One might even call it an apologia for the West.

Mr. Trump built his argument out of Poland’s place in the history of the West, both as a source of its culture—Chopin, Copernicus—and as a physical and spiritual battlefield, especially during World War II. The word Mr. Trump came back to repeatedly to define this experience was “threat.”

During and after the war, Poland survived threats to its existence from Nazi Germany and the Soviet Union. Mr. Trump believes that the West today confronts threats of a different sort, threats both physical and cultural. “This continent,” said Mr. Trump, “no longer confronts the specter of communism. But today we’re in the West, and we have to say there are dire threats to our security and to our way of life.”

He identified the most immediate security threat as an “oppressive ideology.” He was talking about radical Islam, but it is worth noting that he never mentioned radical Islam or Islamic State. Instead, he described the recent

commitment by Saudi Arabia and other Muslim nations to combat an ideological menace that threatens the world with terrorism. He compared this idea of mutual defense to the alliance of free nations that defeated Nazism and communism.

But the speech’s most provocative argument was about our way of life. It came when he described how a million Poles stood with Pope John Paul II in Victory Square in 1979 to resist Soviet rule by chanting, “We want God!” “With that powerful declaration of who you are,” Mr. Trump said, “you came to understand what to do and how to live.”

This is a warning to the West and a call to action. By remembering the Poles’ invocation of God, Mr. Trump is clearly aligning himself with the same warning issued to Europe some years ago by Cardinal Joseph Ratzinger, who became Pope Benedict.

Cardinal Ratzinger’s argument was that Europe needed to recognize that its turn toward aggressive secularism posed a real threat to its survival. In Mr. Trump’s formulation of that threat, we are obliged to “confront forces, whether they come from inside or out, from the South or the East, that threaten over time to undermine these values and to erase the bonds of culture, faith and tradition that make us who we are.” He warned about a “lack of pride and confidence in our values.”

Mr. Trump is taking a clear stand against the kind of gauzy globalism and vague multiculturalism represented by the worldview of, say, Barack Obama and most contemporary Western intellectuals, who are willing, even eager, to concede the argument to critics of the West’s traditions.

This is the speech Mr. Trump should have given to introduce himself to the world at his Inauguration. In place of that speech’s resentments, his Warsaw talk offered a better form of nationalism. It is a nationalism rooted in values and beliefs—the rule of law, freedom of expression, religious faith and freedom from oppressive government—that let Europe and then America rise to prominence. This, Mr. Trump is saying, is worth whatever it takes to preserve and protect.

It was an important and, we hope, a defining speech—for the Trump Presidency and for Donald Trump himself.

discover areas of possible “cooperation.” In Mr. Putin’s world, such a meeting has one purpose: to discover if he will be able to press Russian interests forward without significant pushback from the U.S. President. Mr. Putin concluded that Barack Obama would pose minimal resistance, and so he seized Crimea, invaded eastern Ukraine and adopted Syria’s Bashar Assad. He’s still in all three places.

We can’t guess what Mr. Putin made of Donald Trump. Secretary of State Rex Tillerson said Mr. Trump pressed Mr. Putin on Russia’s efforts to disrupt the U.S. presidential election, which was encouraging. Mr. Putin denied any meddling and said Mr. Trump accepted that denial. The failure of Messrs. Trump or Tillerson to push back publicly against that Russian claim of acquiescence is discouraging.

On Sunday Mr. Trump tweeted that he and Mr. Putin discussed “forming an impenetrable Cyber Security unit” to prevent “election hacking” and other “negative things,” but that puts too much trust in the former KGB man. Mr. Putin is a hard man who responds only to hard incentives, and Mr. Trump will get better results than his predecessors only if he makes the Russian pay a price for his hostile actions in Syria, Ukraine and elsewhere.

It may be that the experts the British and European courts invoke are right that even with treatment Charlie won’t live much longer than he might with new interventions. But it’s not their decision to make. Or shouldn’t be.

Charlie’s mother says the hospital won’t allow her and her husband to bring their boy home, meaning that if he is to die, it will be with the hospital and not at home with those who love him. Which raises a question: Whose baby is Charlie, anyway—his parents’ or the state’s? In this delicate case, Britain’s government national health-care system has elevated technical expertise over parental love.

Europe is much further along than America in its aggressive secularization and single-payer health-care control. Those values and priorities are on prominent display here, with an infant’s court-ordered guardian invoking “quality of life” as a reason for not allowing his parents to try experimental treatment.

Precedents matter when a society is confronted with these dilemmas. If the courts prevail in Charlie’s case, it isn’t so difficult to imagine another court ruling that a child with severe Down syndrome or some other genetic disease also doesn’t have the right quality of life. Who decides? Our vote remains with the parents.

In Poland, he asks the West to defend its values of faith and freedom.

We’ll learn what Putin thinks of Trump by what he tries to get away with.

Why should technical expertise be elevated over parental love?

When Donald Met Vlad

By the time President Trump sat down in Hamburg, Germany, with Russia’s Vladimir Putin, the media hype had built the meeting into virtually the second coming of the Reykjavik Summit. The agreement that fell out of the Hamburg bilateral was the announcement of a cease-fire in southwestern Syria.

Any cessation of hostilities in Syria is welcome, and we can hope it will become the basis for similar agreements on the country’s more complex northern war fronts. But that would require Mr. Putin to abandon his grand strategy for re-establishing Russian influence across the Middle East, in partnership with Iran and Syria. That would take a real summit and more planning than went into the Hamburg sit-down.

Messrs. Trump and Putin brought only their foreign ministers into the meeting, suggesting that the primary goal here was to take each other’s measure. Both men famously pride themselves in their ability to size up adversaries—Mr. Trump as a negotiator of real-estate deals and Mr. Putin as a former KGB recruiter of foreign agents.

The American and Russian sides also bring distinctly different intentions into meetings like this one. For the American side, prodded by an insistent media narrative, the goal is to

Saving Charlie Gard

Charlie Gard, an 11-month-old British child with a rare genetic disease, is today the most famous baby in the world. For all the wrong reasons.

Even as he remains on life support at a British hospital, he has attracted the attention of the President of the United States, the pope, the British courts and the European Court of Human Rights. All because his government has backed medical experts who say the experimental treatment offered by hospitals abroad—treatments his family hopes to try and is willing to pay for themselves—would only prolong his suffering.

On Friday came news that the hospital asked for a new court hearing after researchers at two hospitals abroad offered “fresh evidence” on experimental treatments for the baby’s condition. Over the weekend, New York-Presbyterian Hospital and Columbia University Irving Medical Center said they’re willing to treat Charlie.

U.S. Congressmen Brad Wenstrup and Trent Franks announced plans to introduce a bill to give Charlie U.S. residency to facilitate his travel for treatment. Their statement said, “Should this little boy be to be ordered to die—because a third party, overriding the wishes of his parents, believes it can conclusively determine that immediate death is what is best for him?”

Volvo Discovers the Electric-Vehicle Hype



BUSINESS WORLD  
By Holman W. Jenkins, Jr.

Times declared Volvo “the first mainstream automaker to sound the death knell of the internal combustion engine.”

Well, not exactly. By 2019, Volvo said all its cars would be hybrids or gas-electric hybrids or “mild” gas-electric hybrids—i.e., most will continue to have internal combustion engines.

“This announcement marks the end of the *solely* combustion engine-powered car,” is how Volvo chief executive Håkan Samuelsson actually put it (emphasis added).

Volvo, unlike just about every major car maker, doesn’t even have an electric car in the market today. Its big winner is a luxury SUV, a gasoline-powered vehicle whose top-of-the-line model is further enhanced, yes, by a supplemental electric drive.

The hybrid version of the XC90 comes with a \$75,000 price tag: A customer who wants a hybrid is also presumed to want the 19-speaker, 1,400-watt sound system, the self-parking package and every other option Volvo can stuff into a \$75,000 SUV.

Therein lies the real point. Volvo’s announcement signals nothing about the electric-car future and everything about Volvo’s niche marketing.

Not even Volvo could have expected the bounty of free media it won last week. The Swedish company clearly left more impression on American psyches than it ever did on American pocketbooks. In its best years in the 1980s and the mid-2000s, it never broke 0.8% of the U.S. market.

Its brand image as a virtuous innovator survives from the day when it heavily promoted Volvo safety. But Volvo-like safety has long since become the price of admission in the car business, so Volvo has been deliberately rebranding its niche—and its ambitions are entirely wrapped up in being a niche player—as a technology icon.

“It is not just bundling a lot of technology together to have a lot of gadgets in the car. It is important to deliver smart functionality and connectivity,” Mr. Samuelsson explained back in 2014.

Something else is also going on. Volvo is still run out of Sweden. Its chief is Swedish. But the Volvo car business has been owned by China’s Geely since 2010.

Volvo’s biggest market now is China. Starting in 18 months, China’s auto makers will be subject to an increasingly onerous California-style “zero-emission vehicle” mandate.

In fact, only through the intervention of Angela Merkel, the German

If your mother says she loves you, check it out. The most popular article on the Journal’s website on Wednesday was headlined “Volvo to Switch to Electric, in First for Major Auto Firm.” On its front page the next morning, the New York

leader who knows a thing or two about green excess, was the timeline delayed from 2018. Companies will have to build and sell electric cars in growing numbers (starting with 8% of total output) in order to be free to sell the vehicles Chinese customers are most likely to buy.

To repeat a sore point, if the goal is to reduce greenhouse gases, passenger cars aren’t the place to aim. Electricity production is.

China’s real goal here is to reduce its strategic vulnerability to imported oil. By mandating a switch to electric cars, it’s essentially mandating a switch to a domestic fuel in plentiful supply, coal. An eager convert is the city of Taiyuan, capital of China’s coal belt, which enacted a rule requiring local taxis to be all-electric by 2021.

The Swedish car maker isn’t giving up on gasoline. It’s redefining its niche.

As part of declaring its energy independence, especially its independence from the U.S. Navy, guardian of the Middle East oil routes, China also is seeking to capture world leadership in lithium-ion technology. Its electric-vehicle mandate includes a requirement that manufacturers use only locally made batteries.

This is the China, by the way, that the media has been trying to turn into the world’s conscience on global warming since Donald Trump removed the U.S. from the Paris climate agreement.

OK, China’s government can do pretty much as it wants. It can order domestic car makers, protected by a 25% import tariff, to make and sell electric cars using local batteries, likely at a loss. But even Beijing has run into political, i.e., democratic, opposition to piling on a European-style gas tax. After several attempts at raising it, gasoline remains a middle-of-the-road \$4 a gallon.

France’s new president called last week for a ban on new petrol-fueled cars by 2040. Good luck with that, even in a country where taxes make gasoline \$6.50 a gallon. In the U.S., Tesla, whose stock price has been plummeting in recent days, will be delivering its new Model 3 at a time of \$2.24 gas, amid a complex thicket of pro-electric-car mandates that end up doing Tesla as much harm as good.

Not even China, by central command, will be able to make mass adoption of electric cars economically viable, at least not without resort to massive mandates, subsidies and other distortions that bring their own problems.

None of which is a problem for Volvo. Volvo isn’t anticipating mass adoption of electric cars. Volvo is anticipating only that its affluent audience will associate Volvo with whatever is cool and cutting-edge in automotive technology at the moment.

My Doctors Should Help Me Live, Not Die

By J.J. Hanson

Aggressive brain cancer is trying to end my life. The best doctors in the world are racing to find a cure. Meanwhile, legislation promoting assisted suicide all over America would dismantle essential protections and care on which I, and so many others, depend as we fight terminal illnesses. Bills that would legalize or expand assisted suicide have been introduced in 29 states.

Three years ago, I was living the American dream. I was happily married, our son had just turned 1, and I had a job I loved. My life changed in an instant. I had a grand mal seizure at work and went to the hospital. Doctors ran tests, including a CT scan, but couldn’t find anything wrong. As they were preparing to send me home, my wife demanded an MRI.

That’s when they found the cancer—grade 4 glioblastoma multiforme. The neurosurgeon told me it was inoperable; my prognosis was four months to live. Three doctors told me there was nothing they could do. Surgery, chemotherapy and radiation rarely work on this type of brain cancer.

I’m a U.S. Marine Corps veteran of Iraq. I’ve been through a lot in my life and always resolved never to give up, but there was a moment after my diagnosis when I felt despair. In that moment, had assisted suicide been an option, I might have taken it. With my family’s support, I came through that depression. But not everyone is lucky enough to have that kind of support.

So despite the doctors’ pessimistic prognosis, I pursued standard and experimental treatments. I knew doctors weren’t always right and I was

going to fight for every moment of life I had left. That was three years ago. Today our second child is on the way.

Sadly, too many others—thrown into clinical depression by a grim prognosis, illness-induced disability or fears of being a burden—lose hope and become willing to take their own lives. A study conducted in Oregon in

Assisted suicide and the temptation of despair.

2006 found 25% of patients requesting assisted suicide were depressed, and several of them went on to receive the lethal medication.

Legislation being pushed throughout the U.S. promotes assisted suicide for cases like mine. Instead of providing support and working to make life more comfortable, this legislation would encourage victims to choose the least-expensive option—death. We cannot trust insurance companies, which are profit-driven businesses, to continue offering quality care to terminally ill patients. They will choose the cheaper option every time.

I’ve seen the danger of assisted suicide, and that is what moved me to dedicate the past year and a half to fighting assisted-suicide legislation across the country with the Patients Rights Action Fund. If suicide becomes a normal medical treatment for terminally ill patients, lives will be tragically shortened, as patients who might have outlived their prognoses by months or even years kill themselves prematurely.

Mr. Hanson is president of the Patients Rights Action Fund.



OPINION

# A Pope and a President in Poland



## DECLARATIONS

By Peggy Noonan

The greatest speeches given in Poland in the modern era were delivered in June 1979 by a pope. Ten months into his papacy, John Paul II sweetly asked the government of Poland for permission to journey home from Rome to visit his people. Europe was divided between the politically free and the unfree, on one side the democracies of Western Europe, on the other the communist bloc. Poland had been under the Soviet yoke since the end of World War II.

## In a good Warsaw speech, Trump invokes one of Pope John Paul II's great 1979 orations.

John Paul knew his people: They didn't want dictatorship, and a primary means of resistance was through their faith. Every time you took communion it was a rebellion, a way of reminding yourself and others that you answered to a higher authority. The Catholic Church of Poland survived precariously, within limits, under constant pressure, as John Paul well knew, having been a cardinal in Krakow for 11 years. What would happen when the first Polish pope went home? If Warsaw refused his request it would be an admission of weakness: They feared his power to rouse and awaken the people. But if they invited him they risked rebellion, which would bring on a Soviet crackdown and could bring in Soviet troops.

They chose to invite him, calculating that as a sophisticated man he would, knowing the stakes, play it cool. He happily accepted their terms: It would be a religious pilgrimage, not a political event.

The Polish government did everything it could to keep crowds down. Parade routes were kept secret or changed. State media would censor word of what was said and done. Grade-school teachers told pupils he was a wicked man in gold robes, an enemy of the state.

And so it began. On June 2, in Victory Square in the Old City of Warsaw, John Paul celebrated Mass. Halfway through, the crowd began to chant: "We want God! We want God!" He asked: What was the greatest work of God? Man. Who redeemed man? Christ. Therefore, he declared, "Christ cannot be kept out of the history of man in any part of the globe, at any longitude or latitude. . . . The exclusion of Christ from the history of man is an act against man."

Even those who oppose Christ, he said, still inescapably live within the Christian context of history. And Christ isn't only the past for Poland, He is also the future, "our Polish future."

The chant turned to thunder: "We want God!"

John Paul was speaking not only to the faithful but to the rulers and apparatchiks of an atheist state. He didn't explicitly challenge them. He spoke only of spiritual matters. And yet he was telling the government that Poland is the faith and the faith is Poland, and there is nothing communism can ever do to change that.

More, he was saying: God is real. And God sees one unity of Europe. He doesn't see "East" and "West," divided by a wall or a gash in the soil. In this way, as I once wrote, he divided the dividers from God's view of history.

The next day he spoke outside the cathedral in the small city of Gniezno. Again, he struck only spiritual



Pope John Paul in 1979 and President Trump Thursday.



GETTY IMAGES (2)

themes—nothing about governments, unions, fights for political freedom. "Does not Christ want, does not the Holy Spirit demand, that the pope, himself a Pole, the pope, himself a Slav, here and now should bring out into the open the spiritual unity of Christian Europe. . . ."

Oh yes, he said, Christ wants that. At both events he was telling Poles that they should see their position differently. Don't see Europe divided between free and unfree, see the wholeness that even communism can't take away. The map makers think they're in charge. We know who's really in charge.

At the end of the trip, at Krakow's Blonie Field, a muddy expanse just beyond the city, there was again a public mass. The government refused to publicize it but word spread. Two million people came, the biggest gathering in the history of Poland.

It is possible, John Paul said, to dismiss Christ and all he's brought into the history of man. Human beings are free and can say no. But should they say no to the one "with whom we have all lived for 1,000 years? He who formed the basis of

our identity and has himself remained its basis ever since?" He was telling the communist usurpers: You'll never win.

He extended his hands in an apostolic gesture. "I speak for Christ himself: 'Receive the Holy Spirit,'" he said. "I speak again for St. Paul: 'Do not grieve the spirit of God.'"

He urged Poles: "Be strong, my brothers and sisters! You must be strong with the strength that faith gives."

It sounded like he was telling them to be strong in their resistance to communism.

"Today more than in any other age you need this strength." Love, he said, is stronger than death. Seek spiritual power where "countless generations of our fathers and mothers have found it."

This was a reassertion of the Polish spirit, and those who were there went home seeing themselves differently—not as victims of history but as fighters within a new and promising reality. At home they turned on state-run television, which didn't show the crowds and the chants but only a few words by the pope, and a few pictures.

# Big U.S. Foundations Double Down on Government Mistakes

By James Piereson  
And Naomi Schaefer Riley

The Ford Foundation is putting its money where its mouth is. That seems to be the message from its president, Darren Walker, and his colleagues. Ford, the third-largest foundation in the U.S., recently announced that over the next 10 years it will put \$1 billion of its \$12 billion endowment into "mission-related investments."

Until recently, foundations generally invested the way everyone else did—to get the most bang for the buck. The difference was that foundations sought returns so as to have more money to give away.

But now nonprofit leaders such as Clara Miller of the F.B. Heron Foundation have decided to go instead for social-impact investing, with the goal of generating a social or environmental effect alongside a financial return. "If we were just doing good work for a limited number of people, we would never eliminate poverty," Ms. Miller told Crain's last month. "We wanted to be influential beyond our own giving. We wanted to get others into this mindset."

Yet mission-based investing also can create serious distortions in the market. For foundations such as Ford, whose mission has long been entangled with encouraging more federal spending on a variety of programs, the potential for harm is significant.

Fifteen years ago, for example, the foundation invested \$2 million in the Bay Area Equity Fund, a backer of the electric-car company Tesla, according to a recent article in the Chronicle of Philanthropy. "The foundation declined to provide details," the article continues, "but estimates suggest the fund's value grew 24 percent, while its investment in Tesla alone increased more than tenfold."

What's odd about this is that Tesla is still not selling cars at a profit, but it has received billions of dollars in state and federal subsidies, as well as payments from other car companies buying "zero-emissions vehicle" credits. The Ford Foundatin has reaped its returns in part thanks to subsidies and regulations.

Both politicians and the Ford Foundation are picking winners and losers—favoring what they see as more environmentally sound cars

over traditional ones. Generous government subsidies also create distortions within the electric-vehicle market itself.

As Adam Andrzejewski of Open-TheBooks.com notes, Zero Motorcycles has received millions in credit from the Export-Import Bank, subsidi-

## The trouble with 'mission-related investments' is who gets to define the mission.

dies from the state of California and even grants from the city of Santa Cruz. It could hardly have been a surprise when Zero's biggest competitors, Brammo and Mission Motorcycles, exited the business in 2015.

If the subsidies go away at some point, Ford may lose a significant chunk of money—a risk it has presumably decided is worth taking. But the foundation is also putting its pretty big thumb on the scale.

Traditionally, foundations were supposed to be independent—needing to worry about neither financial

returns nor voters' demands. But these days it seems philanthropic money simply follows government money.

The Rockefeller Foundation is investing part of its endowment to launch a clean Energy Investment Trust that will "support institutional investments into renewable energy." In other words, it will pour money into solar and wind power, where government is already deeply involved.

Similarly, Ford has announced it will invest in affordable housing in the U.S. This is an area where government regulations and subsidies have already distorted the market significantly, creating shortages in cities and constructing public housing with terrible living conditions.

Nonprofits often see government as leading private investment. A post earlier this year on the blog Broadway Journal explained that when a theater receives a grant from the National Endowment for the Arts, it "confers a stamp of approval for a project, which is appealing to other donors."

But it's not as if government gets out of the way once private money

starts flowing. Many nonprofits take taxpayer money even when they don't need it. As of June 2016, New York's Metropolitan Museum of Art had \$3.82 billion in total assets and annual revenue and support of \$379 million. But last year it got a \$50,000 NEA grant for its "Age of Empires" exhibit.

One problem with public-private partnerships is that the private partner often ends up covering the public partner's mistakes. So much of foundation giving these days seems aimed at trying to fix public institutions. Yet this money—hundreds of millions of dollars for large public-school systems, affordable housing or AmeriCorps and the World Bank—seems simply to fall into the abyss.

With mission-driven investing the opportunities for private philanthropy to follow government will only grow, leaving foundations like Ford, more than ever, throwing good money after bad.

*Mr. Piereson is president of the William E. Simon Foundation. Ms. Riley is a senior fellow at the Independent Women's Forum.*

# Another Shareholder Proposal? McDonald's Deserves a Break Today

By James R. Copland

When McDonald's stockholders gathered for the company's annual meeting in May, they had to vote on seven shareholder proposals. Among these were a proposal against the company's use of antibiotics in its meat supply, brought by the Benedictine Sisters of Boerne, Texas; and one by the nonprofit Holy Land Principles, which wanted the company to modify its employment practices in Israel.

The Boerne Sisters own 52 McDonald's shares. The Holy Land group owns 47. None of this year's

sponsoring shareholders owned more than 0.0001% of the company's stock.

All seven proposals failed. Four were opposed by more than 90% of shareholders. Still, all but two of the proposals could be introduced on McDonald's proxy ballots next year. Holy Land Principles introduced the same anti-Israel proposal in 2016, and almost 97% of shareholders voted against it.

The U.S. Securities and Exchange Commission has long enabled small shareholders to pursue such agendas. Under current SEC rules, any shareholder in a publicly traded corporation that has held at least \$2,000 in stock for at least a year may place a

proposal on the company's proxy ballot. A shareholder can introduce the same proposal year after year, even when 90% of all voting shareholders consistently oppose it.

Such permissive rules come at a cost. According to an SEC survey, it costs more than \$100,000 merely to respond to a shareholder proposal and include it on the ballot. The far greater cost comes from the distractions such proposals create for directors and senior executives, as well as the risk that companies will change their policies under pressure.

McDonald's is unlikely to change its food-supply practices based on a few nuns' activism, but in many cases boards have capitulated even when most shareholders rejected a proposal. Since the start of 2006, the 250 largest publicly traded companies in America, tracked in the Manhattan Institute's Proxy Monitor database, have faced 515 proposals to change how they disclose or engage in political activity and lobbying. Only one of these received majority shareholder support over board opposition. But the Center for Political Accountability, the group leading the shareholder-proposal push, claims 305 companies have changed their approach to politics as a result of its efforts.

Shareholder-proposal activism can hurt other stockholders. A 2015 Manhattan Institute study by Tracie Woidtke of the University of Tennessee found that social-investing activism on the part of public pension funds was significantly associated with lower share values—costing shareholders hundreds of billions of dollars in total.

This could all change if U.S. Congress enacts the Financial Choice Act 2.0. Principally an overhaul of the 2010 Dodd-Frank financial legislation, the 602-page bill, which the House passed last month, would also

## Such ballots can be useful, but not when gadflies push the same unpopular agendas year after year.

make it harder to resubmit failed shareholder proposals. Although a proposal could be resubmitted if only 6% of voting shareholders support it in its first year, that threshold would rise to 30% of voting shareholders by its third year.

The reform is modest. Historically, the 30% threshold would exclude only about one-third of all resubmitted shareholder proposals. Still, the new rule would prevent activists pushing agendas with minuscule shareholder support from co-opting corporate annual meetings year after year.

The Choice Act's approach to shareholder ownership is more sweeping and more controversial. The legislation would eliminate the \$2,000 ownership threshold and require shareholders to own 1% of the company's stock to introduce a shareholder proposal. In addition, the shareholder would need to have held the stock for three years, not just one.

For most companies, the new ownership rule makes sense, but as the

legislation proceeds, legislators may wish to lower the threshold for larger corporations, for which a 1% threshold would preclude all but the largest investors from submitting proposals. In a proposal last year, the Business Roundtable suggested a 0.15% threshold for the biggest companies.

Overall, the Choice Act doesn't go far enough. As I have previously urged in these pages, the SEC should go back to its former rule allowing companies to exclude social- and policy-oriented shareholder proposals from proxy ballots altogether—a result consistent with the overwhelming majority of shareholder votes and Ms. Woidtke's research demonstrating the market cost of such activism.

Most shareholder proposals, like each of those faced by McDonald's, are sponsored by individual "corporate gadfly" investors who repeatedly file similar proposals across a broad set of companies, or groups with religious, policy or pro-labor agendas. Shareholder proposals can be a useful way for stockholders to communicate with corporate boards about business concerns. But in each of the past 12 years, institutional investors without an ideological purpose or an affiliation with public or private labor interests have sponsored less than 1% of all shareholder proposals.

The Choice Act's proposed new rules are largely consistent with this reality and would better orient the shareholder-proposal process toward most stockholders' economic interests.

*Mr. Copland is the Manhattan Institute's director of legal policy.*

## THE WALL STREET JOURNAL.

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LIFE & ARTS



WHAT’S YOUR WORKOUT? | By Jen Murphy

# Double-or-Nothing Endurance

An executive preps for swimrun, where pairs of competitors must stay within 10 meters of each other

**PETER REJLERS SAYS** he gets motivated when a competitor kicks him in the face in the water during a triathlon. Getting kicked in the face by his race partner? “That isn’t quite as motivating,” he says. Mr. Rejlers, the 50-year-old CEO of Rejlers AB, a Stockholm-based engineering consultancy, competes in a sport called swimrun. A test of endurance and friendship, swimrun races require teams of two to swim and run between and over islands while remaining within 10 meters of each other throughout the course. “Scuffles during the race are inevitable,” he says. “My partner mentioned quitting and I threatened to carry him to the finish line.” The swimrun idea was conceived as a drunken bet between four Swedes to swim and run across more than 20 islands in Stockholm’s archipelago, according to organizers. In 2006, the concept was dubbed Ötillö, which means island-to-island in Swedish. Today a series of swimrun races are held through-

out Europe. The sport is slowly catching on in North America. Mr. Rejlers signed up for his first swimrun in 2012 at the behest of a colleague. Sprint courses span around 7 to 9 miles, but the duo went much bigger. Ötillö, the Swimrun World Championship demands 6.2 miles of open-water swimming and 40.4 miles of trail running between 26 islands in the archipelago around Stockholm. The longest swim is 1.1 miles and the longest run is 12.4 miles. “Neither of us were really swimmers,” he says. After eight hours swimming in 46-degree water with huge swell, the duo had to quit. “We were freezing,” he says. “I barely made it back to land.” The failure fueled Mr. Rejler’s competitive side. “It was the first time I ever quit something,” he says. He committed to swimming in open water every day for two years. He tried competing with a new partner in 2014. “Unfortunately, my race companion only practiced in a pool,” he says. “He was swimming



John Norling, left, and Mr. Rejlers teamed up for the 2014 Ötillö World Championship.

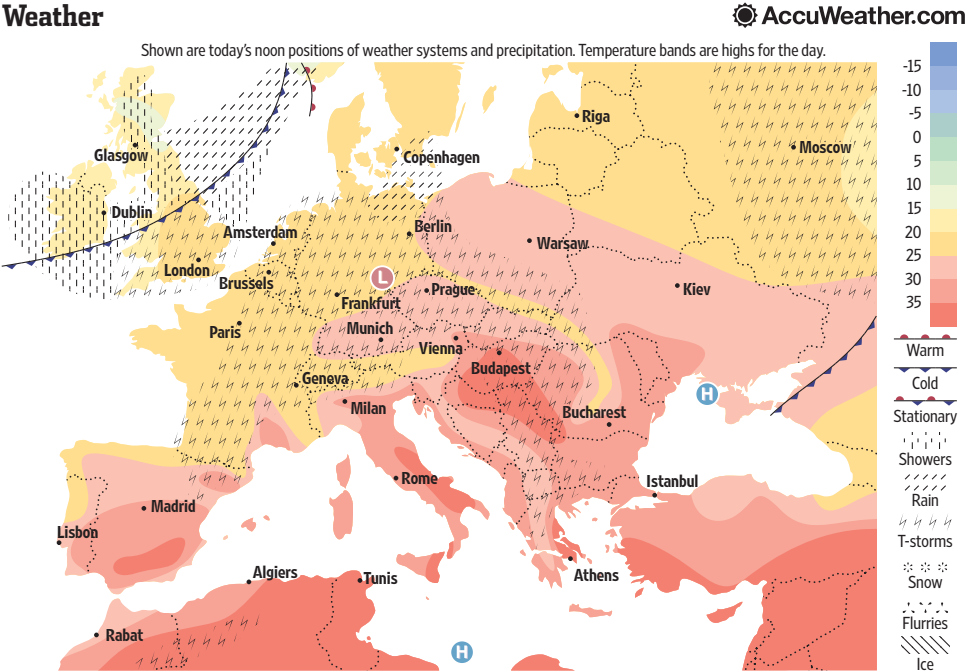
in the totally wrong direction. I had to have a rope between us in the water so he could find the way.” The duo finished in 13 hours, 26 minutes and 42 seconds. Unlike a triathlon, athletes don’t change clothes between transitions. Instead of asphalt, they’re running on cliffs, slippery rocks and dirt

trails. “If you only practice running on the road, you’ll have great difficulty,” he says. Teams of two are required for safety. Mr. Rejlers competes in shorter swimruns throughout summer and is training for his third attempt at the Sept. 4 world championship.

**The Workout** Mr. Rejlers trains two hours a day, sometimes longer on weekends. He built a CrossFit-inspired gym in his backyard to allow more time with his children, ages 15, 13, 11, 8 and 2. “When I run, they bicycle alongside me. Or if I swim, they might kayak next to me,” he says. “When they get older, I’d love to have one of my children race the Ötillö with me.” TRX straps and ropes dangle from trees. Oversize tires and kettlebells litter the lawn. Mr. Rejlers often has friends and colleagues over for group workouts. He also has a gym at work. He often works out for an hour in the morning, again at lunch and sometimes at home before dinner. Mr. Rejlers lives in the seaside town of Saltsjöbaden, near the world championship course, and swims daily. “Swimming in open water is crucial to finishing a swim-run,” he says. “When you swim in a pool, you tend to breathe one way. In the ocean, you need to breathe on both sides to take into account the waves.” He runs trails near his home, often carrying a pack filled with water and food similar to what he’d carry during the race. He tried competing with a new partner John Norling, in 2014. They train two to three times a month.

**The Diet** “Oats porridge with banana, blueberries and strawberries keeps me full until noon, and I can order it at any breakfast meeting,” he says. Lunch is often salad, sometimes topped with chicken, and steamed spinach or broccoli. Dinner is often Thai food, extra spicy, with one glass of red wine.

**The Gear & Cost** Swimrun athletes compete in wetsuits and swim in their sneakers. Mr. Rejlers has a Blueseventy Reaction wetsuit (retail \$500) and competes in Salomon S-Lab XA Amphib sneakers (retail \$180), which are made of quick-drying mesh. “You don’t want a cushioned shoe that will take on water,” he says. He uses Head hand paddles, which make swimming more efficient (retail from \$18 and \$28) and wears Head Tiger LSR mirrored goggles (retail \$27). A Swimrunners pull belt is designed to combine a belt, a pull buoy and an elastic cord and retails for around \$160.



## The WSJ Daily Crossword | Edited by Mike Shenk

1	2	3	4		5	6	7	8		9	10	11	12	13
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69						70					71			

## FLIP-FLOPS | By Ruth Bloomfield Margolin

<b>Across</b>	28 Lunch follower, for some youngsters	56 Extend across
1 Target for an Apple Pencil	31 Big Apple's "Finest": Abbr.	57 Bartender's bowlful
5 Tom yum goong cuisine	32 Mar. follower	61 "I can take ___!"
9 Fraught with danger	33 All over again	63 2015 Pixar film, or what the starred answers have in common
14 West African nation	36 Love to pieces	66 Christina of "Sleepy Hollow"
15 Messages	39 *Rule on most freeways	67 See 70-Across
16 ___ fell swoop	43 Like ___ (probably)	68 In need of a massage
17 *Home of Brigham Young University	44 11 for Na or 17 for Cl, for example	69 Back at sea?
19 Drywall is attached to them	45 Dir. from Providence to Boston	70 Pride, greed, wrath, gluttony, envy, sloth and 67-Across
20 Like a cliff	46 Historic periods	71 Pace for a pony
21 Locomotive fuel	48 Criticizes unfairly	<b>Down</b>
23 French denial	51 *Classic name for a movie palace	1 Mischief-makers
24 *Parental warning to squabbling twins	55 Aussie bird	2 Role to play
		3 Burn soother

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](http://WSJ.com/Puzzles).

4 Sell off, as a holding	34 Guinness Book suffix
5 1989 play about Capote	35 Comedian Sykes
6 Primitive dwelling	37 Nevada city
7 Early calculators	38 First family's home
8 "___ the Sheriff" (Bob Marley song)	40 Bull, in Barcelona
9 Double-crossing	41 Home of the NCAA's Longhorns
10 Bank acct. earning	42 Ill-mannered fellow
11 December 31 rituals	47 "The racer's edge" brand
12 Fund, as a university chair	49 Blend
13 Kind of question that can be answered silently	50 Mass producer?
18 ___-Free (contact lens solution brand)	51 Chicago footballers
22 Writer Rand	52 Cry from a paintball loser
25 Sharif of "Doctor Zhivago"	53 Flags, as a taxi
26 W. Va. neighbor	54 Boredom
27 Formal hairstyle	58 Othello, for example
28 "Peter Pan" dog	59 Continental currency
29 Common blood type: Abbr.	60 "Leave in," to proofer
30 Sunsweet product	62 Big maker of ATMs
	64 ID for the IRS
	65 "___ been real!"

**Previous Puzzle's Solution**

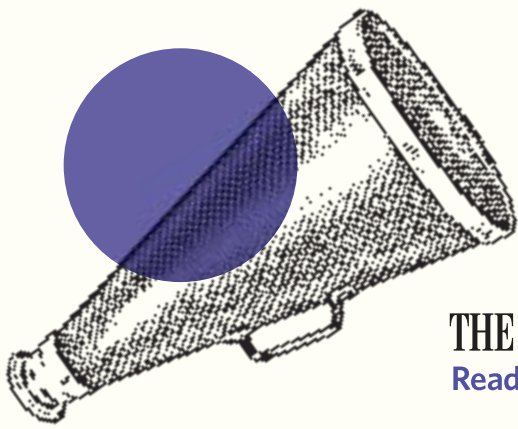
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T	O	O	M	I	E	S	E	L	M	O	S	
B	I	P	E	D	S	E	N	G	R			
O	V	A	L									
S	A	I	D	T	H	E	B	L	E	S	I	N
S	N	L										
M	E	L	L	I	N	D	A	G	A	T	E	S
I	R	I	S	H								
C	A	N	T	L	A	Y	A	G	L	O	V	E
A	S	K	A									
H	E	I	S									

The contest answer is NIGERIA. Each of the theme entries conceals a river backwards: AMSTEL, whose MOUTH (1-Across) is in the Netherlands, TIBER (Italy), ELBE (Germany), NILE (Egypt) and VOLGA (Russia). The first letters of those countries spell NIGER, a river whose mouth is in the contest answer country.

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# BUSINESS & FINANCE

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Monday, July 10, 2017 | B1

Euro vs. Dollar 1.1400 ▼ 0.21%

FTSE 100 7350.92 ▲ 0.19%

Gold 1208.60 ▼ 1.11%

WTI crude 44.23 ▼ 2.83%

German Bund yield 0.575%

10-Year Treasury yield 2.393%

## Tesla Sales Plunge in Hong Kong

By TIM HIGGINS  
AND CHARLES ROLLET

Tesla Inc.'s sales in Hong Kong plummeted after authorities slashed a tax break for electric vehicles on April 1, demonstrating how sensitive the company's performance can be to government incentive programs.

Official data from Hong Kong's Transportation Department, analyzed by The Wall Street Journal, show that no newly purchased Tesla Model S sedans or Model X sport-utility vehicles were registered in April in the Chinese city, and only five privately owned electric vehicles were registered in May.

The collapse followed a surge just before the tax change, which had been announced in February, with new registrations of almost 3,700 Tesla vehicles in the first quarter—including 2,939 in

March alone—compared with 1,506 vehicles in the entire second half of 2016.

The swing was significant for Tesla, which reported that its vehicle deliveries globally topped 25,000 in the first three months of the year, the auto maker's best sales quarter ever, but fell to just over 22,000 in the second quarter.

The more recent total put Tesla within its first-half target range but below analysts' expectations for the quarter, and fueled concerns among analysts and investors that demand for Tesla's current two models is weakening ahead of the launch of the Model 3, a \$35,000 sedan that begins production this month.

The concerns helped push Tesla's share price down over the past week, after a surge this year that pushed its value above that of Ford Motor Co. and General Motors Co.

"Tesla welcomes govern-



Authorities reduced a tax break for electric vehicles on April 1.

ment policies that support our mission and make it easier for more people to buy electric vehicles; however, our business does not rely on it," Tesla said in a statement. The company said its sales revenue in China, where it faces large tariffs, has

risen without government incentives. "At the end of the day, when people love something, they buy it," it said.

Buyers of Teslas and other electric vehicles in many markets benefit from government incentives. Tesla notes on its

website that U.S. purchasers are eligible for a \$7,500 federal income-tax credit, plus additional incentives in some states.

The company also sells state zero-emissions vehicle credits to auto makers that don't reach government fuel-efficiency standards.

Tesla warns investors in securities filings that such incentives can change and says that "could have some impact on demand for our products and services." Last year in Denmark, an incentive program expired and was replaced with a less generous one.

The incentive policies can be controversial. During the Obama administration, Tesla received loans to encourage electric-vehicle development. Though it ultimately paid them back, critics have cited

◆ Heard on the Street: Tesla's badly timed stock skid..... B8

## Markets Brace For ECB Tapering

By JON SINDREU

Investors are dumping government bonds, certain that the European Central Bank will soon start dialing back the massive stimulus that has buoyed markets.

They are less sure what that tapering will look like—a key question as the ECB becomes the main focus for spooked investors around the world.

Many market participants are betting that officials will reduce bond purchases from €60 billion (\$69 billion) to €40 billion during the first half of next year and then cut them to €20 billion in the second half. But there are other options investors are considering, from tapering less to following the Federal Reserve's model of reducing the buying on a monthly basis.

Whatever the ECB does, investors expect volatility.

In the wake of the financial crisis, central banks cut interest rates to record lows and bought billions of dollars of assets, pushing up bond prices and sending investors chasing returns into equity and emerging markets. Because such monetary policy was so experimental in its implementation, there is little precedent for what to expect in the retreat.

"When we are in the territory of unconventional monetary policy, expectations of what the central bank will do in the future have no anchor," said Willem Verhagen, a senior economist at NN Investment Partners, which has about €200 billion under management.

ECB President Mario Draghi sparked the bond selloff in late June with bullish comments about the eurozone economy that investors saw as heralding tighter monetary policy.

Yields on 10-year German bonds, which move opposite to prices, closed at 0.568% on Friday, the highest in 18 months, compared with 0.247% the day before Mr. Draghi's speech. Treasury 10-year yields traded at 2.388% from 2.143%. The euro has gained more than 2% over this period.

*Derivatives markets predict the bank will raise interest rates in December next year.*

Yet markets were broadly unchanged by Fed minutes on Wednesday that showed no clear consensus on how the central bank should unwind a portfolio of bonds that has been unchanged since 2014.

Most investors expect the ECB to announce the future of its bond buying as soon as September.

Aside from recent selling, another clue to what investors expect lies in derivatives markets that currently predict the ECB's first interest-rate rise will be in December next year. The ECB has said it would raise rates, currently at minus 0.4%, only once it had stopped buying bonds.

Buying less than €40 billion of bonds a month would be seen as a tightening of policy, said Thomas Page-Lecuyer, a strategist at CPR Asset Management, leading to a larger selloff in eurozone bonds and a further rally in the euro.

"While we think markets are enthusiastic in their expectations for policy normalization, we should not forget recent market movements," said Andrew Bosomworth, head of portfolio management in Germany for Pacific Investment Management Co. "New Normal bond yields are therefore likely to prevail."

### KEYWORDS

By Christopher Mims

## Scientists Go Inside The Minds Of Robots



Artificial-intelligence engineers have a problem: They often don't know what their creations are thinking.

As artificial intelligence grows in complexity and prevalence, it also grows more powerful. AI already has factored into decisions about who goes to jail and who receives a loan. There are suggestions AI should determine who gets the best chance to live when a self-driving car faces an unavoidable crash.

Defining AI is slippery and growing more so, as startups slather the buzzword over whatever they are doing. It is generally accepted as any attempt to ape human intelligence and abilities.

One subset that has taken off is neural networks, systems that "learn" as humans do through training, turning experience into networks of simulated neurons. The result isn't code, but an unreadable, tangled mass of millions—in some cases billions—of artificial neurons, which explains why those who create modern AIs can be befuddled as to how they solve tasks.

Most researchers agree the challenge of understanding AI is pressing. If we don't know how an artificial

Please see MIMS page B4



The Block Island wind farm, a \$300 million, 30-megawatt project off Rhode Island, is the first offshore wind installation in the U.S.

## U.S. Wind Farms Hit Headwinds

Over a dozen offshore projects are in the works, but high costs, logistical issues remain

By ERIN AILWORTH

After two decades spinning power from the gusts that sweep Europe's North Sea, the offshore wind industry is finally turning to the U.S. A big hurdle: getting its giant turbines to American waters.

No one in the U.S. currently makes turbine towers sizable enough for use in deep waters—one of the many challenges impeding the buildup of offshore wind on the other side of the Atlantic Ocean.

The first offshore wind installation in the U.S., a \$300 million, 30-megawatt project

off Rhode Island, began turning six months ago. Companies including Denmark's Dong Energy AS, Norway's Statoil ASA and Spain's Iberdrola SA are now pursuing more than a dozen projects that would dwarf it.

But the Block Island wind farm in the U.S. currently generates power for 24.4 cents per kilowatt-hour, while offshore wind projects in Europe can come in well under 10 cents per kilowatt-hour. Developers are optimistic that, as occurred in Europe, prices will go down as more projects begin and a supplier network takes shape in the U.S.

"They are really viewing this as a real market if you are attracting players like Dong and Iberdrola and Statoil," said Maxwell Cohen, a senior research analyst at IHS Markit. "I've heard some pretty major companies that are not in offshore at least being asked, 'Why not?'"

If all 17 of the proposed farms are built, the wave of U.S. offshore wind projects, primarily concentrated in the Northeast, would add 9.1 gigawatts of generating capacity, according to the American Wind Energy Association. That is enough to power 3 million homes.

## Coin Offerings Are a New Road to Startup Riches

By PAUL VIGNA

Two obscure companies with no sales raised nearly \$400 million combined in recent days from outside investors. How did they do it? Via a new, unregulated fundraising method that has no connection to Wall Street and is based in the world of cryptocurrencies.

These fundraisings, called "Initial Coin Offerings," are exploding in value. So far this year, companies have raised more than \$1 billion this way. That is 10 times the amount raised in 2016, according to Smith & Crown, a digital-currency research firm.

"It's very hot right now," said Marco Santori, a partner at Palo Alto, Calif.-based law firm Cooley LLP, who advises startups on structuring their coin offerings. "For the last six months, it's been about 60% of my work flow."

The excitement around

these coin offerings has helped fuel this year's sharp rise in virtual currencies bitcoin and ether, which investors typically use to purchase coins. In the first half of 2017, bitcoin rose 160%; ether rose 3,350%.

The latest companies involved in coin offerings—software startups Dynamic Ledger Solutions Inc., known for its Tezos software project, and block.one—attracted more funds, combined, than the \$300 million raised at the end of June by Blue Apron Holdings Inc. in a closely followed initial public offering.

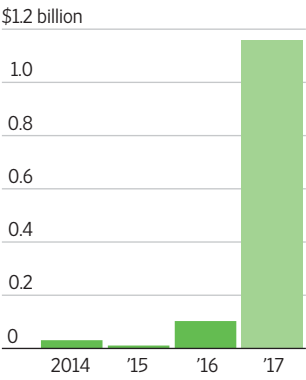
Those two coin offerings also raised amounts nearly equal to what companies tend to fetch by going the traditional IPO route. In 2016, U.S. companies undertaking IPOs on average raised about \$219 million, according to Dealogic.

The success of the recent coin offerings comes despite the companies' youth: Dynamic

### Virtual Bonanza

Cryptocurrency-related startups have raised more than \$1 billion so far this year through a new fundraising method called an initial coin offering.

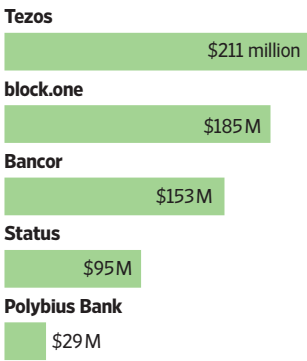
#### Proceeds of initial coin offerings



Note: 2017 data are through July 6

Source: Smith & Crown

#### Biggest initial coin offerings of 2017, by amount raised



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Ledger is just three years old and block.one was founded this year. Both have only a handful of employees; their

products aren't yet fully developed. Blue Apron, by contrast, has been around for five years, has a well-known meal-kit

business and had nearly \$800 million in revenue last year.

Coin offerings are more like crowdfunding campaigns than a traditional securities offering. Most offerings don't have a detailed prospectus, rather companies typically publish a so-called white paper outlining their project or idea. Sometimes the offerings are handled through a nonprofit foundation—such as the Zug, Switzerland-based Tezos Foundation—to further distance them from the characteristics of a security.

But the huge amounts companies are raking in could attract greater scrutiny from regulators such as the U.S. Securities and Exchange Commission or authorities in other countries. The SEC declined to comment.

Polybius Bank, an Estonia-based firm that is looking to build a cryptocurrency-based

Please see COINS page B2



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# SALES

Continued from the prior page that assistance in arguing Tesla unfairly benefited from U.S. government help.

Tesla Chief Executive Elon Musk has rejected such contentions, saying during an analyst call in May the notion that his company has survived because of government subsidies and tax credits “drives me crazy.” Tesla says on balance, industry incentive structures still benefit traditional, combustion-engine vehicles.

Hong Kong, though relatively small, is a significant outpost of luxury-car buyers and trend setters. Its government had long waived its vehicle-registration tax for newly purchased electric automobiles, adding to the attractiveness of Tesla's cars.

Citing increased congestion of privately owned vehicles on its streets, the government said in February that it would be changing the policy so the tax would be waived only on the first 97,500 Hong Kong dollars (US\$12,500) of an electric car's purchase price for individuals. After the change

came into effect on April 1, the cost of a basic Tesla Model S in Hong Kong effectively rose to around US\$130,000 from less than US\$75,000.

The reduced waiver, which doesn't apply to sales of commercial electric vehicles such as buses, is effective through March of next year. The government says it will review the policy before then.

The Hong Kong registrations data don't show actual sales figures but are a close proxy because new cars in Hong Kong must be registered to be driven.

The May figure, which hasn't been published, was provided to district council members and viewed by the Journal.

Tesla doesn't break out vehicle sales by country or region and declined to discuss specifics in Hong Kong. But it acknowledged in a statement a slowdown, calling it “expected” after the tax change and a “short-term” challenge.

The company said it continues to sell vehicles in Hong Kong each quarter and expects “the Hong Kong market will continue to be very strong over the long-term because it's clear that the people of Hong Kong love our cars.”

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**Frontier Communications Corp.'s big bets on landlines are unraveling.**

The once small phone company amassed \$17 billion in debt by scooping up networks

across the country from Verizon Communications Inc. and AT&T Inc. It was a contrarian

strategy that Frontier could generate steady revenue from residential internet and video services even as wireless use exploded.

Instead, Frontier has been losing customers and scrambling to cover looming debt payments. The Norwalk, Conn., company recently slashed its dividend, and its shares have tumbled 69% so far this year. It plans a 1-for-15 reverse stock split on Monday, a move designed to keep its Nasdaq listing.

Frontier's troubles multiplied in spring 2016 after it closed a \$10.5 billion deal for phone and internet lines from Verizon. The move nearly doubled Frontier's revenue and gave it millions of new customers in California, Texas and Florida. They included 1.6 million subscribers on Fios, a fiber-optic service that appeared lucrative but hid some snags below the surface.

“This last acquisition was largely about acquiring fiber,” a strategy the company still supports, Frontier finance chief Perley McBride said. “It's just integration that didn't go well. When you double in size and you don't do it well, it's sort of up front and center.”

Mr. McBride said he doesn't expect revenue growth anytime

# BUSINESS & FINANCE

# Big Bets on Landlines Unravel



MONICA HERNDON/TAMPA BAY TIMES/ZUMA PRESS

**Frontier Communications amassed \$17 billion in debt by scooping up networks across the U.S. Network operations space in Tampa, Fla.**

soon from the consumer markets acquired from Verizon last year. That is a reversal from the forecast of his predecessor, John Jureller, who in 2015 called the revenue trends “very positive.” Revenue has instead declined companywide for the past year. Frontier's 2016 loss widened to \$373 million from \$196 million a year earlier. The company plans to devote at least \$1 billion this year on capital spending to keep its network humming.

“Cable companies are beating the pants off Frontier,” said Jonathan Chaplin, an analyst for New Street Research, noting that companies like Charter Communications Inc. have invested more heavily in marketing, network equipment and customer service in the past three years.

The stiffened competition came just as Frontier faced pressure to cut costs, partly so it could pay for the networks it bought. The result was a series of network failures and complaints about customer service. Compounding that challenge, Frontier said Verizon stopped writing off overdue accounts before the deal closed, saddling the acquirer with thousands of subscribers unlikely to pay their outstanding bills.

“Verizon is notorious for being very good sellers of assets,” said **Moody's Investors Service** analyst Mark Stodden. The bond-rating firm recently downgraded Frontier's credit to B2, five steps below investment grade, citing “sharp subscriber losses” since the latest acquisition.

Verizon spokesman Bob Varrettoni said the company's

## Wind Rush

Areas designated in federal waters for offshore wind development. About 9 gigawatts of offshore wind projects have been proposed, but not all will be built.

### Offshore wind lease and planning areas



shore turbines will have to be brought up from places like the Gulf Coast. That is because many U.S. Atlantic ports are small, and large vessels need to navigate busy shipping lanes, hurricane barriers and bridges.

This proved a challenge for the Block Island farm, said Meaghan Wims, a spokeswoman for Deepwater Wind. Its stands were brought up on barges from the Gulf Coast. The turbine towers and blades were shipped from France.

A Norwegian ship carrying the nacelles—the housing that holds the main generating machinery—couldn't fit under the Newport Pell Bridge that spans Narragansett Bay in Rhode Island, so it skipped coming into port and went straight to the construction site offshore.

It can also still take considerable time to get the necessary permits and approvals for offshore wind farms from state and federal regulators. Mr. Cohen of IHS Markit

said he doesn't expect to see the industry really ramp up in the U.S. until the mid-2020s.

Still, developers are confident that manufacturers and other suppliers will set up shop in the U.S., and costs will come down, once sizable projects are built.

“We've done this in Europe and we have absolutely the same opportunity in the U.S.,” said Stephen Bull, Statoil's senior vice president for offshore wind.

# WIND

Continued from the prior page offshore by June 2017.

Statoil won an auction late last year for the right to build a wind farm 14 miles off the New York coastline. Dong, meanwhile, has two proposed U.S. projects: one about 15 miles off Martha's Vineyard that it has teamed with Ever-source Energy, a Northeast utility, to build; and another off the coast of New Jersey.

“I can really feel the appetite and the interest in the market now,” said Thomas Brostrom, president of North American operations at Dong, which has built 22 offshore wind farms in Europe. “This is the moment.”

Avangrid Renewables, an Iberdrola subsidiary, has joined with developer Copenhagen Infrastructure Partners to build a separate wind farm off Martha's Vineyard.

Most of the 17 proposed projects are in federally designated wind energy areas. Such zones were created to help cut through some of the red tape and community opposition that for more than a decade has blocked Cape Wind, a more than 400-megawatt project proposed for federal waters off Martha's Vineyard.

Jim Gordon, the man behind Cape Wind, is unwilling to concede defeat, saying the wind farm's lease is still active and that he hopes to see it built one day.

Block Island didn't have the same troubles, in part because it was much smaller and developer Deepwater Wind built it in state waters, which required fewer federal permits. But hurdles remain for large offshore wind projects in the U.S., including how to build out a supply chain that can regularly ship giant turbine towers from Europe.

Components like the enormous stands that anchor off-

# COINS

Continued from the prior page online bank, did create a prospectus. It raised \$28.9 million in a June offering. The prospectus said that its tokens wouldn't be registered under U.S. securities laws, nor offered or sold in the country.

The coin offerings have opened up vast pools of capital, sometimes from venture-capital investors, to dozens of firms that likely wouldn't be able to raise funding in traditional capital markets.

Block.one raised \$185 million worth of bitcoin and ether in its coin offering early this

month, according to Smith & Crown. Executives at block.one weren't available to comment.

Dynamic Ledger's Tezos topped that, raising about \$212 million of bitcoin and ether last week.

The projects being pursued by these two companies aim to create new types of digital platforms, akin to mini versions of the internet, that use a communication language called the blockchain. This is the technology that underpins bitcoin.

Dynamic Ledger's Tezos digital platform is the older of the two projects and is the brainchild of Arthur and Kathleen Breitman, a husband-and-wife team in their late 20s. He

had worked at Goldman Sachs Group Inc. and Morgan Stanley, while she did stints at hedge-fund manager Bridgewater Associates and consulting firm Accenture.

The Breitmans have been working on Tezos for three years, mostly in anonymity. Tezos, Mrs. Breitman said in an interview, was “dead in the water in 2015.” The couple released a test version of their product, but it didn't receive any attention from developers.

It became something more as the coin-offering market developed through 2016. Investors were looking for places to deploy their capital and Tezos started gaining attention.

They were also helped by

having one prominent backer: Tim Draper, a founder of the Silicon Valley venture-capital firm Draper Fisher Jurvetson. Mr. Draper's small undisclosed personal investment in the firm, and his public pledge to buy into the initial coin offering, raised Tezos's profile.

Mr. Draper said he believed in Tezos, as well as another token in which he had invested for the startup Bancor, and the companies' potential to bring about “a sea change as big as the internet.”

Even so, the recent offering outdid the couple's expectations. “In December, I had a dream that we raised \$40 million,” Mrs. Breitman said, “and I thought, ‘That's impossible.’”

June 29, 2017  
FOR HEDGES LLP By: /s/ John F. Higgins (No. 09597500), Joshua W. Wolfshohl (No. 24038592), Aaron J. Power (No. 24058058), Brandon J. Tittle (No. 24090436), 1000 Main Street, 36th Floor, Houston, Texas 77002, Telephone: (713) 226-6000, Fax: (713) 228-1331, and SKADDEN, ARPS, SLATE, MEAGHER & FLOM LLP, George N. Panagakis (admitted pro hac vice), Justin M. Winerman (admitted pro hac vice), 155 N. Wacker Dr., Chicago, Illinois 60606-1720, Telephone: (312) 407-0700, Fax: (312) 407-0411. Counsel for Debtors and Debtors in Possession.  
The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's tax identification number and jurisdiction of formation are as follows: EMAS CHIYODA Subsea Limited (UK) (3187); EMAS CHIYODA Subsea Inc. (Delaware) (7884); EMAS CHIYODA Marine Base LLC (Texas) (5974); Lewek Falcon Shipping Pte. Ltd. (Singapore) (041E); EMAS CHIYODA Marine Base Holding Co., Ltd. (UK) (7463); EMAS ChiYoda Subsea Services Pte. Ltd. (Singapore) (3332); EMAS-AT&T Pte. Ltd. (Singapore) (0442); EMAS ChiYoda Subsea Services (Saudis) (0669); Lemay Constellation Pte. Ltd. (Singapore) (376E); EMAS CHIYODA ROV Pte. Ltd. (Singapore) (040M); EMAS CHIYODA Subsea Services B.V. (Netherlands) (4073); EMAS CHIYODA Subsea Services (UK) Limited (Scotland) (3187); EMAS CHIYODA Subsea Services LLC (Delaware) (7728); EMAS CHIYODA Subsea (Thailand) Co., Ltd. (Thailand) (1011); Gallatin Marine Management, LLC (Delaware) (8989). The address of the Debtors' U.S. headquarters is 825 Town & Country Ln, Suite 1500, Houston, TX 77024.  
Capitalized terms used but not defined herein shall have the meanings ascribed to them in the Plan.



BUSINESS NEWS

# Fox News Holds On to No. 1 as MSNBC Surges

By JOE FLINT

When Tucker Carlson was getting ready to take over as Bill O'Reilly's replacement at Fox News this spring, he said network boss and 21st Century Fox Executive Chairman Rupert Murdoch told him, "relax and enjoy yourself."

Relaxation and enjoyment may have been in short supply inside the halls of Fox News over the past year. Turbulence from sexual-harassment scandals led to the exits of the network's two top executives, Roger Ailes and Bill Shine, and its biggest star, Mr. O'Reilly.

It raised the prospect among media observers that Fox News's 15-year run of dominance in cable news could be in jeopardy. Not so fast. Fox may be looking over its shoulder more at rivals CNN and MSNBC, but it has kept its hold on No. 1.

The network finished the quarter that ended in June first in total prime-time viewers and first among those 25 to 54 years old, growing 21% in that key demographic compared with the year-earlier period, according to Nielsen. Mr. Carlson has proved a solid replacement for Mr. O'Reilly, at lower cost, and the round-table show "The Five" is up slightly in the ratings over Megyn Kelly's "The Kelly File." Ms. Kelly left for NBC early this year.

Fox News co-president Jack Abernethy said 2017 has been "a great year by virtually all measures."

Still, the landscape has shifted. Ratings for all three cable networks are up substantially from before the presidential election cycle, but MSNBC is enjoying the most sustained growth, with liberal audiences hungry for a critical point of view on the Trump administration. Its viewership among those 25 to 54 grew 72% year over year in the quarter that ended in June, narrowing the gap with Fox News considerably. MSNBC's Rachel Maddow's show is No. 1 in the key demographic.

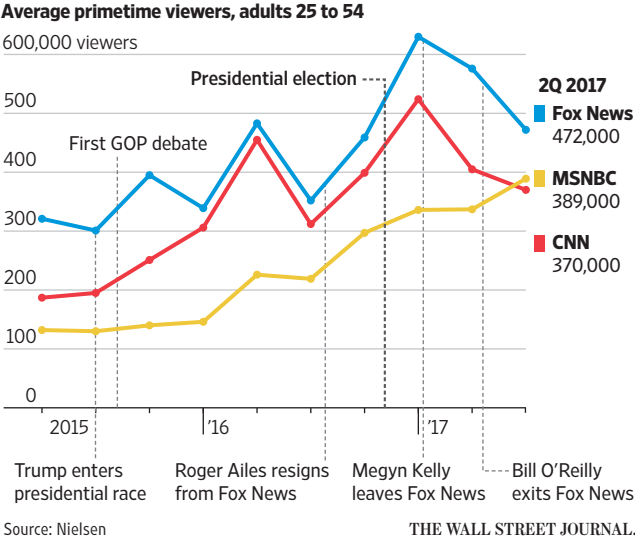
Though Fox is still No. 1, its ratings have eroded somewhat



Tucker Carlson took over as Bill O'Reilly's replacement at Fox News this spring.

## Cable News Ratings Race Tightens

Fox News is still No. 1, but after turmoil at the network and a fading election boost, MSNBC has crept up and narrowed the gap.



since the quarter that ended in December 2016—coinciding with the end of the election and the departures of top network personalities.

In addition to those personnel changes, Fox News parent 21st Century Fox has been dealing with a probe by federal authorities examining whether

the company violated securities laws in its handling and disclosure of sexual harassment settlements, according to people familiar with the matter.

21st Century Fox, which shares common ownership with The Wall Street Journal parent News Corp, has said it is cooperating with the probe.

Separately, there are sexual harassment and racial discrimination lawsuits pending that name as defendants top executives who remain at the Fox News Channel. A Fox News spokeswoman said the network is mounting a vigorous defense in those cases.

New incidents continue to surface. Last week, Fox Business Network said it suspended on-air host Charles Payne. The law firm retained to investigate sexual harassment at the company is now looking into Mr. Payne's relationship with an on-air guest at the channel.

Mr. Payne denies any wrongdoing and says he will defend himself vigorously, his lawyer said.

"It's been a roller coaster of emotions for everybody," said Fox News anchor Martha MacCallum. "At the same time we were covering the most tumultuous election we had ever seen we were also going through a lot of tumult here."

When Mr. Ailes was forced out last July, Mr. Murdoch named himself executive chairman of the channel. (Mr. Ailes, who denied allegations that he harassed women, died in May.) The media world has been buzz-

ing about whether Mr. Murdoch will appoint another top executive at the network.

Mr. Shine was co-president alongside Mr. Abernethy, who continues to hold that title. Mr. Shine resigned amid allegations that he allowed a culture of sexual harassment at the company. He has denied any wrongdoing.

In a statement, Mr. Murdoch said, "We have a great and settled leadership team which I enjoy working with every day."

The turbulence at the network has created complications for ad-sales executives. After the revelations that Mr. O'Reilly had settled multiple sexual-harassment complaints, they had to work quickly to shift several ads from his program to other Fox programs. Mr. O'Reilly has denied any wrongdoing. Fox News remains a big draw for advertisers, ad buyers say, because of its high, stable ratings.

Mr. Carlson is besting Mr. O'Reilly's performance among the desirable demographic of adults 25 to 54, enabling him to earn \$14,100 per 30-second ad slot, a 21% jump over his predecessor's rates a year earlier, according to ad-tracking firm Standard Media Index.

Furthermore, Mr. O'Reilly had a deal that paid him \$25 million a year while Mr. Carlson makes significantly less, a person familiar with the matter said.

Likewise, in the 9 p.m. hour, "The Five" is less expensive than "The Kelly File," the person said.

Fox has said it is moving aggressively to change its workplace culture following the scandals. It points to hires of more women and minorities, including in key senior positions. The network is also much quicker to respond to complaints, as evidenced in May when it fired on-air personality Bob Beckel within days after learning he made a racist remark to a black technician trying to fix his computer.

—Suzanne Vranica contributed to this article.

# Cosco to Buy Shipping Competitor

By COSTAS PARIS AND JOANNE CHIU

**Cosco Shipping Holdings Co.**, China's biggest shipping company agreed to buy smaller rival **Orient Overseas (International) Ltd.** Co. for \$6.3 billion, establishing an Asian container giant at the same time the industry struggles to emerge from a multi-year down-cycle.

The move would see a half dozen supercarriers, grouped into three alliances, move about three-quarters of all seaborne trade after a wave of consolidation among the world's top 20 carriers over the past year.

The Chinese conglomerate joined **Shanghai International Port (Group) Co.**, one of the world's biggest port operators, to buy a combined 68.7% stake from Orient Overseas' controlling shareholder, the companies said Sunday.

The offer price of 78.67 Hong Kong dollars (US\$10.07) per share is a 31% premium over Orient Overseas' Friday closing price. The deal will have to be approved by regulators, which is expected in the next eight months.

The Wall Street Journal reported the deal on Saturday.

Orient Overseas is controlled by the family of former Hong Kong Chief Executive Tung Chee-Hwa. The two sides had been in talks for months but were stuck over the price.

Cosco hasn't hidden its ambition to become one of the world's dominant carriers. The deal would make it the third-biggest container operator in terms of capacity, behind Denmark's **Maersk Line** and Switzerland-based **Mediterranean Shipping Co.**

Cosco said it offered to buy the remaining shares from Orient Overseas' minority shareholders at the same offer price.

Shanghai International Port will own a 9.9% stake.

# THE FUTURE OF EVERYTHING

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TECHNOLOGY

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# Apple’s New Bet on Privacy

Company’s challenge is to make products that learn about users without snooping

By Robert McMillan

Last year, Apple Inc. kicked off a massive experiment with new privacy technology aimed at solving an increasingly thorny problem: how to build products that understand users without snooping on their activities.

Its answer is differential privacy, a term virtually unknown outside of academic circles until a year ago. Today, other companies such as Microsoft Corp. and Uber Technologies Inc. are experimenting with the technology.

The problem differential privacy tries to tackle stems from the fact that modern data-analysis tools are capable of finding links between large databases.

Privacy experts worry these tools could be used to identify people in otherwise anonymous data sets.

Two years ago, researchers at the Massachusetts Institute of Technology discovered shoppers could be identified by linking social-media accounts to anonymous credit-card records and bits of secondary information, such as the location or timing of purchases.

“I don’t think people are aware of how easy it is getting to de-anonymize data,” said Ishaan Nerurkar, whose startup LeapYear Technologies Inc. sells software for leveraging machine learning while using differential privacy to keep user data anonymous.

Differentially private algorithms blur the data being analyzed by adding a measurable amount of statistical noise. This could be done, for example, by swapping out one question (have you ever committed a violent crime?) with a question that has a statistically known response rate (were you born in February?). Someone trying to find links in the data would never be sure which question a particular person was asked. That

lets researchers analyze sensitive data such as medical records without being able to tie the data back to specific people.

Differential privacy is key to Apple’s artificial intelligence efforts, said Abhradeep Guha Thakurta, an assistant professor at University of California, Santa Cruz.

Mr. Thakurta worked on Apple’s differential-privacy systems until January of this year.

Apple has faced criticism for not keeping pace with rivals such as Alphabet Inc.’s Google in developing AI technologies, as they have made giant leaps in image and language-recognition software that powers virtual assistants and self-driving cars.

While companies such as Google have access to massive volumes of data required to improve artificial intelligence, Apple’s privacy policies have been a hindrance, blamed by some for turning the company into a laggard when it comes to AI-driven products such as Siri.

“Apple has tried to stay

away from collecting data from users until now, but to succeed in the AI era they have to collect information about the user,” Mr. Thakurta said.

Apple began rolling out the differential-privacy software in September, he said.

Users must elect to share analytics data with Apple before it is used.

Originally used to understand how customers are using emojis or new slang expressions on the phone, Apple is now expanding its use of differential privacy to cover its collection and analysis of web browsing and health-related data, Katie Skinner, an Apple software engineer, said at the company’s annual developer’s conference in June.

The company is now receiving millions of pieces of information daily—all protected via this technique—from Macs, iPhones and iPads running the latest operating systems, she said.

“Apple believes that great features and privacy go hand in hand,” an Apple spokesman said via email.

## How Differential Privacy Works

A survey company queries **100 residents** of a building, using differential privacy to keep respondents anonymous.

Questionnaires are jumbled so respondents could be asked a real survey question, or another question with a known response rate. Only the respondent knows which question is asked.

**90 versions** of the survey ask: **Do you smoke marijuana?**

**10 versions** of the survey ask: **Flip a coin. Answer yes if the result is heads.**

Using statistical techniques, the survey’s authors can still get an accurate picture of marijuana use in the building.

Survey results show **one person** answered yes to two questions:

Do you smoke marijuana? — — Do you own a blue car?

A car owner’s database shows that there is only one blue car owner in the building: **John Doe in Apartment 137.**

So do we now know that John Doe smokes marijuana?  
**No.** He may have simply flipped a coin, answering yes to the question.

Source: Staff reports THE WALL STREET JOURNAL.

Researchers are coming up with “surprisingly powerful” uses of differential privacy, but the technology is only about a decade old, said Benjamin Pierce, a computer science professor at the University of Pennsylvania. “We’re really far from understanding

what the limits are,” he said. Differential privacy has seen wider adoption since Apple first embraced it. Uber employees, for example, use it to improve services without being overexposed to user data, a spokeswoman said via email.

# MIMS

Continued from page B1  
mind works, how can we ascertain its biases or predict its mistakes?

We won’t know in advance if an AI is racist, or what unexpected thought patterns it might have that would make it crash an autonomous vehicle. We might not know about an AI’s biases until long after it has made countless decisions. It’s important to know when an AI will fail or behave unexpectedly.

“A big problem is people treat AI or machine learning as being very neutral,” said Tracy Chou, a software engineer who worked with machine learning at Pinterest Inc. “And a lot of that is people not understanding that it’s humans who design these models and humans who choose the data they are trained on.”

An example can be found on Google Translate. Ask it to translate “doctor” to Portuguese, and it always returns the male form of the noun, *médico*, over the female, *médica*. Type in “nurse” and you get *enfermeira* (female)—never *enfermeiro* (male).

Conspiracy? No, it is a nat-

ural consequence of biases inherent in literature used to train translation systems. Something similar happens in data when researchers eliminate the category of race: Other data, such as where a person lives, correlate so strongly with race that they become proxies for it.

Unlike with humans, we can’t just ask a robot why it does what it does. Artificial intelligences can excel at narrow tasks, but even those that talk have introspective powers about on par with a cockroach.

It is a difficult enough problem to crack that the Defense Advanced Research Projects Agency, better known as Darpa, is funding researchers working on “explainable artificial intelligence.”

Here’s why we’re in this pickle: A good way to solve problems in computer science is for engineers to code a neural network—essentially a primitive brain—and train it by feeding it enormous piles of data. Once the AI has had enough time to chew through a bunch of images labeled “cat,” for example, it can reliably pick out pictures of a cat.

The tricky bit is that neural networks learn by alter-



An Uber car in driverless mode in San Francisco. There are suggestions artificial intelligence should determine who gets the best chance to live when a self-driving car faces a possible crash.

ing their own innards. This is basically how your brain works, too. And like the connections between the 86 billion or so neurons in your brain, the precise way an AI “thinks” is incomprehensible.

Researchers at DeepMind Technologies Ltd., a subsidiary of Alphabet Inc., announced a novel way to get inside the minds of machines: Treat them like human children.

To say engineers are using

the techniques of cognitive psychology on AI isn’t an analogy. The team at DeepMind used exactly the same tests and materials psychologists use on children to tease out how their AI thinks, says David Barrett, a DeepMind research scientist.

Decades of research on unpacking the human brain through cognitive science may now be applied to machines, potentially unlocking an avenue for understanding

AI and making it accountable, he said.

A result of DeepMind’s research: We now know at least one of its AIs—a model designed to learn words after being exposed to them only once—is, surprisingly, solving problems the same way humans do. Like humans, it is identifying objects by shape, even though it wasn’t taught to, and even though there are other ways to identify random objects,

such as color.

Understanding is just the beginning of how we interact with artificial intelligences. The other half of robot psychology is what might be described as therapy—that is, changing an AI’s mind.

Because engineers typically create many versions of an AI when trying to discover the best one, the use of cognitive psychology could give engineers more power to choose the ones that “think” the way we want them to, Mr. Barrett said. Alternatively, we might find it’s better when AIs don’t think like us: We might learn something new about how to solve problems.

The upshot is that when we replace human decision-makers with artificial intelligences, AIs have the potential to be better, with fewer mistakes and more accountability, because their output is measurable and we might be able to trace exactly how they make decisions.

We ask humans to do this all the time—in a court of law, when dissecting a business decision—but humans are unreliable narrators. With machines, we could have decision-makers whose every bias and impulse can be inspected and potentially altered.

## BUSINESS NEWS

# Elliott Weighs a Competing Bid for Oncor

By Peg Brickley and Soma Biswas

Hedge fund Elliott Management Corp., dissatisfied with Berkshire Hathaway Inc.’s \$9 billion deal to buy electricity-transmission business Oncor, is considering making a competing bid, according to people familiar with the matter.

Elliott is the biggest bondholder of bankrupt Energy Future Holdings Corp., which owns an 80% stake in Oncor and agreed to sell itself to Warren Buffett’s Berkshire on Friday. Court papers indicate that Elliott, a \$33 billion hedge fund run by billionaire Paul Singer, is in position potentially to bottle up Berkshire’s deal in bankruptcy court or put together a better offer.

The hedge fund ran up a big stake in Energy Future’s debt in recent months, as other funds retreated in the face of failed efforts to sell Oncor, but it isn’t known what Elliott paid for the debt holdings. Trading in Energy Future bonds was mixed Friday in an early reaction to the Berkshire offer. The price of a level of junior debt dubbed pay-in-kind notes, or PIKs, fell, while a senior tranche of bonds—the so-called second liens—rose. Elliott is a big holder of both types of debt.

Berkshire’s deal is for \$9 billion in cash in exchange for Energy Future, including its stake in Oncor, the largest electric utility in Texas and one of the biggest power-transmission systems in the country.

That is less than Energy Future needs to pay off creditors

and end the massive bankruptcy that is now in its fourth year. The company has already seen the collapse of two previous efforts to sell the Oncor transmissions business, its crown jewel.

Reuters first reported Elliott was considering a bid for Oncor.

Unless the Berkshire offer is improved or bested, Elliott could be looking at significant losses, according to other people familiar with the matter. An analysis issued Friday from Cowen Credit Research and Trading suggests that may not be the case, however, and that the hedge fund could offset losses in one class of debt with gains in another.

A successful offer by Elliott would be a tall task: It has never done a deal of the size and scope of the Oncor buyout and it would need allies. It also faces regulatory risks that Berkshire is unlikely to encounter. And it would have to outbid Mr. Buffett, a prolific

investor with \$96.5 billion in cash on Berkshire’s balance sheet to spend.

Still, as the largest creditor in Energy Future’s case, Elliott has considerable leverage. The hedge fund owns a “blocking” position in the two major debt classes, the second-lien notes and the PIKs, making it the swing vote on a chapter 11 reorganization plan for Energy Future that would be part of the Berkshire takeover.

Energy Future could try to force Elliott to go along with the Berkshire deal, through what is known as a “cram-down” fight in bankruptcy court. A cram-down battle against Elliott would be tough to win, however, if Elliott musters the backers to top Berkshire’s offer for Oncor.

Elliott’s bankruptcy court prowess, however, won’t matter if a deal it puts together is scuttled by the Public Utility Commission of Texas. The state PUC has proven a formidable testing ground for Oncor

suitors.

Berkshire, in contrast, has already won over key Texas regulatory stakeholders.

On Friday, Brian Lloyd, executive director of the Texas PUC, said Berkshire had already sketched out a preliminary case for a takeover, and the commission staff and powerful groups of cities and big industrial energy consumers liked what they saw. The commissioners themselves have yet to weigh in, but Mr. Lloyd’s statement was a strong signal that influential stakeholders that opposed earlier deals are happy with Berkshire.

Oncor, a solid company with reliable cash flow, has been difficult to sell because Texas regulators have insisted on protections that kept Oncor out of Energy Future’s chapter 11 case and blocked deals that would expose a crucial piece of the Texas electricity infrastructure to risk.

After Texas regulators swatted down Oncor takeover proposals from Hunt Consolidated Inc. of Texas and NextEra Energy Inc. of Florida, creditors knew the next deal wouldn’t be as rich. A number of distressed-debt investors say the rough math indicates Berkshire’s money would fall short of what it takes to cover Energy Future’s remaining debts.

A \$6.1 billion bankruptcy loan would be paid in full, Berkshire said Friday in a regulatory filing.

But there is still \$4 billion or more in debt to pay off. The company’s chapter 11 proceeding, which began in April 2014, could run into 2018.



Elliott Management is run by billionaire Paul Singer.

# ‘Spider-Man’ Swings To Top of Box Office

By Ben Fritz

The superhero who kicked off Hollywood’s modern comic book craze has swung back into the top tier.

“Spider-Man: Homecoming” opened to a strong \$117 million in the U.S. and Canada, according to studio estimates—the best opening for a film featuring the web-slinging teenager in a decade.

Overseas, it took in \$140 million from 56 markets, more than any prior “Spider-Man” film in the same set of countries. It performed particularly well in South Korea, Mexico and the United Kingdom. “Homecoming” has yet to open in France, Germany or Japan and to be approved for release in China, which typically imposes a “blackout” on Hollywood imports for several weeks during the summer in order to promote local films.

The reboot earned overwhelmingly positive reviews and an average grade of A from opening-night audiences, according to market research film CinemaScore, indicating it should have a robust run in theaters over the coming weeks.

Its success will benefit two Hollywood competitors, Sony Pictures Entertainment and Walt Disney Co.’s Marvel Studios, that joined together to make “Homecoming” in an unusual partnership.

Sony Pictures financed the \$175 million movie and will keep all of the profits it generates.

That is a big deal for Sony,

which has been in a grueling box office slump for several years.

A significant element in the downturn of its motion picture business this decade was 2012’s “The Amazing Spider-Man” and 2014’s “The Amazing Spider-Man 2,” which disappointed fans and underperformed at the box office.

“This is a triumphant return” and “really gratifying,” said Sony’s president of marketing and distribution Josh Greenstein.

The 2002 film “Spider-Man” was one of Sony’s most successful movies ever and inspired dozens of superhero movies from competitors seeking similar success. That original run of films reached its apex with 2007’s “Spider-Man 3,” which opened to \$151 million domestically and grossed \$891 million world-wide.

To try to restore the character to his former glory, Sony joined with Marvel, which is behind many of the most successful superhero movies in recent years including “Avengers,” “Captain America: Civil War” and “Guardians of the Galaxy Vol. 2.”

Marvel produced the movie for Sony and integrated Spider-Man with its superhero universe.

The new version of the character, played by British actor Tom Holland, first appeared in last year’s blockbuster “Civil War.”

“Homecoming” featured Robert Downey Jr.’s “Iron Man” as a supporting character.



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(1) Source IPE "Top 400 asset managers" published in June 2017 and based on AUM as of end December 2016. (2) Source: Amundi and Pioneer Investments combined figures pro-forma as of end December 2016 provided for information purposes only, subject to change without prior notice.  
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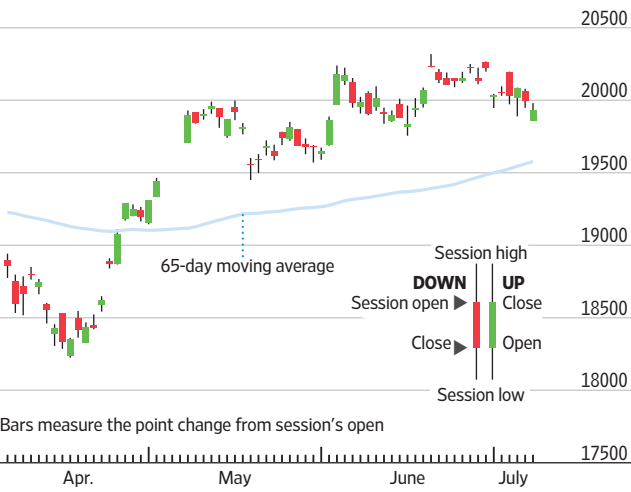


MARKETS DIGEST

Data as of Friday, July 7, 2017

Nikkei 225 Index

**19929.09** ▼64.97, or 0.32%  
High, low, open and close for each trading day of the past three months.



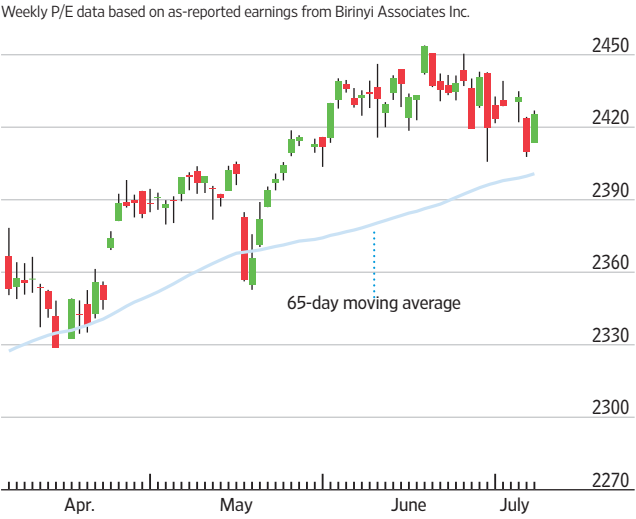
STOXX 600 Index

**380.18** ▼0.25, or 0.07%  
High, low, open and close for each trading day of the past three months.



S&P 500 Index

**2425.18** ▲15.43, or 0.64%  
High, low, open and close for each trading day of the past three months.



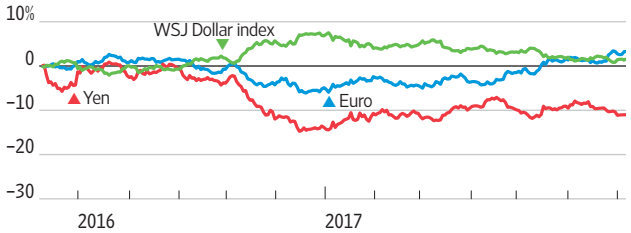
International Stock Indexes

Region/Country		Index	Close	Latest NetChg	% chg	Low	52-Week Range	High	YTD % chg
World	The Global Dow		2771.46	-0.17	-0.01	2318.79		2790.26	9.5
	MSCI EAFE		1874.10	-8.47	-0.45	1592.10		1916.37	11.3
	MSCI EM USD		1002.48	-3.68	-0.37	828.84		1019.11	16.3
Americas	DJ Americas		582.66	3.62	0.63	503.67		588.47	7.8
	Brazil Sao Paulo Bovespa		62322.40	-147.93	-0.24	53140.74		69052.03	3.5
	Canada S&P/TSX Comp		15027.16	-50.84	-0.34	14259.84		15922.37	-1.7
	Mexico IPC All-Share		50059.02	43.35	0.09	44364.17		50300.81	9.7
	Chile Santiago IPSA		3688.64	17.24	0.47	3127.54		3782.66	14.4
U.S.	DJIA		21414.34	94.30	0.44	17888.28		21528.99	8.4
	Nasdaq Composite		6153.08	63.61	1.04	4956.76		6321.76	14.3
	S&P 500		2425.18	15.43	0.64	2085.18		2453.46	8.3
	CBOE Volatility		11.19	-1.35	-10.77	9.75		22.51	-20.3
EMEA	Stoxx Europe 600		380.18	-0.25	-0.07	327.35		396.45	5.2
	Stoxx Europe 50		3116.31	-3.46	-0.11	2730.05		3276.11	3.5
	Austria ATX		3124.61	-26.81	-0.85	2074.11		3209.58	19.3
	Belgium Bel-20		3835.83	12.89	0.34	3319.64		4041.03	6.4
	France CAC 40		5145.16	-7.24	-0.14	4190.68		5432.40	5.8
	Germany DAX		12388.68	7.43	0.06	9629.66		12888.95	7.9
	Greece ATG		837.43	-5.82	-0.69	537.10		843.25	30.1
	Hungary BUX		35503.69	-111.31	-0.31	27023.94		35989.69	10.9
	Israel Tel Aviv		1428.36	...	Closed	1378.66		1478.96	-2.9
	Italy FTSE MIB		21015.10	-69.09	-0.33	16066.38		21787.90	9.3
	Netherlands AEX		509.92	-0.02	-0.00	433.77		536.26	5.5
	Poland WIG		60707.52	-162.31	-0.27	44024.66		62336.39	17.3
	Russia RTS Index		995.24	-16.55	-1.64	903.04		1195.61	-13.6
	Spain IBEX 35		10488.80	-9.60	-0.09	8185.90		11135.40	12.2
	Sweden SX All Share		578.99	-0.62	-0.11	473.16		596.72	8.3
	Switzerland Swiss Market		8883.27	-3.68	-0.04	7593.20		9127.61	8.1
	South Africa Johannesburg All Share		51900.26	-384.82	-0.74	48935.90		54548.91	2.5
Turkey	BIST 100		100084.37	-542.64	-0.54	71594.98		101207.79	28.1
	FTSE 100		7350.92	13.64	0.19	6590.64		7547.63	2.9
Asia-Pacific	DJ Asia-Pacific TSM		1606.02	-10.88	-0.67	1359.38		1640.63	12.9
	Australia S&P/ASX 200		5703.60	-55.20	-0.96	5156.60		5956.50	0.7
	China Shanghai Composite		3217.96	5.51	0.17	2953.39		3288.97	3.7
	Hong Kong Hang Seng		25340.85	-124.37	-0.49	20564.17		26063.06	15.2
	India S&P BSE Sensex		31360.63	-8.71	-0.03	25765.14		31369.34	17.8
	Japan Nikkei Stock Avg		19929.09	-64.97	-0.32	15106.98		20230.41	4.3
	Singapore Straits Times		3229.01	2.67	0.08	2787.27		3271.11	12.1
	South Korea Kospi		2379.87	-7.94	-0.33	1958.38		2395.66	17.4
	Taiwan Weighted		10297.25	-70.95	-0.68	8640.91		10513.96	11.3

Source: SIX Financial Information;WSJ Market Data Group

Currencies

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



	US\$ vs.			US\$ vs.			
	Fri	YTD chg		Fri	YTD chg		
Country/currency	in US\$	per US\$	(%)	in US\$	per US\$	(%)	
<b>Americas</b>							
Argentina peso-a	0.0590	16.9485	6.8	Hong Kong dollar	0.1280	7.8121	0.7
Brazil real	0.3044	3.2849	0.9	India rupee	0.0155	64.6233	-4.9
Canada dollar	0.7775	1.2863	-4.3	Indonesia rupiah	0.0000746	13408	-0.9
Chile peso	0.001499	667.30	-0.4	Japan yen	0.008765	114.09	-2.5
Colombia peso	0.0003231	3095.34	3.1	Kazakhstan tenge	0.003082	324.44	-2.8
Ecuador US dollar-f	1	1	unch	Macau pataca	0.1243	8.0462	1.6
Mexico peso-a	0.0552	18.1072	-12.7	Malaysia ringgit-c	0.2326	4.2985	-4.2
Peru sol	0.3076	3.2515	-3.0	New Zealand dollar	0.7278	1.3740	-4.9
Uruguay peso-e	0.0346	28.930	-1.4	Pakistan rupee	0.0094	105.875	2.1
Venezuela bolivar	0.098921	10.11	1.1	Philippines peso	0.0198	50.628	1.4
<b>Asia-Pacific</b>							
Australia dollar	0.7605	1.3149	-5.3	Singapore dollar	0.7235	1.3821	-4.5
China yuan	0.1470	6.8041	-2.0	South Korea won	0.0008663	1154.39	-4.4
<b>Europe</b>							
Hong Kong dollar	0.1280	7.8121	0.7	Sri Lanka rupee	0.0065079	153.66	3.5
India rupee	0.0155	64.6233	-4.9	Taiwan dollar	0.03271	30.568	-5.8
Indonesia rupiah	0.0000746	13408	-0.9	Thailand baht	0.02931	34.120	-4.7
Japan yen	0.008765	114.09	-2.5				
Kazakhstan tenge	0.003082	324.44	-2.8				
Macau pataca	0.1243	8.0462	1.6				
Malaysia ringgit-c	0.2326	4.2985	-4.2				
New Zealand dollar	0.7278	1.3740	-4.9				
Pakistan rupee	0.0094	105.875	2.1				
Philippines peso	0.0198	50.628	1.4				
Singapore dollar	0.7235	1.3821	-4.5				
South Korea won	0.0008663	1154.39	-4.4				
Sri Lanka rupee	0.0065079	153.66	3.5				
Taiwan dollar	0.03271	30.568	-5.8				
Thailand baht	0.02931	34.120	-4.7				
<b>Middle East/Africa</b>							
Bahrain dinar	2.6507	0.3773	0.02				
Egypt pound-a	0.0559	17.8740	-1.4				
Israel shekel	0.2824	3.5416	-8.0				
Kuwait dinar	3.2975	0.3033	-0.8				
Oman sul rial	2.5976	0.3850	unch				
Qatar rial	0.2702	3.700	1.65				
Saudi Arabia riyal	0.2666	3.7504	-0.01				
South Africa rand	0.0745	13.4198	-2.0				
<b>Cross rates</b>							
WSJ Dollar Index	88.38	0.21	0.24				

London close on July 7

Country/currency	Fri in US\$	Fri per US\$	YTD chg (%)
Europe			
Bulgaria lev	0.5826	1.7163	-7.6
Croatia kuna	0.1538	6.500	-9.4
Euro zone euro	1.1400	0.8772	-7.7
Czech rep. koruna-b	0.0437	22.881	-10.9
Denmark krone	0.1533	6.5232	-7.7
Hungary forint	0.003701	270.23	-8.2
Iceland krona	0.009587	104.31	-7.7
Norway krone	0.1195	8.3665	-3.2
Poland zloty	0.2693	3.7136	-11.3
Russia ruble-d	0.01654	60.467	-1.3
Sweden krona	0.1186	8.4332	-7.4
Switzerland franc	1.0371	0.9642	-5.4
Turkey lira	0.2761	3.6223	2.8
Ukraine hryvnia	0.0384	26.0450	-3.8
U.K. pound	1.2882	0.7763	-4.2

Sources: Tullett Prebon;WSJ Market Data Group

Global government bonds




Latest, month-ago and year-ago yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

Country/		Coupon	Maturity, in years	Yield	Latest	Spread Over Treasuries, in basis points	Previous	Month Ago	Year ago	Yield	Previous	Month ago	Year ago
Australia	2	5.250	1.737	33.4	30.8	29.5	97.7	1.707	1.609	1.570			
	10	4.750	2.682	28.9	22.5	21.8	48.8	2.593	2.394	1.876			
Belgium	2	3.000	-0.475	-187.8	-184.4	-191.3	-119.8	-0.445	-0.598	-0.605			
	10	0.800	0.925	-146.8	-144.7	-155.8	-135.4	0.921	0.619	0.034			
France	2	0.000	-0.368	-177.1	-174.8	-183.3	-119.4	-0.350	-0.519	-0.600			
	10	1.000	0.943	-145.0	-144.5	-148.6	-124.8	0.923	0.690	0.140			
Germany	2	0.000	-0.601	-200.4	-199.5	-205.4	-127.1	-0.597	-0.739	-0.677			
	10	0.250	0.575	-181.8	-180.3	-190.8	-155.5	0.565	0.269	-0.167			
Italy	2	0.050	0.104	-129.9	-167.4	-156.4	-66.5	-0.276	-0.250	-0.072			
	10	2.200	2.328	-6.5	-10.2	9.4	-21.4	2.266	2.270	1.174			
Japan	2	0.100	-0.104	-150.7	-150.0	-143.0	-93.9	-0.102	-0.115	-0.346			
	10	0.100	0.088	-230.5	-227.1	-213.0	-166.1	0.097	0.046	-0.274			
Netherlands	2	4.000	-0.580	-198.3	-193.7	-201.7	-122.4	-0.539	-0.703	-0.630			
	10	0.750	0.767	-162.6	-161.8	-169.4	-146.4	0.750	0.483	-0.076			
Portugal	2	4.750	0.065	-133.8	-131.7	-114.4	-23.9	0.081	0.171	0.354			
	10	4.125	3.134	74.1	66.8	89.7	167.0	3.036	3.074	3.058			
Spain	2	2.750	-0.185	-158.8	-157.5	-159.5	-74.1	-0.176	-0.281	-0.148			
	10	1.500	1.715	-67.8	-70.4	-63.2	-21.3	1.664	1.545	1.175			
Sweden	2	4.250	-0.688	-209.1	-206.2	-202.9	-122.8	-0.664	-0.715	-0.635			
	10	1.000	0.680	-171.3	-167.2	-176.5	-126.6	0.696	0.411	0.122			
U.K.	2	1.750	0.330	-107.3	-103.5	-119.2	-45.2	0.364	0.122	0.142			
	10	4.250	1.309	-108.4	-105.0	-117.2	-60.7	1.318	1.004	0.781			
U.S.	2	1.250	1.403	...	...	...	...	1.398	1.314	0.593			
	10	2.375	2.393	...	...	...	...	2.368	2.176	1.388			

Commodities

Prices of futures contracts with the most open interest 3:30 p.m. New York time

EXCHANGE LEGEND: CBOT: Chicago Board of Trade; CME: Chicago Mercantile Exchange; ICE-US: ICE Futures U.S.; MDEX: Bursa Malaysia  
Derivatives Berhad; TCE: Tokyo Commodity Exchange; COMEX: Commodity Exchange; LME: London Metal Exchange;  
NYMEX: New York Mercantile Exchange; ICE-EU: ICE Futures Europe. Data as of 7/6/2017

	Commodity	Exchange	Last price	Net	One-Day Change Percentage	Year high	Year low
	Corn (cents/bu.)	CBOT	391.75	1.25	0.32%	399.25	364.50
	Soybeans (cents/bu.)	CBOT	1012.75	13.50	1.35	1,034.50	907.00
	Wheat (cents/bu.)	CBOT	532.25	-6.75	-1.25%	574.50	430.75
	Live cattle (cents/lb.)	CME	115.250	0.300	0.26	127.650	99.400
	Cocoa (\$/ton)	ICE-US	1,879	-48	-2.49	2,281	1,767
	Coffee (cents/lb.)	ICE-US	128.85	-0.25	-0.19	163.75	115.50
	Sugar (cents/lb.)	ICE-US	14.13	0.21	1.51	20.50	12.74
	Cotton (cents/lb.)	ICE-US	68.41	0.06	0.09	75.72	66.15
	Robusta coffee (\$/ton)	ICE-EU	2114.00	-36.00	-1.67	2,286.00	1,885.00
	Copper (\$/lb.)	COMEX	2.6495	-0.0120	-0.45	2.8495	2.4850
	Gold (\$/troy oz.)	COMEX	1210.50	-12.80	-1.05	1,300.30	1,155.00
	Silver (\$/troy oz.)	COMEX	15.490	-0.493	-3.08	18.780	14.340
	Aluminum (\$/mt)*	LME	1,935.50	16.50	0.86	1,972.00	1,688.50
	Tin (\$/mt)*	LME	19,850.00	-100.00	-0.50	21,225.00	18,760.00
	Copper (\$/mt)*	LME	5,861.00	12.50	0.21	6,156.00	5,491.00
	Lead (\$/mt)*	LME	2,286.00	19.00	0.84	2,445.00	2,022.00
	Zinc (\$/mt)*	LME	2,786.00	18.00	0.65	2,958.50	2,450.50
	Nickel (\$/mt)*	LME	9,130.00	10.00	0.11	11,095.00	8,780.00
	Rubber (Y.01/ton)	TCE	197.10	0.60	0.31	n.a.	n.a.
	Palm oil (MYR/mt)	MDEX	2554.00	-7.00	-0.27	2966.00	2390.00
	Crude oil (\$/bbl.)	NYMEX	44.26	-1.26	-2.77	58.30	42.06
	NY Harbor ULSD (\$/gal)	NYMEX	1.4492	-0.0327	-2.21	1.7930	1.3609
	RBOB gasoline (\$/gal)	NYMEX	1.4984	-0.0303	-1.98	1.8561	1.3902
	Natural gas (\$/mmbtu)	NYMEX	2.861	-0.027	-0.93	3.5750	2.8320
	Brent crude (\$/bbl.)	ICE-EU	46.73	-1.38	-2.87	60.18	44.60
	Gas oil (\$/ton)	ICE-EU	428.75	-17.75	-3.98	530.25	403.50



FINANCE & MARKETS

# Euro Gives Relief to Switzerland’s Franc

By BRIAN BLACKSTONE

ZURICH—The yearslong battle that smaller European central banks have waged against their own strong currencies may have turned a corner, thanks to the strengthening euro.

Increased confidence in the eurozone, both politically and economically, has raised the euro’s value against a broad swath of big and small currencies, including some of its neighbors. Amid these improved prospects for Europe, central bankers in Switzerland, Denmark and the Czech Republic have scaled back their purchases of foreign currencies in recent months.

The Swiss National Bank’s foreign-exchange reserves—accumulated on a massive scale since 2012—dipped slightly last month to 693.5 billion Swiss francs (\$721 billion), the SNB said Friday. The figures suggest the central bank has pulled back on its

currency intervention efforts.

Denmark hasn’t intervened in markets since March, according to central bank data. Data from the Czech central bank showed currency intervention of just €653 million (\$745 million) in April, down sharply from March.

This is in contrast to the first quarter, when these banks cumulatively added tens of billions of dollars’ worth of foreign currency to their balance sheets. By creating new Swiss francs, Danish kroner and Czech koruna and using them to buy foreign-currency assets, these central banks hoped to weaken their own currencies and protect exporters while boosting inflation.

Their ability to step back is a byproduct of the broader normalization occurring among big central banks.

The Federal Reserve has raised rates twice this year and is expected to do so again before year-end. The European Central Bank has reduced its

quantitative-easing program, and officials have sounded more positive about the bloc’s economic outlook, even though its deposit rate is still negative.

This has the potential to reduce demand for assets in countries such as Switzerland, whose currencies tend to benefit amid uncertain times in the global economy.

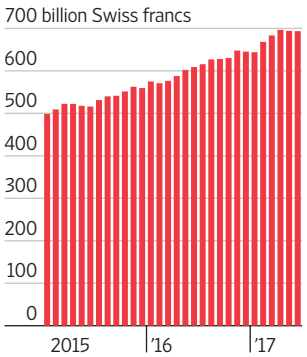
“The Danes and Swiss are all at the mercy of large central banks. Sometimes they lose, like when the ECB cut rates into negative territory, and sometimes it works in their favor,” as is the case more recently, said Peter Rosenstreich, head of market strategy at Swissquote Bank.

Switzerland has battled the strong franc since the euro crisis intensified in 2010, prompting its central bank to spend vast sums intervening and, eventually, setting a ceiling on the franc’s strength in 2011. When it abandoned that cap in early 2015, it was forced

## Pulling Back

The Swiss National Bank’s foreign-exchange reserves declined the past two months, a possible reaction to the strengthening euro.

### Foreign currency reserves at the Swiss National Bank



Note: \$1 = 0.96 Swiss francs

Sources: Swiss National Bank (reserves); FactSet (euro)

### How many Swiss francs €1 buys



to step up its intervention.

Denmark, meanwhile, has a target range for the euro-kroner exchange rate. The Czech central bank had a euro target for a while, but dropped it in April.

The euro traded at 1.0991 Swiss francs late Friday. The euro fetched 7.44 kroner and 26.1 Czech koruna.

A strong currency brings many economic benefits: It reflects the confidence global in-

vestors attach to assets of countries such as Switzerland, which is known as a haven. It raises purchasing power and may make key imported commodities like oil less expensive. But when it is too strong, the economy may slide into persistent consumer-price declines known as deflation, which weakens consumption and investment. A strong currency also typically damps exports.

And the exchange rate effects extend beyond exports and consumer prices. The Czech Republic is a key manufacturing hub in sectors like automobiles and thus benefits from low costs. Switzerland is home to global corporate powerhouses such as Nestlé SA, and Swatch Group AG which generate a significant share of their revenue from overseas but report their earnings in francs.

Switzerland’s central bank “is breathing a sigh of relief,” said Mr. Rosenstreich.

# Paris Acts To Attract Bankers From U.K.

By NOEMIE BISSEREE

PARIS—The French government unveiled Friday new measures to attract bankers to Paris after Brexit, pledging to cut taxes and labor costs and provide more international schools for expatriates’ families, as competition for London’s jobs heats up.

French Prime Minister Édouard Philippe at a Friday conference in Paris said the government would scrap the highest bracket of its payroll tax, and cancel a planned extension of a tax on financial transactions. Some bonuses of traders and banking executives classified by the European Banking Authority as “risk takers” won’t be included as a part of severance packages, he said.

“Our government’s ambition is to reinforce France’s attractiveness and competitiveness,” said Mr. Philippe at a news conference. “Companies must want again to set up and develop their business here.”

Paris has stepped up its efforts to win business from financial firms currently based in the U.K. since the election of pro-business Emmanuel Macron as French president in May.

In addition to tax and labor-cost cuts, the government plans to open three international schools near La Défense, the sprawling business district on the Western edge of Paris, and invest in an express train line from Paris’s center to Charles de Gaulle Airport.

“This package of measures meets the expectations voiced over the last months by the financial institutions and international investors that we have met,” said Gérard Messtrellet, the chairman of Paris Europlace, a group that promotes the French capital as a financial center.

French labor laws that make it hard to hire and fire workers have become a major hurdle for banks considering relocating business to Paris. Banks that pay hefty bonuses to lure traders and other talent don’t want those sums later factored into severance payments, as is currently required under French law.

“The arrangement with bonuses is that you live by the sword and die by the sword...That’s not the way the law plays it” in France, said Ross McInnes, chairman of aerospace firm Safran SA, who has been lobbying companies to move to France.

So far, HSBC Holdings PLC has said it would transfer about 1,000 jobs to France, where it already has a retail presence.

Paris is facing fierce competition. Regulators and government officials across Europe are also trying to lure London finance companies ahead of Brexit. The sweeteners range from the promise of cheap rents to protection of bankers’ bonuses.

—Max Colchester and Nick Kostov contributed to this article.

# Networking Star Opens Doors in Silicon Valley

By MAUREEN FARRELL

Wall Street bankers and Silicon Valley executives thrive on networking. Scott Stanford has perfected the art.

His résumé is replete with elite credentials—undergraduate and business degrees from Harvard University, investment banking at Goldman Sachs Group Inc., and a stint at a dot.com flop. But he stands out for his social network, considered vast even among the business elite.

He helped Arianna Huffington find financing for the

Huffington Post during the financial crisis, she says. Spotify AB Chief Executive Daniel Ek is a longtime friend, say people who know them. Barack Obama’s election guru Jim Messina is an official business adviser. Michelle Phan, a co-founder of online makeup company Ipsy, counts on him for business guidance, according to someone who knows them both. And investor Yuri Milner credits him with introducing Mr. Milner to Silicon Valley.

“I will be forever grateful to him,” Mr. Milner says of Mr. Stanford. “I really didn’t

know anyone in Silicon Valley. He literally paved the way for us to become global investors.”

Mr. Stanford’s main job is running venture firm **Sherpa Capital**, which he co-founded four years ago with Shervin Pishevar, also considered one of Silicon Valley’s most hyper-networked individuals.

The question for Mr. Stanford is whether he can convert his connections into returns.

He says he has closely interwoven his personal and professional lives as far back as he can remember. At Sherpa, he says, “we’re trying

to open doors for founders that they didn’t know existed.”

A 47-year-old native of Indianapolis and a videogame and science-fiction enthusiast, Mr. Stanford joined Goldman after his first matriculation at Harvard. He had transferred there from Boston College, after a dean, impressed by his coding skills, wrote a recommendation to the university, Mr. Stanford says.

After leaving Goldman and getting an M.B.A. at Harvard, he joined LookSmart Ltd. as a senior executive before the online-advertising firm’s 1999 IPO.

Facebook Inc. was just getting started when he returned to Goldman in 2004 after LookSmart’s valuation had collapsed. He sought out entrepreneurs in Silicon Valley and internationally who were building social networks, which he saw as the next big internet business.

Several of Mr. Stanford’s former associates at Goldman remember a one-page document he passed around outlining his “game-changing hypotheses” and how prescient some were. Among them: predicting that the large number of social networks would eventually morph into three or four that people would use for different things—one for business and a separate one for their personal lives.

In 2009, when Facebook was looking for a sizable investment, Mr. Stanford brought Mr. Milner, a Russian entrepreneur, to Silicon Valley to meet the social network’s key executives and advisers. “Scott and Yuri were really critical in helping us thinking about Russia and other parts of the world as being very important,” says Jim Breyer, one of Facebook’s then-board members and earliest investors.

Mr. Milner invested \$200 million in Facebook in 2009 and several hundred million more in 2010 and 2011 to buy out employees and early investors as part of a \$1.5 billion private fundraising that Mr. Stanford helped orchestrate—at the time one of the

largest pre-IPO financings ever. Mr. Milner earned returns of nearly 10 times his investment with the company’s 2012 IPO and became a coveted investor for other tech companies.

Mr. Stanford also spearheaded Goldman’s investment in Uber Technologies Inc. in 2011. The bank’s \$5 million investment has been valued in excess of \$1 billion after the ride-hailing company’s business ballooned.

Mr. Stanford had seen the promise of several blockbuster companies “when many people didn’t have the visibility or transparency into where they were going,” says Goldman President and Co-Chief Operating Officer David Solomon, who is now a Sherpa investor.

In 2013, Mr. Stanford left Goldman to found Sherpa with Mr. Pishevar, who had been a managing director at Menlo Ventures.

Mr. Pishevar led Menlo’s investment in Uber around the same time Goldman got in. He and Mr. Stanford met shortly after that, when they were introduced to one another as the “Uber boys.” Their firm’s name comes from their idea of being “tireless servants and guides” to their portfolio companies, Mr. Stanford says.

Investors have put roughly \$640 million into Sherpa, making it one of the fastest-growing venture firms launched in the past five years, according to research firm Preqin.

Sherpa in 2014 participated in fundraising rounds for Uber and Airbnb Inc., accumulating shares that have appreciated handsomely on paper. But not every bet has been a winner. Sherpa has written down some of its investments, such as used-car company Beepi Inc., which closed and for which the firm wrote off its entire \$16.7 million investment. Other portfolio companies, including shipping-and-logistics company Shyp Inc. and online food-delivery service Munchery Inc., have restructured and announced job cuts.



Scott Stanford co-founded Sherpa, a fast-growing venture firm with stakes in Uber and Airbnb.

ANASTASIA SAPON FOR THE WALL STREET JOURNAL

# Guard on Retirement Savings Likely to Lose Bite

By LISA BEILFUSS

The Trump administration in recent days has raised questions about the impact of the fiduciary rule’s compliance costs and legal liabilities, a sign that the rule meant to protect retirement savers from conflicted advice may survive a review without some of its primary enforcement provisions.

In a legal brief this past week, the Labor Department urged the U.S. District Court for the Northern District of Texas to uphold its February ruling against business groups seeking to eliminate the fiduciary rule, but the agency said it doesn’t stand by a condition in the Obama-era rule that allows investors to bring class-action suits against brokers who they say failed to act as fiduciaries.

Separately, in opening a new comment period on the rule and a potential delay of

its Jan. 1, 2018, deadline for full compliance, the agency asked pointed questions to gauge costs to the financial-services industry.

Writing that commentators have been divided on best-interest contract requirements throughout the rule-making process, the department said that it “is interested in the possibility of regulatory changes that could alter or eliminate contractual...requirements.”

Together, legal observers say, the Labor Department moves indicate the agency is considering eliminating the best-interest contract from the fiduciary rule as it conducts an economic-impact review ordered by President Donald Trump in February. The contract currently would require retirement-account stewards to provide a legally binding promise to put clients’ interests first and allow investors to bring class-action lawsuits

against those they say breached their fiduciary duty. The threat of such litigation was included in the fiduciary rule to effectively serve as the regulation’s main enforcement mechanism.

The heart of the rule became effective last month after Labor Secretary Alexander Acosta said “respect for the rule of law” precluded further delay while the agency’s review plays out.

However, Mr. Acosta didn’t

eliminate the possibility of a repeal or revision after the Labor Department completes that review at the end of the year.

Many critics of the fiduciary rule had hoped Mr. Trump’s election would bring an end to a regulation that they say will hamper investor access to advice and poses excessive and disruptive legal risk.

But the fiduciary rule has been hard to kill, in large part

because of the Obama administration’s careful six-year rule-writing process that was meant to withstand legal scrutiny and industry objections.

Now, the Trump administration is “telegraphing the fact that they want to look for alternatives” to the meatiest and more-onerous compliance aspects, said Robert Cirrotti, head of retirement and investment solutions at Pershing LLC, a division of Bank of New York Mellon Corp.

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# MARKETS

THE DAILY SHOT | By Lev Borodovsky

## Ripples Spread in a Global Bond Selloff

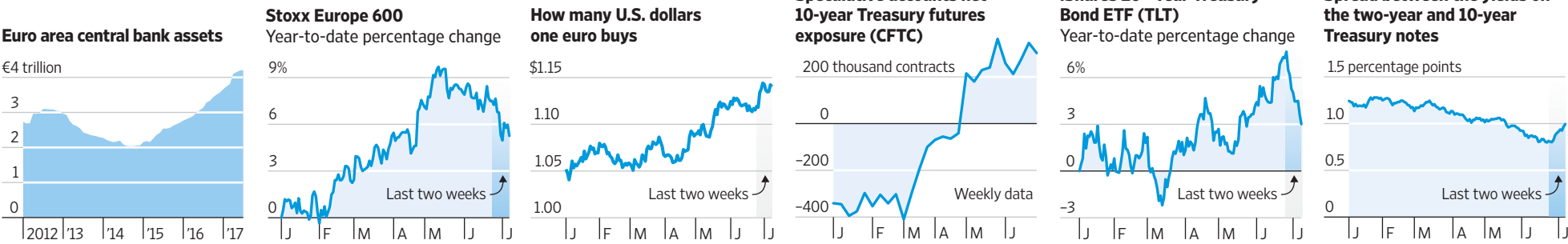
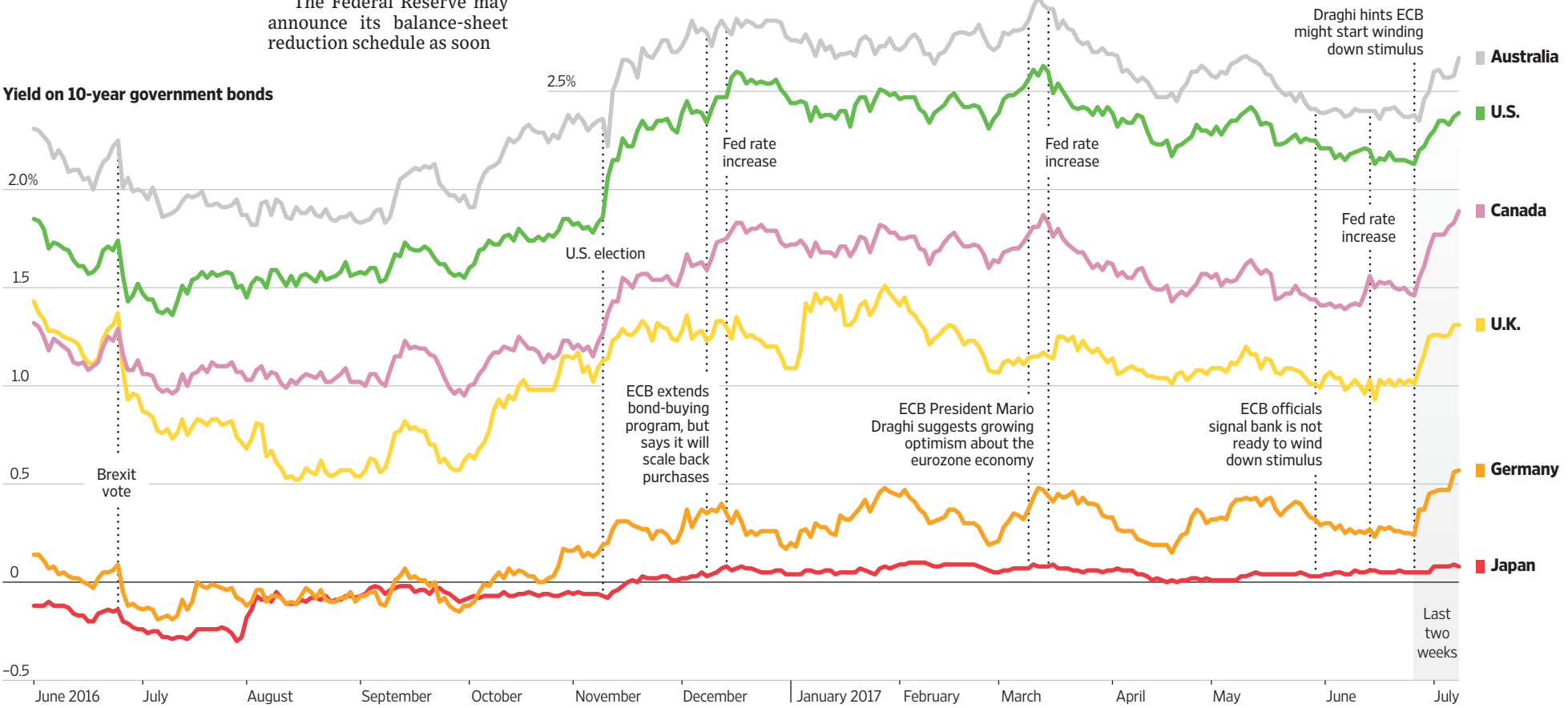
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The global bond rout deepened last week, spilling over into the equity markets. Fixed-income investors have become jittery about major central banks sounding increasingly hawkish. The moves in German bonds were especially of note. The Federal Reserve may announce its balance-sheet reduction schedule as soon

as September. The Bank of Canada and the Bank of England are hinting at near-term rate increases, while the European Central Bank may soon accelerate its tapering. Last Thursday's French bond auction showed a

marked decline in demand, triggering the bond selloff around the world. Some hedge funds have been net long Treasuries as well as other long-dated government bonds and are now forced to unwind.

Several bond analysts (including DoubleLine Capital's Jeffrey Gundlach) suggest that this is only the beginning, with the 10-year Treasury moving toward 3% this year and mortgage rates also rising sharply.



Note: €1 trillion = \$1.1 trillion  
Sources: FactSet (yields, TLT, spread); European Central Bank via Federal Reserve Bank of St. Louis (assets); WSJ Market Data Group (Stoxx Europe 600; euro); Commodity Futures Trading Commission (positions)

THE WALL STREET JOURNAL.

# HEARD ON THE STREET

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FINANCIAL ANALYSIS & COMMENTARY

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## An Activist Digs In on Akzo Nobel

PPG Industries walked away from Akzo Nobel last month, but Elliott Management is keeping awkwardly close. The New York activist investor needs to be careful it doesn't clench the fist it is trying to pry open. On Friday, Elliott announced a near doubling of its stake in the Dutch paint company to 9.5%, or \$2.1 billion, alongside a petition to a local court demanding an extraordinary general meeting so shareholders can vote out Akzo Nobel Chairman Antony Burgmans. Elliott and other big shareholders saw Mr. Burgmans's dismissive handling of PPG's \$27.6 billion takeover approach as a classic case of entrenched management. The shares trade well below PPG's offers. Akzo Nobel's short-term plan to sell or split out its specialty chemicals business is sensible, and should make the paint business easier to combine with PPG once Mr. Burgmans has retired. Elliott may feel it is worth keeping the pressure on Mr. Burgmans to ensure the sales process goes smoothly and benefits shareholders. But pushing hard could create other problems: The Dutch government is proposing a radical set of antitakeover measures for Dutch companies, inspired by the Akzo Nobel affair and Kraft Heinz's short-lived bid for Unilever, where Mr. Burgmans spent most of his career. Elliott is onto something: Akzo Nobel has a governance problem, and would be more valuable if it participated in the current round of chemicals consolidation. But this is a situation that may require patience and diplomacy, not the activist soapbox. —Stephen Wilmot

## European Stocks Still Have Upside

After a strong start to the year, European stocks have come off the boil. In particular, the bond-market turmoil of the past two weeks has jolted the market. But a decent growth outlook means investors shouldn't be too nervous about Europe. The Stoxx Europe 600 has given up roughly half of the gains it made up to early May, although it is still up 5% for the year. In local-currency terms, it is lagging behind the S&P 500, which is up around 8%, but the rise of the euro means that in dollar terms it is still well ahead. The European growth story looks solid, supporting

*Relative to returns on offer in European bonds, equities still look attractive.*

earnings. And while the eurozone growth rate is already well above potential, relative growth does matter: Some of the drag on the headline Stoxx Europe 600 is from the U.K., where the economy seems to be suffering from Brexit uncertainty. Excluding U.K. stocks, the index is up nearly 7%. Nervousness around monetary policy is understandable. Since ultralow interest rates and abundant liquidity have boosted the valuation of many financial assets, even a very gradual shift by the European Central Bank toward the monetary-policy exit is significant. But it will create winners as well as losers, most notably in the financial sector, which should benefit from a steeper yield curve. European bank stocks are duly outperforming, up 10%; bond proxies like utilities have suffered. One problem for European stocks, perversely, is that a lot has gone right so far in



A gradual exit by the ECB from ultraloose policy should help banks.

2017. Political risks have faded, first-quarter earnings were strong and cash has begun to flow back into Europe. There are fewer catalysts for a big improvement in Europe's prospects. So after an 18% gain in the past year, and with the Stoxx Europe 600 trading at 15 times forward earnings, companies will need to deliver

good results. Stoxx 600 earnings are expected to rise 17.8% this year, according to Thomson Reuters I/B/E/S. Relative to the skinny returns on offer in bonds, however, equities still look attractive. And if the global growth story maintains momentum, then European stocks should continue to perform. —Richard Barley

## OVERHEARD

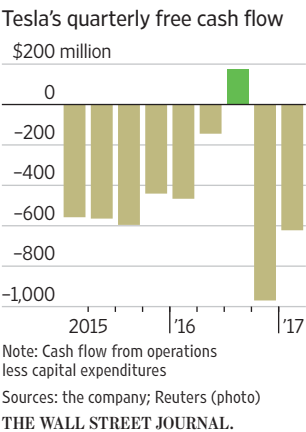
Bad news, Starbucks—your labor supply may be shrinking. On the bright side, more young people can now afford your fancy drinks. Humanities Indicators, a long-running report by the American Academy of Arts and Sciences, says the number of bachelor's degrees in the humanities has dropped by nearly 10% since 2012. By one measure, the share of U.S. college degrees in the common liberal-arts majors is at its lowest recorded. While overeducated baristas are to some extent a stereotype, economists Jaison Aibel and Richard Dietz wrote last year that about half of recent liberal-arts graduates are "underemployed," while the share is far lower for majors related to STEM or health care. Engineering majors had the lowest underemployment rates. There was no word on their coffee preferences.

## Tesla Stock's Skid Couldn't Have Come at a Worse Time

When the story of Tesla is finally written, last week will be seen as a crucial juncture. The electric-car company started production on its highly anticipated Model 3 on Friday, one day after its stock briefly fell into a bear market. The slump brings the company's financial position into fresh focus given its historic reliance on the equity market. At first glance, it has plenty of cash on hand—more than \$4 billion as of March 31. But that is likely to go quickly. Tesla's free cash outflow was \$622 million in the first quarter. Since Tesla delivered fewer cars in the second quarter than in the first, there is a decent chance that number will worsen. Accounts payable have risen and Tesla has \$7 billion in long-term debt.

The Model 3 isn't likely to improve matters, at least in the short term. Tesla said in the first quarter that it expected to have an additional

### Expensive Cars



\$1.5 billion in capital spending before the Model 3 began production. Analysts at Guggenheim Securities predict that gross



Tesla Model X cars in Sydney

margins on the Model 3 will be minus-15% at the start of the launch and won't turn positive until the middle of next year. Tesla's automotive gross margin was 27.4% in the first quarter. The company could forgo some of its planned capital spending. But that might slow the Model 3 rollout amid increasing competition, denting the stock. The good news is that CEO Elon Musk should have other options. The company has issued equity or convertible debt in every year since its 2010 initial public offering, most recently in March. And despite a bad week, the shares are up more than 40% this year. Meanwhile, Tesla may need to raise nearly \$3 billion over

the next year. At current prices, that amounts to roughly 6% of the total equity value. The more the shares slip, the greater the potential dilution of existing owners. Chinese technology company Tencent's recent investment in Tesla stock is an encouraging sign that there is appetite for large chunks of equity. While that deal didn't involve fresh cash, it points to other potential options besides a traditional secondary-market issuance. So the past would suggest that the recent selloff won't be much of a long-term problem for Tesla shareholders. Yet Tesla's balance sheet and the crowded electric-car field have created a moment the company can't risk squandering. —Charley Grant