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DJIA 24356.74 ▲ 181.92 0.8% NASDAQ 7586.43 ▲ 1.1% STOXX 600 381.59 ▲ 0.4% 10-YR. TREAS. ▼ 2/32, yield 2.840% OIL \$72.94 ▼ \$1.20 GOLD \$1,257.30 ▲ \$5.70 EURO \$1.1693 YEN 110.63

What's News

Business & Finance

Preparations for the public listing of Aramco, a centerpiece of Saudi Arabia's plan to open its economy, have stalled, sowing doubt that the state oil company's IPO will proceed at all. A1

♦ **Fed officials signaled at their June meeting that they could raise rates over the next year to a level that no longer seeks to spur growth. A2**

♦ **Boeing agreed to take control of Embraer's commercial-jet business, extending its reach into the market for smaller passenger planes. B1**

♦ **U.S. stocks rose ahead of a looming tariff deadline. The Dow added 181.92 points to 24356.74. B11**

♦ **American authorities are probing ties between Glencore and an Israeli diamond merchant, as scrutiny of the gem trader grows. B1**

♦ **Some cheap smartphones sold in developing countries include preloaded apps that harvest users' data without their knowledge. B1**

♦ **Samsung forecast that second-quarter operating profit will grow by 5%, a projection that fell short of analysts' estimates. B4**

♦ **ZTE named a new CEO, as the Chinese telecom firm proceeds with a U.S.-mandated purge of top ranks. B3**

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♦ **The administration said it is encountering significant logistical hurdles as it races to comply with an order by a federal judge to reunite immigrant families. A3**

♦ **Trump appointed former Fox News executive Bill Shine as an assistant to the president and deputy chief of staff for communications. A3**

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♦ **Trump plans to raise the issue of Russia's "malign activity" in Europe and efforts to meddle in the 2016 U.S. election when he meets with Putin. A6**

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Pruitt Resigns Amid Ethics Probes

EPA chief rolled back Obama environmental regulations but faced pressure to step down

By LOUISE RADNOFSKY

WASHINGTON—Scott Pruitt, the embattled administrator of the Environmental Protection Agency, resigned Thursday after allegations of ethical lapses and improper spending overshadowed his aggressive campaign to roll back Obama-era environmental rules.

President Donald Trump, who announced Mr. Pruitt's departure in a tweet, said Mr. Pruitt's deputy, Andrew

Wheeler, would become acting EPA administrator on Monday.

A former lobbyist for the coal industry, Mr. Wheeler is expected to continue Mr. Pruitt's push to position the EPA as an agency that avoids stifling business investment or opportunity while seeking to protect the environment and enforce environmental laws, after years in which many Republicans complained the agency overreached in its regulations.

Mr. Pruitt had become a lightning rod for administration critics, fueled not only by his approach to environmental policy, but also a string of controversies involving his travel, potential employment for his wife, his living arrangements



Scott Pruitt
ANDREW HARNIK/ASSOCIATED PRESS

in Washington and spending at the agency.

"I have accepted the resignation of Scott Pruitt as the

Administrator of the Environmental Protection Agency. Within the Agency Scott has done an outstanding job, and I will always be thankful to him for this," Mr. Trump tweeted.

The president stood by Mr. Pruitt for months, despite the growing ethical allegations raised by both Democrats and Republicans. Mr. Trump, a Republican, frequently cited the EPA chief's success in rolling back regulations advanced by Mr. Trump's Democratic predecessor. Mr. Pruitt withdrew an Obama-era rule requiring reduced carbon emissions from coal-burning power plants and was considered instrumental in persuading Mr. Trump to pull out of the Paris climate accord.

Mr. Pruitt also pushed to

sharply reduce the EPA's oversight powers. Last month, he moved to limit the agency's ability to block permits issued to mining, real-estate and other developers to dump waste into waterways.

Mr. Trump said Thursday that Mr. Pruitt had done an "outstanding job inside of the EPA" but acknowledged "obviously, the controversies." The president said in his view there had been "no final straw" and that Mr. Pruitt had decided over the last couple of days that "he was a distraction."

As recently as Wednesday, Mr. Pruitt attended a picnic on

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♦ **Acting EPA chief likely to stay course..... A2**

U.K. Demands Russia Explain Nerve-Agent Poisoning



FEAR OF CONTAMINATION: The U.K. called on Russia to provide more information about a March nerve-agent poisoning after a new incident this past weekend. Above, a police officer stood guard Thursday at a cordon around a housing project in Salisbury, England. A6

U.S., China Set For Long Battle On Trade

The U.S. slapped levies on \$34 billion of China's exports at midnight Thursday, the first tangible shot in a trade battle both sides are preparing to keep fighting for months if not years.

By Bob Davis in Washington and Lingling Wei in Beijing

In Beijing, a few minutes later, China's Commerce Ministry issued a statement, accusing the U.S. of "launching the largest trade war in economic history to date." In response, it said, China is "being forced to strike back as necessary."

Though the statement didn't say outright China's retaliatory tariffs were taking effect, ministry officials earlier said plans called for doing so immediately following the U.S.

President Xi Jinping has instructed various levels of government to get ready for a full-bore trade war, according to Chinese officials. "With his tariff threats, Trump is posing an unprecedented challenge to the leadership," said Zhu Feng, a professor of international relations at Nanjing University, referring to President Donald Trump.

Brookings Institution China scholar David Dollar, who was the U.S. Treasury's top official in Beijing during the Obama administration, figures the fight will stretch into next year, at least, because a strong economy will make it less likely that the U.S. will feel any immediate economic pressure from the trade fight.

Mr. Trump's threat to levy tariffs on another \$200 billion also won't be ready to put into effect until the late fall because the U.S. has to clear a number of procedural requirements. And as the U.S. closes in on midterm congressional elections, the China fight might seem like "a political winner," Mr. Dollar said.

"It's an historic day," said former Trump White House chief strategist Steve Bannon, who still consults with administration officials. "China has been in

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Prospects for Aramco IPO in Doubt

Preparations for the public listing of Saudi Arabia's state oil company, a centerpiece of the government's plan to open its economy, have stalled, leaving

By Summer Said in Dubai, Maureen Farrell in New York and Sarah McFarlane in London

ing government officials and people close to the process doubting that it will go forward at all.

The initial public offering of Saudi Arabian Oil Co., better

known as Aramco, was meant to be the cornerstone of the kingdom's plan to be less reliant on oil. It would create the largest public company in the history of capital markets, an opportunity coveted by Wall Street's biggest names.

Yet doubts have crystallized in recent months, after two years of work to prepare Aramco for its debut. Saudi officials and people close to the process said the company and the country simply aren't ready for an IPO that could raise \$100 billion but also bring unprecedented scrutiny

to the kingdom's crown jewel.

"Everyone is almost certain it is not going to happen," said a senior executive at Aramco, referring to the IPO.

A spokesman for Aramco declined to comment. Representatives for the Saudi energy ministry and the government didn't respond to questions.

First proposed by Saudi Crown Prince Mohammed bin Salman in January 2016, the IPO was originally meant to be done last year. It has been pushed back several times and was most recently slated for next year.

Until recently, despite the delays, work on the IPO had appeared to be progressing, if slowly. For months, bankers and advisers worked with the company and with government officials to ready the company for the IPO, a staggering task that involved figuring out how to disentangle the state company from the government and from other state-owned entities.

Activity has slowed down in recent months. Aramco invited law firms to Dubai to pitch for a possible role in the IPO ear-

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To Win More Fans, Walmart Takes a Stand on Politics

The world's largest retailer is carefully weighing in on guns, immigration

By SARAH NASSAUER

A week after February's deadly school shooting in Parkland, Fla., Walmart executives huddled inside the company's headquarters to discuss how they should sell guns.

President Donald Trump tweeted support for raising the minimum age to buy guns to 21. Florida Republicans voiced similar wishes. Walmart executives knew the company, one of the country's largest sellers of guns, could be ensnared in the debate, one executive said, and they worried about a potential patchwork of state laws. Publicly, the company stayed quiet.

A week later, the chief executive of Dick's Sporting Goods Inc. made an emotional announcement on ABC's "Good Morning Amer-

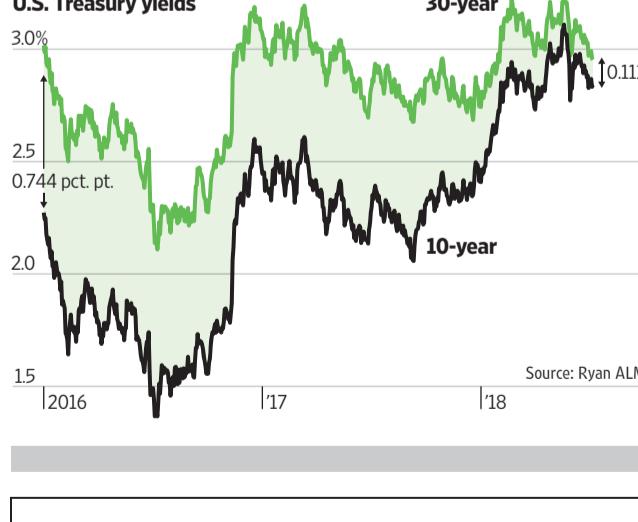
ica" that the chain would increase its gun-buying age to 21. That evening, Walmart said it would do the same, but not before executives warned some allies who might take issue with the stance, including Asa Hutchinson, the governor of the company's home state of Arkansas, said a person familiar with the call.

Political divide in the country is creating a new landscape for business, in which fierce debates often lead consumers and employees to demand that corporations and chief executives take positions on big issues. That is increasingly pulling Walmart, the world's largest retailer and largest private employer, into weighing in on issues such as immigration, the Confederate flag and gay rights—generally af-

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Yield Curve Feels a Squeeze

The yield on the 30-year bond has been falling recently, in part as companies buy long-dated debt to shore up pension funds. B1, B12



Source: Ryan ALM

Make-or-Break Exams Draw Best and Brightest Cheaters

* * *

Iraqi students scam finals with tiny cameras, sneaker transmitters

By ISABEL COLES AND GHASSAN ADNAN

BAGHDAD—The exam papers are stored in triple-lock safes, transported under armed escort and distributed in envelopes with a special seal that can't be reclosed once opened.

But on inspecting the envelopes after an exam in recent years, Iraqi education officials

discovered small incisions made in the sides. A tiny camera had been inserted to scan the questions inside. The breach resulted in the cancellation of the results in several test-taking centers.

"For every measure we develop," lamented Ban al-Sumaiade, an official on the exams board, "there is a countermeasure."

Some of the world's most creative cheaters are showing up in Iraqi exam halls this summer armed with gadgets, ruses and accomplices to pilfer answers for a series of high-school tests that will help determine their futures.

Most schemes involve variations on an earpiece that enables cheaters to get answers to

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U.S. NEWS

Fed Shifts Focus to Risks of Overheating Economy

By NICK TIMIRAO

WASHINGTON—Federal Reserve officials at their meeting last month signaled they could raise interest rates over the next year to a level that no longer seeks to spur growth, formally ending the long post-crisis chapter in which the central bank rewrote its policy playbook to provide unprecedented economic stimulus.

In a sign of the economy's changing fortunes, officials intensified their discussions over how to manage rates if growth accelerates so much that unsustainable price pres-

sures or financial bubbles emerge, according to minutes of the Fed's June 12 to 13 meeting released Thursday.

"Some participants raised the concern that a prolonged period in which the economy operated beyond potential could give rise to heightened inflationary pressures or to financial imbalances that could lead eventually to a significant economy downturn," the minutes said.

The Fed raised its benchmark federal-funds rate at the June meeting by a quarter percentage point to a range between 1.75% and 2%, the

second such increase this year. Most of the officials penciled in at least four rate increases this year, up from three in forecasts released in March.

The discussions reflected how the economy's recent strength has moved the Fed to a point at which it could soon seek to cool growth.

"Participants generally judged that...it would likely to be appropriate to continue gradually raising the target rate for the federal-funds rate to a setting that was at or somewhat above their estimates of its longer-run level by 2019 or 2020," the minutes said.

The officials' discussions framed the big questions shaping policy over the next few years: They must determine the neutral setting for the fed-funds rate—the level that neither spurs nor slows growth—now that they expect the economy to grow faster than is sustainable over the long run. Then they must decide how much to push rates above neutral to slow growth and prevent the economy from overheating.

The minutes didn't suggest, however, that most officials think they need to pick up the pace of rate increases.

"These minutes don't give

the impression that a clear majority is ready now to abandon the idea that the risks are 'roughly balanced' or that 'gradual' rate hikes are no longer enough," said Ian Shepherdson, chief economist at Pantheon Macroeconomics, in a note to clients.

The minutes did reveal one potential source of caution: concern that trade policy could hold back business investment and weaken economic growth relative to officials' forecasts for a sustained upturn this year and next.

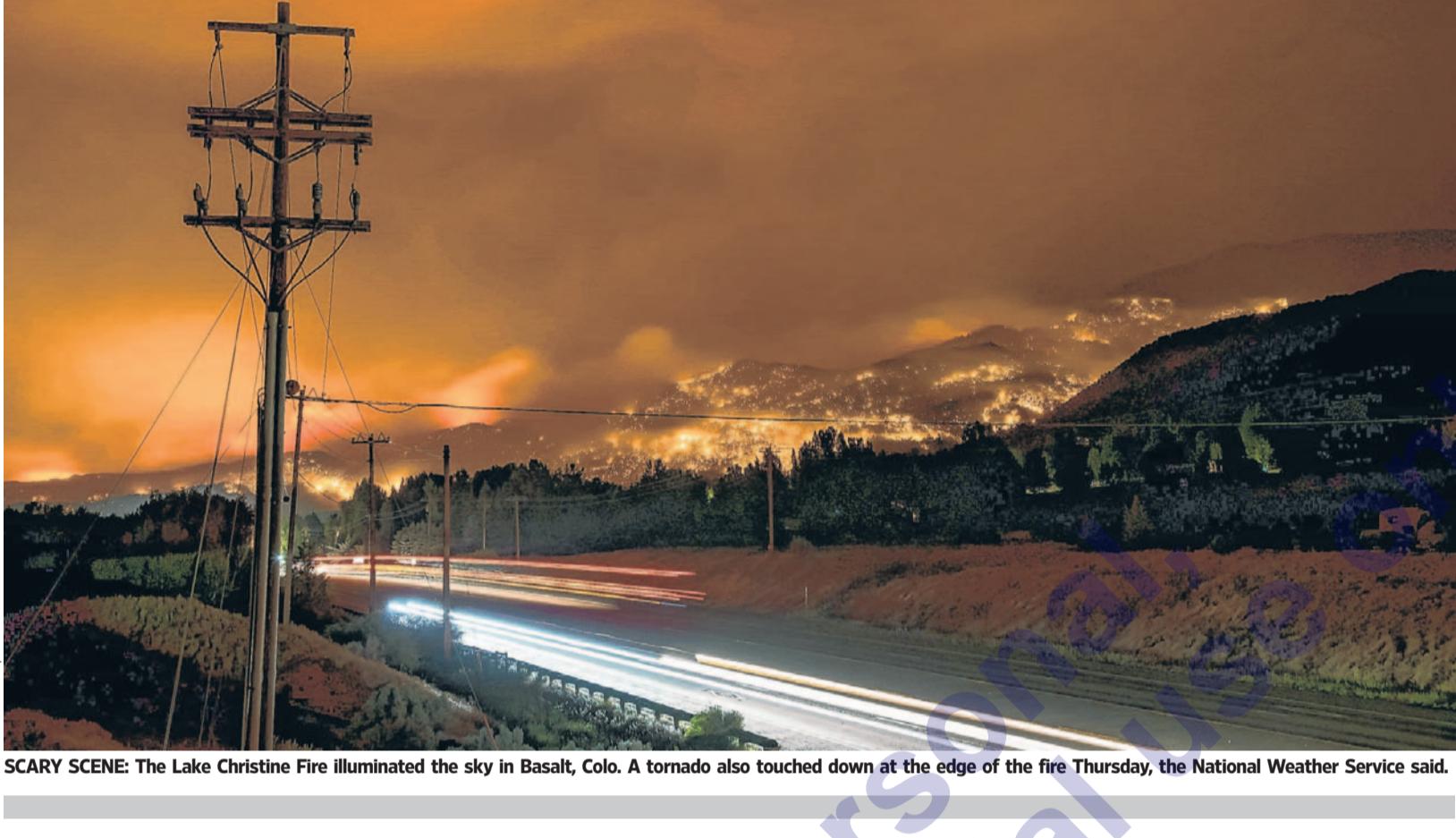
President Donald Trump is in the process of increasing tar-

iffs and other penalties against major trading partners, which could fuel uncertainty among U.S. businesses that rely on global suppliers and markets for their goods and services.

A slowdown in trade could hinder business confidence, weigh on financial markets and reverse a recent synchronized upturn in global growth. The minutes said some businesses contacts have scaled back or shelved plans for new investments amid uncertain trade-policy changes.

◆ Treasury yield curve is squeezed from both sides... B12

High-Elevation Wildfire Scorches Colorado



SCARY SCENE: The Lake Christine Fire illuminated the sky in Basalt, Colo. A tornado also touched down at the edge of the fire Thursday, the National Weather Service said.

Pruitt Resigns At EPA

Continued from Page One

the White House lawn for military families, along with several other cabinet members, and was recognized by Mr. Trump in his prepared remarks.

An EPA spokesman, Jahan Wilcox, confirmed Thursday that Mr. Pruitt had submitted a letter of resignation to Mr. Trump.

In the letter, Mr. Pruitt wrote that it was "extremely difficult for me to cease serving you in this role first because I count it a blessing to be serving you in any capacity, but also, because of the transformative work that is occurring. However, the unrelenting attacks on me personally, my family, are unprecedented and have taken a sizable toll on all of us."

Mr. Pruitt's work earned him a reputation as one of the most loyal cabinet members and one of the most effective at executing Trump administration philosophy. Mr. Trump in the past referred to him privately as "my lawyer," one White House official said.

But White House officials expressed increasing misgiving about the scandals surrounding the former Oklahoma attorney general. And he alienated some in the administration by making known his desire to succeed Jeff Sessions as attorney general, should Mr. Sessions step down or be fired, according to a White House official.

Mr. Pruitt's exit is the latest

high-level departure from the administration. In the past year, the president ousted two cabinet secretaries, Secretary of State Rex Tillerson and Veterans Affairs chief David Shulkin, and accepted the resignation of a third, Health and Human Services Secretary Tom Price. He also removed H.R. McMaster as national security adviser.

Earlier this week, a former staffer said Mr. Pruitt and his staff omitted, altered or removed from his official calendar potentially controversial meetings and phone calls,

some with industry executives. Such changes could be considered an illegal falsification of government records.

In mid-June, the federal government's ethics watchdog pushed the EPA's in-house investigators to expand and accelerate their inquiry into allegations against Mr. Pruitt, to include additional claims about Mr. Pruitt's use of subordinates' time to complete personal errands for him, as well as to seek business opportunities for his wife, including as a Chick-fil-A franchisee.

The EPA inspector general

was already reviewing allegations against Mr. Pruitt including those involving travel practices and security costs, personnel moves at the agency and how he obtained rental housing connected to a Washington lobbyist.

Several House and Senate committees had also been investigating Mr. Pruitt's conduct, including taking extensive testimony from current and former aides. Democratic lawmakers who had been pushing for Mr. Pruitt's departure were swift, and blunt, in their reaction Thursday. "It's about

time," Rep. Tim Ryan (D., Ohio) said.

Sen. Jim Inhofe (R., Okla.), a longtime ally of Mr. Pruitt's, praised Mr. Pruitt's work at the agency but said that Mr. Wheeler had worked for him for 14 years and had "an impeccable reputation" and would be a "strong leader" at the agency.

Mr. Pruitt rose to national prominence years before he joined the Trump administration. After becoming Oklahoma's attorney general in 2011, he led a coalition of conservative states in lawsuits against the federal government.

The coalition won major victories challenging some Obama administration policies all the way to the Supreme Court. His suits changed how former President Barack Obama's health-care overhaul works, and he won a stay that put Mr. Obama's signature climate-change policy, the Clean Power Plan, on hold.

That made him a darling of conservative groups, some energy companies and some prominent Republican boosters.

A former state legislator and owner of a minor-league baseball team, Mr. Pruitt was considered a climate-change skeptic. He has since said he accepts that climate change is happening, but questions how severe it might be and government's role in fighting it.

Mr. Pruitt's policies made him a target for environmental groups and liberals before he took office, but criticism grew over how he ran the agency and spent money.

—Heidi Vogt, Timothy Puko, Peter Nicholas and Kristina Peterson contributed to this article.

Acting Agency Chief Likely to Stay Course

The new acting administrator of the Environmental Protection Agency is a former coal and energy lobbyist who has expressed skepticism about the human impact on climate change.

President Donald Trump on Thursday named Andrew

Wheeler as acting administrator after accepting the resignation of Scott Pruitt, who left amid a series of allegations over ethics and spending.

"I have no doubt that Andy will continue on with our great and lasting EPA agenda," Mr. Trump tweeted.

Mr. Wheeler's elevation from deputy administrator, which was sharply criticized by environmental groups, isn't likely to bring big changes in policy at the EPA. Mr. Pruitt sought to roll back a number of Obama-era regulations, including water and air rules that affect energy producers, farmers and auto makers, among many others.

Mr. Pruitt also worked to re-



Andrew Wheeler

duce the agency's oversight powers, including removing its ability to block permits issued to mining, real estate and other developers to dump waste into waterways.

Federal lobbying records show Mr. Wheeler has represented a number of energy companies, including Xcel Energy Inc., Energy Fuels Resources Inc. and Murray Energy Corp., a coal producer that waged many legal battles against the EPA under former President Barack Obama. The company's CEO, Bob Murray, was a top backer of Mr. Trump during the 2016 election.

Mr. Wheeler filed his last lobbying disclosures in the summer

of 2017, about two months before he was appointed deputy EPA administrator in October of that year. Among the government entities Mr. Wheeler lobbied: the EPA.

Previously, Mr. Wheeler served as a top adviser to Sen. James Inhofe (R., Okla.), who then headed the Senate Environment and Public Works Committee. In that role, Mr. Wheeler worked on energy legislation and Clean Air Act issues.

Mr. Wheeler is one of a handful of potential or current Trump administration officials with connections to Mr. Inhofe, Washington's most outspoken skeptic of the scientific consensus that human activity is a driving cause of climate change. Mr. Inhofe once threw a snowball on the Senate floor to illustrate his skepticism about climate change.

Mr. Wheeler, asked at his confirmation hearing about the relationship between human activity and temperature changes on the planet, said: "I believe man has an impact on the climate but what is not completely understood is what the impact is."

—Rebecca Ballhaus

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CORRECTIONS & AMPLIFICATIONS

The Chinese yuan's trade-weighted index this year has moved in a range of about 95-98. In some editions Thursday, a graphic with a Markets article about China's currency incorrectly showed it moving in a range of about 96-99.

The Food and Drug Administration approved Celgene Corp.'s blood-cancer drug Revlimid in 2005. A Heard on the

Street column Thursday about prescription-drug prices incorrectly said the drug launched in 2010.

The year-to-date volume of initial public offerings on U.S. exchanges is the highest since 2014, according to Dealogic. In some editions Tuesday, a Page One article about the IPO market incorrectly said that 2018's volume is the highest since 2012.

Andrew and Janice Aldrin released a statement to The Wall Street Journal through a public-relations firm. A June 25 U.S. News article about the Aldrin family incorrectly said the statement came from lawyers. Also, Buzz Aldrin Jr. A caption with a 1970 photo of the Aldrin family accompanying the article incorrectly gave his first name as Edward.

Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com or by calling 888-410-2667.

A law signed by former Democratic Gov. Peter Shumlin in 2016 took effect July 1 and allows anyone 21 or younger charged with a nonviolent crime to be eligible for juvenile offender status. In May, a bill was signed into law by current GOP Gov. Phil Scott that will begin placing those under the age of 19 in the juvenile justice system by 2020, and raise the age again to those under 20 in 2022.

The change doesn't apply to a dozen violent offenses, including murder and armed robbery. Lawmakers said increasing the age in the juvenile system may prevent young offenders from committing future crimes.

—Associated Press

U.S. NEWS

Government Is Racing to Unite Families

As court deadline nears, administration says it is trying to reconnect migrant children, parents

By LOUISE RADNOFSKY
AND ARIAN CAMPO-FLORES

WASHINGTON—The Trump administration, in a race to comply with a court order to reunite up to 3,000 children with adult family members who crossed the border illegally, said Thursday it is encountering significant logistical hurdles.

The federal government has until Tuesday to reunite children younger than 5 years old with their parents, under a court order issued last week by U.S. District Judge Dana Sabraw in San Diego. Older minors must be reconnected with their parents by July 26, the federal judge ruled.

Health and Human Services Secretary Alex Azar, whose agency is tasked with the care of unaccompanied immigrant children in the U.S., told reporters the administration was working to overcome obstacles to follow the order but blamed the courts, Congress and immigrant parents for the crisis.

Mr. Azar said the agency had reviewed the files of more than 11,800 children currently in its custody to determine

how many had been separated from an accompanying adult during a six-week period in which the Trump administration was prosecuting all adults for illegal entry.

The agency concluded there were “under 3,000” separated children, of whom around 100 were under the age of 5, he said. An earlier count provided by the administration estimated about 2,000 to 2,300 children had been separated.

To speed the process of reuniting adults with very small children, Mr. Azar said the Department of Homeland Security had identified such parents and was relocating them to facilities “extremely close” to where the children were. The administration is also conducting DNA tests to verify familial relationships.

The agency’s computer systems wasn’t designed to distinguish between children who arrived alone and those separated from adults by the federal government, Mr. Azar said, leaving officials unable as late as Thursday to provide an exact count of how many minors in its care were subject to the court order for reunification.

“Any confusion is due to a broken immigration system and court orders, not here,” Mr. Azar said. “There is a surefire way to avoid separa-



Undocumented immigrant families being released from detention at a bus depot in the border town of McAllen, Texas, on Wednesday.

tion from your children and that is present yourself at a legal border crossing and make the case that you have” for asylum, or stay home and apply to enter the U.S. from there.

“I wouldn’t get to stay with my children if I were in prison,” he added.

Mr. Azar accused the courts of seeking “micromanagement of child welfare” and setting artificial deadlines that left the administration concerned it wouldn’t have enough time to adequately vet the adults to whom it was turning over children to meet its normal standards for child safety.

Some immigration advo-

cates said they haven’t seen much evidence of the effort Mr. Azar said was under way, and many separated parents remain unclear about what process is in place to reunite them with their children.

“The only thing I have witnessed ICE do is facilitate communication between a minor detainee and the adult parent,” said Denali Wilson, a legal assistant with the Sante Fe Dreamers Project group, a legal-services organization in New Mexico.

She said none of the fathers at the Cibola County Correctional Center have learned when or how they might reconnect with their children.

Rep. Adam Schiff (D., Calif.) said Thursday he toured a shelter for separated children in Fullerton, Calif., and found the staff caring. But he said most of the 16 children had been there for weeks, two had parents who were deported without them, and two still hadn’t spoken to a parent.

The separation of families after stepped-up prosecutions under the zero-tolerance policy sparked widespread outrage among lawmakers, the clergy and the general public. It came to an end last month when President Donald Trump signed an executive order terminating the practice.

Total apprehensions on the

southern border fell in June for the first time since January, according to newly released data from Customs and Border Protection. From October to June, the number rose 17% compared with the same period a year ago, but is 6% lower than in the same period two years ago.

Mr. Azar said the administration has deployed hundreds of additional officials and is using cheek swabs to try to verify family relationships between children in his agency’s custody and adults in the custody of the Department of Homeland Security.

—Sadie Gurman contributed to this article.

Trump Says He Has Finalists for Supreme Court

BY PETER NICHOLAS

President Donald Trump said he has narrowed his search for a Supreme Court justice to two to four candidates and expects to settle on a nominee this weekend ahead of a prime-time announcement Monday night.

Speaking to reporters on Air Force One en route to Montana for a campaign appearance for a Senate candidate, Mr. Trump didn’t name the finalists.

“I’ll say on the record that I am interviewing some extraordinarily talented and brilliant people and I’m very, very happy with them and we will pick somebody who will be outstanding, hopefully for many years to come,” he said.

Mr. Trump is searching for a successor to Justice Anthony Kennedy, a swing vote on the court who announced last month he would be stepping down.

The vacancy is the second Mr. Trump has had to fill since taking office, giving him a chance to nudge to the right a high court that has been split between conservative and liberal factions for years. In April 2017 the Senate confirmed Mr. Trump’s first high-court nominee, Neil Gorsuch.

Since the week began, Mr. Trump has interviewed a total of seven candidates. He is due to spend the weekend at his golf club in Bedminster, N.J., where he will continue his deliberations in the company of Vice President Mike Pence.

“We’re going to go over the Supreme Court and some other things that we’re working on,” Mr. Trump said.

He said he would announce his selection at 9 p.m. on Monday.

In evaluating prospective



Judges Brett Kavanaugh of Maryland, above, Raymond Kethledge of Michigan, far right, and Amy Coney Barrett of Indiana, right, are finalists to be nominated to the Supreme Court, according to people close to the search process. Judge Thomas Hardiman, not shown, also is a possibility, a person close to the White House said.

nominees, Mr. Trump has been working off a list of 25 candidates that was vetted by leaders of the conservative Federalist Society and the Heritage Foundation for ideological reliability.

People close to the search process have said that Mr. Trump has winnowed the field to three finalists: appeals court judges Brett Kavanaugh of Maryland, Raymond Kethledge of Michigan and Amy Coney Barrett of Indiana.

A fourth possibility, a person close to the White House said, is the runner-up in last year’s search: Thomas Hardiman of the Third U.S. Circuit Court of Appeals in Philadelphia.

Mr. Hardiman was among the seven candidates interviewed by the president, as were Judges Barrett, Kavanaugh and Kethledge.

Mr. Trump isn’t likely to interview any more new candidates, a White House official said Thursday.

As he weighs his choice, Mr. Trump has been soliciting opinions from a range of confidants and even some political foes.

On Tuesday, he phoned Senate Democratic leader Chuck Schumer of New York to discuss the search. In a call that lasted only a few minutes, Mr. Schumer cautioned Mr. Trump that choosing someone hostile to the landmark Roe v. Wade ruling on abortion and the Affordable

Care Act would be “cataclysmic,” a person familiar with the call said.

In the call, Mr. Schumer pointedly said Mr. Trump should renominate federal judge Merrick Garland, the President Barack Obama pick who was blocked from a confirmation hearing in 2016 by Senate Republicans. The seat was ultimately filled by Justice Gorsuch.

Mr. Trump will need to steer his nominee to confirmation in a Senate where Republicans hold a narrow 51-49 majority, and Republicans are already one vote short with Sen. John McCain (R., Ariz.), at home fighting brain cancer.

Mr. Schumer’s conversation with the president previews the strategy Democrats will use in trying to block the eventual nominee.

Democrats say that a confirmation vote—likely to take place ahead of the midterm elections in November—could energize voters and propel candidates as the party tries to wrest control of the House and Senate.

Democratic strategists cast the confirmation vote as a referendum on abortion rights and the Affordable Care Act, predicting that the party’s core voters will turn out in large numbers in November if they believe Mr. Trump’s new justice would vote to strike them down.

A senior Democratic Senate aide said the party sees a public-pressure campaign around abortion rights as its best shot to make voting for Mr. Trump’s nominee as “unpalatable as possible” for Republicans like Sens. Lisa Murkowski of Alaska and Susan Collins of Maine. Both senators have said they agree with the Roe decision.

TB Scare Prompts Evacuation At Hopkins

BY MELANIE EVANS
AND BETSY MCKAY

Johns Hopkins University’s health system evacuated two laboratory buildings on its Baltimore campus and isolated some staff for several hours Thursday afternoon after a tuberculosis sample was accidentally released.

After emergency crews determined no one was at risk, the buildings were reopened late in the afternoon, said Kim Hoppe, the Johns Hopkins Medicine spokeswoman. Johns Hopkins Medicine includes the university’s medical school and six hospitals.

The bacterium, which usually attacks the lungs and can require months of treatment, was released from a “small sample of frozen tuberculosis” in a walkway between two cancer-research buildings, said Ms. Hoppe. The sample was used for research.

The release triggered a heavy emergency response outside the complex of Johns Hopkins Hospital buildings, including the shutdown of the two used for cancer research. A “limited number” of workers who were in the area at the time of the release were isolated, according to Connor Scott, chief of staff in the health system’s security office.

Tuberculosis, an airborne infection, is one of the world’s biggest infectious disease killers, mostly in low- and middle-income countries. A person can become infected by breathing TB germs released when an ill person coughs or speaks, though the germs are generally not transmitted as readily as viruses like the flu.

Infections and illnesses are curable in most cases, involving combinations of antibiotics taken over a few months.

About one quarter of the world’s population is believed to be infected with the TB bacterium, but fewer than 10,000 cases are reported each year in the U.S.

Johns Hopkins has a tuberculosis-research center, which runs projects in Bangladesh, Vietnam and South Africa exploring the cost and effectiveness of prevention and treatment, according to the center’s website.

White House Hires a Former Fox News Executive

BY REBECCA BALLHAUS

President Donald Trump appointed former Fox News executive Bill Shine as an assistant to the president and deputy chief of staff for communications, the White House said Thursday.

Mr. Shine began working at the White House on Monday, according to an administration official. He will oversee the White House communications office, but won’t take the title of communications director, a job that has been vacant since March.

Fox News commentator Sean Hannity, who is close to Mr. Shine and to President

Donald Trump, played a key role in orchestrating the process, a person familiar with the matter said.

Mr. Trump discussed the job of communications director with Mr. Shine in March, but the former Fox executive wasn’t interested at the time, people familiar with the matter said.

Mr. Shine, among the longest-serving executives at Fox News, left the company last year in one of a string of high-profile departures amid a sexual-harassment controversy that led the company to part ways with its former chairman and chief executive, the late Roger Ailes, and prime-time

star anchor Bill O’Reilly—who had both at times advised the president.

Mr. Shine was never accused of harassment. In lawsuits, some Fox News employees and former executives have alleged that Mr. Shine ignored complaints of bad behavior by Mr. Ailes and enabled an environment that was hostile to women.

In a lawsuit against Mr. Ailes, Mr. Shine and other Fox News executives filed in August in the Supreme Court of the State of New York, on-air personality Andrea Tantaros said she was told by Mr. Shine that she would “need to let



Bill Shine

this one go” after complaining of harassment by Mr. Ailes.

Mr. Ailes, who died in May 2017, denied any wrongdoing,

as has Mr. O’Reilly. Fox News had denied any wrongdoing by Mr. Shine.

News Corp, which owns The Wall Street Journal, and Fox News parent 21st Century Fox Inc. share common ownership.

Mr. Shine is joining the Trump administration as another deputy chief of staff, Joe Hagin, prepares to leave in the coming days. Press secretary Sarah Sanders has expressed frustration in her job but has said that she has no plans to leave.

U.S. NEWS



A worker stirs Parmesan cheese curds at a Sartori plant in Wisconsin. The company expects tariffs to cut its annual sales of roughly \$265 million by 1.5%, or around \$4 million.

Tariffs Squeeze U.S. Cheese Makers

Manufacturers say some product may be sold at a loss or donated to food banks

BY HEATHER HADDON

Cheese makers that rely on foreign sales are suffering as China and Mexico raise tariffs on U.S. mozzarella and provolone.

BelGioioso Cheese Inc., a second-generation family company in Wisconsin, has seen sales to Mexico drop since officials there implemented tariffs of up to 15% in early June on most U.S. cheese. The levies were a response to tariffs the U.S. placed on Mexican steel and aluminum.

On Thursday, Mexico was slated to raise its levy on most U.S. cheese to as much as 25%, while China on Friday is implementing tariffs on \$34 billion of U.S. goods, including cheese and whey, a dairy by-product often fed to livestock.

"It's a nightmare," said Bel-

Gioioso President Errico Au-

ricchio. Milk consumption in the U.S. has been falling for decades, prompting dairies to turn more of it into cheese. To sell it all, farmers have aggressively marketed their products to growing middle-class populations in Mexico and Asia.

U.S. dairy exports hit a record in April, according to the U.S. Dairy Export Council. Nearly a fifth of milk produced in the U.S. leaves the country, and dairy exports have nearly doubled from a decade ago.

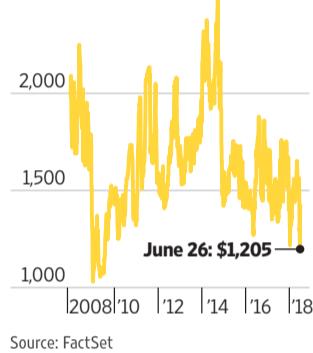
The Trump administration's trade agenda is threatening that growth, dairies say. The Mexican tariffs affect as much as \$578 million in U.S. dairy goods, while China's duties could hit \$408 million of cheese, whey and other products, according to U.S. Chamber of Commerce data.

July milk futures have dropped 12% since Mexico announced May 31 that it would strike back with tariffs. The price for a barrel, or 500 pounds, of white cheddar last

Cheap Cheddar

The price of a barrel, or 500 pounds, of white cheddar last week hit lows not seen since 2009.

Price per barrel



Source: FactSet

THE WALL STREET JOURNAL.

week hit its lowest level since 2009. More cheese is in cold storage in the U.S. than any time since the U.S. Department of Agriculture began keeping track in 1917.

BelGioioso is charging some overseas customers less to keep their business. Cheese

producers said that many Mexican buyers have paused ordering, and that they may end up making fewer fresh cheeses and more Parmesan, asiago and other versions with longer shelf lives to avoid losses while the tariffs are in place. Manufacturers also said some of the mild white cheese they make for sale in Mexico may be sold at a loss or donated to food banks as expiration dates draw near.

"It's going to put pressure on our sales team to find customers in a hurry," said Jeffrey Schwager, president of Wisconsin-based Sartori Co. He estimated the tariffs will cut 1.5%, or around \$4 million, from his roughly \$265 million in annual cheese sales.

"Uncertainty is devastating," he said.

The trade fight comes at a bad time for the Farm Belt. Five years of big harvests and rising dairy production have pushed down prices for agricultural commodities including corn, soybeans and milk. Farm incomes have declined.

The fallout for dairy farmers has been particularly painful. A spell of high prices in 2014 encouraged dairy farmers to expand their herds and push milk production well beyond demand. Milk prices crashed to less than \$14 a hundredweight, or 100 pounds, earlier this year from a peak of more than \$24 a hundredweight in 2014.

Selling more dairy abroad was helping. Agri-Mark Inc., a cooperative that is one of New England's biggest milk producers, had predicted wholesale prices would rise to \$18 a hundredweight later this year. Since Mexico imposed its tariffs, Agri-Mark has cut its forecast to \$17.

That could mean tens of thousands of dollars in lost revenue for a farmer, said Catherine de Ronde, an economist for Agri-Mark, which also makes cheese under the Cabot and McCadam brands.

"Farmers have been in the red for three or four years. This is the last thing we need," she said.

cal equity markets, Chinese journalists said.

China experts said that the two sides are likely to start negotiating again when the impact of tariffs start to bite—and markets begin to react.

Mr. Trump's administration has been careful in the first round of tariffs on \$34 billion of goods—and a second round of tariffs on an additional \$16 billion, which will probably go into effect in August—to largely exempt U.S. consumer goods. Initial U.S. tariffs on Chinese goods target auto parts, electronic components, jet engine parts, compressors and other machinery.

At the same time, Chinese retaliatory tariffs are aimed directly at U.S. farmers—a big source of Trump support—as tariffs from the European Union and Canada over metals trade. So far, Farm Belt support for Mr. Trump remains strong.

"The trade war ends when things collapse on Trump and the U.S. has to reposition" its strategy toward China, said Rufus Yerxa, a trade negotiator in Republican and Democratic administrations who now heads the free-trade National Foreign Trade Council.

If that happens, from Beijing's perspective it is hard to tell what kind of trade package would appeal to an administration that is sharply divided over trade. One group, clustered around Treasury Secretary Steven Mnuchin, seeks a big increase in Chinese purchases, which would force Beijing to ease import restrictions on agricultural goods, U.S. movies and other items.

A second group, led by U.S. Trade Representative Robert Lighthizer, is skeptical of Chinese purchase promises. They want Beijing to scrap the industrial policy schemes it has used to build up its economy. Skeptical that China would actually make such changes, this group believes that tariffs should be kept in place for years to protect U.S. industry.

Chinese officials said they believe Mr. Trump hasn't fully appreciated the plan offered by Chinese envoy Liu He in February, which included tariff cuts, commercial deals, financial-sector liberalization and a plan for a bilateral free-trade deal.

Lawmaker Knew Of Abuse, Athletes Claim

BY BEN KESLING AND KRISTINA PETERSON

WASHINGTON—Five former wrestlers, including former UFC world champion Mark Coleman, said this week that Rep. Jim Jordan was aware of, but didn't respond to, allegations of sexual misconduct by an Ohio State University team doctor when the lawmaker was an assistant wrestling coach there in the 1990s.

"There's no way unless he's got dementia or something that he's got no recollection of what was going on at Ohio State," Mr. Coleman, the mixed martial arts champion, said of Mr. Jordan in an interview Wednesday. Messrs. Coleman and Jordan roomed together on several wrestling trips, Mr. Coleman said. "I have nothing but respect for this man, I love this man, but he knew as far as I'm concerned."

Mr. Jordan has denied that he was aware of any sexual misconduct by Dr. Richard Strauss. The doctor died in 2005.

If he had seen abuse at the time, "I would have done something about it," the Ohio

Rep. Jim Jordan has denied that he was aware of any sexual misconduct.

Republican said in an interview this week. "If there was abuse, we want justice done."

The focus on Mr. Jordan intensified in recent days when NBC News reported that three former wrestlers said Dr. Strauss's inappropriate conduct was common knowledge. Eight people involved in Ohio State athletics in the 1990s spoke to The Wall Street Journal this week.

The controversy over how much the Ohio Republican lawmaker may have known at the time could affect the career trajectory of one of the most influential conservatives in the House. Mr. Jordan helped found the House Freedom Caucus, a group of roughly three-dozen conservative Republicans, and said he has been considering a run to succeed departing House Speaker Paul Ryan (R., Wis.).

"These are serious allegations and issues. The university has rightfully initiated a full investigation into the matter. The speaker will await the findings of that inquiry," a spokesman for Mr. Ryan said.

President Donald Trump told reporters he didn't believe the allegations against Mr. Jordan. "I believe Jim Jordan 100 percent. He's an outstanding man," Mr. Trump said Thursday evening.

"We are aware of reports that individuals at the university did not respond appropriately during Richard Strauss's time at Ohio State from 1978 to 1998," a spokesman for the university said in an email Thursday. "These allegations are troubling and are a critical focus of the independent investigation that remains underway."

Former Ohio State wrestler Mike DiSabato has led a campaign to publicize Dr. Strauss's alleged wrongdoings for months and only recently began to criticize Mr. Jordan for allegedly ignoring athletes' concerns. Mr. DiSabato has been joined by other athletes who wrestled during Mr. Jordan's tenure, as well as athletes from other teams and those who were aware of allegations about Dr. Strauss's conduct.

Mr. DiSabato and Mr. Jordan have clashed over the issue. Mr. Jordan's office contacted the Capitol police after the lawmaker received allegedly threatening texts and emails from him, an aide said.

Mr. DiSabato said he had absolutely not threatened Mr. Jordan and that he had not been contacted by law enforcement about text messages.



Soybean plants in a field near Tiskilwa, Ill. U.S. soybeans are subjected to China's planned tariffs.

Battle Risks Rattling Global Commerce

cil, and agricultural giant Cargill Inc. worries about a longer-term shift to other suppliers.

"The impact of trade conflict will lead to serious consequences for economic growth and job creation and hurt those who are most vulnerable across the globe," said Bruce Blakeman, vice president of corporate affairs for Minnesota-based Cargill's Asia Pacific region.

Chinese Commerce Ministry officials said \$20 billion of the Chinese-made goods targeted by U.S. tariffs are made by foreign companies, including U.S. companies.

"The U.S. is firing shots to the world, including to itself," said Commerce Ministry spokesman Gao Feng.

Among the likely U.S. victims: medical-equipment makers such as **Varian Medical Systems** Inc., which exports to the U.S. cancer-detection systems manufactured in Beijing.

Other countries are being drawn into the fray. Germany's Daimler AG and BMW AG, for

example, sell U.S.-made sport-utility vehicles in China. Starting Friday, they will be subject to a 40% tariff. Those two auto makers, along with **Ford Motor Co.** and **Tesla Inc.**, stand to suffer the most from the tariffs because they export significant numbers of vehicles to China.

—Yoko Kubota

In the Crosshairs

U.S. farm exports that would be subject to China's planned tariffs

Selected U.S. exports to China in 2017, billions

Soybeans	\$13.9
Cotton	1.1
Sorghum	1.0
Wheat	0.4
Corn	0.2

Source: Wind Info

THE WALL STREET JOURNAL.

Bush, for instance, Japan agreed to limit sales of cars and textiles to the U.S., and bought more U.S. semiconductors. Tokyo never retaliated against U.S. tariffs, as Beijing has.

There have been some olive branches offered by the U.S. and China to each other.

Mr. Trump has gone to bat for China's telecommunications giant, ZTE Corp., which allegedly

violated U.S. sanctions against Iran and North Korea. He helped overturn a Commerce Department decision to block ZTE with components—effectively a corporate death sentence—and has fought to prevent Congress from unraveling that deal. He also backed off from threats to impose harsh restrictions on Chinese investments in the U.S. and

limits on U.S. tech exports to China.

On the Chinese side, the government has refrained from fanning nationalist sentiment and getting Chinese consumers to boycott U.S. products, as it has done with other nations. Communist Party censors have told state-media outlets not to play up trade-war stories or the impact of the fight in battering lo-

Under Messrs. Reagan and

PAID ADVERTISEMENT

Joint declaration of prime ministers of the State of Israel and the Republic of Poland

1. Over the last thirty years, the contacts between our countries and societies have been based on a well-grounded trust and understanding. Israel and Poland are devoted, long-term friends and partners, cooperating closely with each other in the international arena, but also as regards the memory and education of the Holocaust. This cooperation has been permeated by a spirit of mutual respect for the identity and historical sensitivity, including the most tragic periods of our history.

2. Following the conversation between Prime Ministers Netanyahu and Morawiecki, Israel welcomes the decision taken by the Polish government to establish the official Polish group dedicated to the dialogue with its Israeli partners on historical issues relating to the Holocaust. It is obvious that the Holocaust was an unprecedented crime, committed by Nazi Germany against the Jewish nation, including all Poles of Jewish origin. Poland has always expressed the highest understanding of the significance of the Holocaust as the most tragic part of the Jewish national experience.

3. We believe that there is a common responsibility to conduct free research, to promote understanding and to preserve the memory of the history of the Holocaust. We have always agreed that the term "Polish concentration/death camps" is blatantly erroneous and diminishes the responsibility of Germans for establishing those camps.

The wartime Polish Government-in-Exile attempted to stop this Nazi activity by trying to raise awareness among the Western allies to the systematic murder of the Polish Jews.

We acknowledge and condemn every single case of cruelty against Jews perpetrated by Poles during the World War II.

We are honored to remember heroic acts of numerous Poles, especially the Righteous Among the Nations, who risked their lives to save Jewish people.

4. We reject the actions aimed at blaming Poland or the Polish nation as a whole for the atrocities committed by the Nazis and their collaborators of different nations. Unfortunately, the sad fact is that some people – regardless of their origin, religion or worldview – revealed their darkest side at that time. We acknowledge the fact that structures of the Polish underground State supervised by the Polish Government-in-Exile created a mechanism of systematic help and support to Jewish people, and its courts sentenced Poles for collaborating with the German occupation authorities, including for denouncing Jews.

5. We support free and open historical expression and research on all aspects of the Holocaust so that it can be conducted without any fear of legal obstacles, including but not limited to students, teachers, researchers, journalists and – with all certainty the survivors and their families – who will not be subject to any legal charges for using the right to free speech and academic freedom with reference to the Holocaust. No law can and will change that.

6. Both governments vehemently condemn all forms of anti-Semitism, and express their commitment to oppose any of its manifestations. Both governments also express their rejection of anti-Polonism and other negative national stereotypes. The governments of Poland and Israel call for a return to civil and respectful dialogue in the public discourse.*

Benjamin Netanyahu
Prime Minister of the State of Israel

Mateusz Morawiecki
Prime Minister of the Republic of Poland

* translation of the Polish Ministry of Foreign Affairs.

WORLD NEWS

Europe Faces Test From Nativist Upstarts

German immigration debate, rise of Italy's far right highlight challenge to the establishment

In Europe's long struggle between the political establishment and its challengers, the momentum this year is shifting toward nativists, deepening doubts about the continent's multilateral order and divisions about how to respond.

*By Marcus Walker
in Rome and Valentina
Pop in Vienna*

German Chancellor Angela Merkel survived the near-collapse of her governing coalition this week by pledging to tighten immigration controls, backing further away from her pro-refugee stance at the height of Europe's migration crisis, which continues to reverberate around the continent.

Few in Germany expect the calm to last. The European Union's most powerful member is also becoming its central battleground in a rancorous debate over immigration, sovereignty and political leadership.

In Italy, the rise of Matteo Salvini and his nationalist League party is creating a new hub of opposition to Ms. Merkel and the multilateral Europe she wants to defend. Mr. Salvini, Italy's interior minister and on paper the junior coalition partner in the Rome government, is dominating his country's discourse with blunt rhetoric against immigrants



Hungary's Prime Minister Viktor Orban with Angela Merkel in Berlin. Mr. Orban seeks to build a state inspired by authoritarian regimes.

CLEMENS BLAN/EP/AF/SHUTTERSTOCK

and EU authorities. His open challenge to Ms. Merkel's vision of Europe is emboldening politicians in other countries who want a looser EU, and to put their own nation first.

Austria's vice chancellor and far-right Freedom Party leader Heinz-Christian Strache said Thursday he is "very thankful" for Mr. Salvini. "We agree with him on his positions on Europe; we have very good cooperation," Mr. Strache said.

The challenge from the nationalist right is dividing Europe's established conservative parties, including Ms. Merkel's Christian Democrats, who helped build the EU and are now unsure how to defend it.

President Donald Trump's verbal attacks on the EU, as well

Merkel Reaches Deal on Migrants

BERLIN—Chancellor Angela Merkel cleared the final domestic hurdle toward limiting the influx of illegal immigrants to Germany, after her center-left coalition partner agreed to

as his questioning of the North Atlantic Treaty Organization and multilateral trade rules, are adding to the sense that the integrated Europe of the post-Cold War era is under siege.

Some EU countries are challenging the bloc's norms on liberal democracy, with Hungary's

make it easier for police to expel some migrants who turn up at Germany's southern border.

Thursday, the conservatives and the Social Democratic Party, the junior coalition partner in Ms. Merkel's government, agreed to send illegal migrants to so-called closed facilities at the Munich airport. If those are full, authorities will use border

policy facilities at Germany's southern border to accommodate them.

Asylum seekers will have to stay pending an expedited review of their cases. If they are found to have registered for asylum elsewhere in the European Union, they will be deported within 48 hours.

—Andrea Thomas

a new schism in the EU, challenging the post-Cold War belief that Europe would converge on a single governance model.

Austria, sandwiched between Germany and Italy, has gained an outsize role in the struggle for Europe's soul.

Austria's 31-year-old chancel-

lor, Sebastian Kurz, has gone further than any other leader from the EU's center-right establishment in co-opting the far-right in a quest to tame it, bringing a nationalist party into his coalition and championing border controls as the only way to stop migrants and save the EU.

On Saturday, as Austria took over the EU presidency for six months, Mr. Kurz hosted some EU leaders on a mountain top. Surrounded by hikers, he lauded the "magnificent view," and promised to focus the EU's agenda on homeland security. Mr. Kurz has aligned himself with Ms. Merkel's German critics who want a migration crackdown.

Today's pressure on Europe's status quo from the nationalist right is as serious as the ideological challenge from the anticapitalist left after 1968, says Ivan Krastev, a Bulgarian political scientist.

The challenge for mainstream politicians, as in the 1970s, is "how to integrate some of the legitimate concerns of the voters, without giving in to the extremes," Mr. Krastev says.

At a raucous rally on Sunday of his League party, Mr. Salvini launched his manifesto for the year ahead, vowing to build a pan-European alliance of nationalist movements, "a league of leagues," to sweep away Europe's old political elites.

"They accuse us of xenophobia, but the Italy that we will govern for the next 30 years...has no fear of anyone," Mr. Salvini told the sea of flags.

◆ Investor hunger for German bonds remains..... B11

White House Sets Broad Agenda for Summit

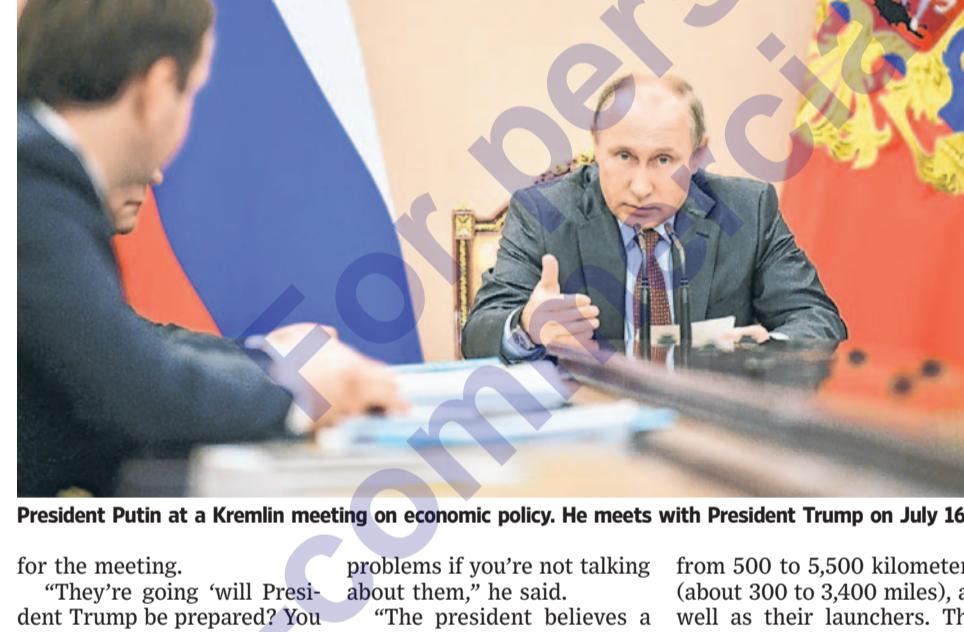
BY REBECCA BALLHAUS

WASHINGTON—President Donald Trump plans to raise the issue of Russia's "malign activity" in Europe, its efforts to meddle in the 2016 U.S. election, and allegations that Moscow possesses banned missile technology in a meeting with Russian President Vladimir Putin this month, a senior administration official said.

Messrs. Trump and Putin are set to meet July 16 in Helsinki, Finland, for their first formal bilateral talks. The two will meet alone, before being joined by their advisers for an extended session later that day, the official said, in a telephone briefing with reporters.

Mr. Trump plans to press Mr. Putin over Moscow's use of "hybrid warfare"—short-hand for Russia's use of information warfare in tandem with political or military confrontation, the senior administration official said, as well as over its activities in the Balkans and the U.K., which earlier this year accused Mr. Putin of ordering a nerve-agent attack against a Russian former double agent in Britain. European Union leaders supported the U.K. in its accusation, and the U.S. heightened sanctions on Russia, in part over its alleged role in the poisoning.

Late Thursday, speaking at a rally in Great Falls, Mont., Mr. Trump said he felt ready



ALEXEI DRUZHININ/TASS/ZUMA PRESS

President Putin at a Kremlin meeting on economic policy. He meets with President Trump on July 16.

for the meeting.

"They're going 'will President Trump be prepared? You know, President Putin is KGB.' And this and that," Mr. Trump said of news media reports. "You know what? Putin's fine. He's fine. We're all fine. We're people. Will I be prepared? Totally prepared. I've been preparing for this stuff my whole life. They don't say that."

John Huntsman, the U.S. ambassador to Russia, told reporters on Thursday's call that the president hopes the meeting will ease tensions between the nations. "You can't solve

problems if you're not talking about them," he said.

"The president believes a better relationship with Russia would be good for America and Russia," Mr. Huntsman said. "But the ball really is in Russia's court."

Mr. Trump also plans to discuss arms-control issues, including Russia's alleged violations of the Intermediate-range Nuclear Forces Treaty, or INF Treaty, an agreement Washington and Moscow signed in 1987 to eliminate land-based nuclear and conventional missiles with ranges

from 500 to 5,500 kilometers (about 300 to 3,400 miles), as well as their launchers. The U.S. for years has alleged that Moscow possesses banned missile technology; Russia, in turn, has accused the U.S. of violating the pact.

The degree to which Mr. Trump presses his Russian counterpart over Moscow's actions is expected to come under intense scrutiny. The president has previously expressed skepticism about U.S. intelligence agencies' conclusion that Russia interfered in the 2016 U.S. election, and after meeting

Mr. Putin last year, he tweeted that the Russian leader had "vehemently denied" election meddling and called for relations between the two countries to move forward.

U.S. special counsel Robert Mueller is investigating whether Trump associates colluded with Moscow's election meddling efforts, which Mr. Trump has denied.

Asked about the discrepancy between the president's tone toward Russia and the more aggressive demeanor adopted by some U.S. officials, the senior administration official said: "We all talk about it a little differently. The president has talked about it in his own way."

Mr. Trump has frequently expressed an interest in working with Mr. Putin on a range of international crises, particularly Syria. Last month, he suggested that Russia should be allowed back into the Group of Seven industrialized nations. The bloc, previously called the Group of Eight, was reconfigured as the G-7 in 2014 when Russia was kicked out over its invasion and annexation of Crimea.

Asked what the U.S. hoped to achieve from the summit, the senior administration official said Thursday: "The fact that we're having a summit at this level at this time in history is a deliverable in itself."

—Vivian Salama contributed to this article.

Pompeo Travels Back to Pyongyang

BY JESSICA DONATI

WASHINGTON—Secretary of State Mike Pompeo headed to North Korea on Thursday for a fourth visit in which he is expected to press the government to deliver on its promises to denuclearize the Korean Peninsula.

Mr. Pompeo's visit follows reports over the past week that North Korea is rapidly expanding a major missile-manufacturing plant and upgrading a nuclear research facility. U.S. officials say there are also signs that trade between North Korea and China is on the rise, easing economic pressure on Pyongyang.

Critics have said the developments show a lack of commitment by North Korea to its pledge to denuclearize and the Trump administration is failing to take action in response.

The White House hasn't commented on the reports that the work was under way in North Korea. On Thursday, Heather Nauert, the State Department spokeswoman, said the administration remained committed to a campaign of maximum pressure toward Pyongyang and denied it was softening its approach.

"Nothing could be further from the truth. Our policy toward North Korea has not changed," she told reporters traveling with the delegation.

Mr. Pompeo's visit will be the first high-level engagement since President Donald Trump met with North Korean leader Kim Jong Un in Singapore last month. Mr. Kim committed there to work toward the complete denuclearization of the Korean Peninsula without specifying a timeline or any immediate steps toward giving up its weapons. Mr. Pompeo is expected to press the North Koreans for specifics, and push for a blueprint for how the country can dismantle its weapons program.

Mr. Trump on Tuesday hailed the talks and said he had prevented a war between the U.S. and North Korea.

"Many good conversations with North Korea—it is going well! In the meantime, no Rocket Launches or Nuclear Testing in 8 months. All of Asia is thrilled," he tweeted. "Only the Opposition Party, which includes the Fake News, is complaining. If not for me, we would now be at War with North Korea!"

U.K. Presses Russia for Details in Latest Poisoning Case

BY JENNY GROSS
AND WILL HORNER

AMESBURY, England—Britain urged Russia to provide fresh details about the poisoning of a former double agent and his daughter in March after two U.K. nationals collapsed after exposure to the same Soviet-era nerve agent over the weekend.

The U.K. called on the Kremlin to fill in further clues about the March attack—which Britain has blamed on Russia but Moscow has denied—to help U.K. authorities keep members of the public safe.

The Salisbury attack pushed relations between the U.K. and Russia to their lowest point since the end of the Cold War. In the subsequent weeks, Britain expelled 23 Russian diplomats in response to the poisoning, prompting a similar move from Moscow.

Speaking at a press conference in Berlin, Prime Minister Theresa May said her thoughts were with the people of the Salisbury area. "To see two

mer spy Sergei Skripal and his daughter Yulia were poisoned and found slumped on a park bench. The two are recovering at an undisclosed location. The government's working assumption is that the two people came into contact with the nerve agent Novichok in a different location than the Skripals, and investigators are working to figure out how this may have happened four months after the initial poisoning, Mr. Javid told lawmakers. There was no evidence they had visited any of the same sites as the Skripals did, officials said.

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Officials in Moscow pointed to the latest incident as evidence that Novichok had come from a defense-research chemical laboratory near Salisbury.

A Kremlin spokesman on

public health.

He said officials believe the pair may have been affected by poison linked to the previous attack, but that they weren't directly targeted.

The woman, 44 years old, collapsed on Saturday morning and was taken to the hospital. Five hours later, a 45-year-old man also became ill and an ambulance was called back to the same address.

David Lawson, who lives close to where the couple fell ill, said firetrucks, an ambulance and several police cars rushed to the apartment on Saturday.

Following advice of U.K. officials, he said he washed his clothes after hearing his neighbor had been poisoned by Novichok.

"The police said that the cleanup had been done properly, but obviously it hasn't," he said. "It would be nice to know if it's going to happen again. It could be anyone next."

—Anatoly Kurmanov in Moscow

contributed to this article.



JACK TAYLOR/GT/GETTY IMAGES

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A Kremlin spokesman on

WORLD NEWS

Whether Now or Later, Cave Rescue Looks Tough

BY PHRED DVORAK
AND WILAWAN WATCHARASAKWET

MAE SAI, Thailand—Thai rescue workers raced the elements for a second straight day to advance two separate plans to pull a stranded youth soccer team out of a flooded cave system before monsoon rains start up again.

Underground, Thai navy SEALs and an international crew of divers went into the cave in shifts on Thursday to clear obstructions, bring in air tanks and medical supplies and widen narrow passages before torrential rains resume as soon as Friday.

Underscoring the peril of the situation, the Thai military said Friday that a former SEAL died while helping to place air tanks farther inside the cave system. The military said 37-year-old Samarn Poonan had volunteered to help with the mission but passed out while on a return dive and later died.

If rescuers make enough progress, they may decide on the dangerous course of guiding out some or all of the 12 boys and their coach, who have been trapped in the cave system since a flash flood cut them off from the entrance more than 12 days ago. Many of the passages are winding, narrow and still submerged, and none of the boys have dived before.

If the team doesn't make it out before the weather worsens, rescue experts have warned they might be stuck until the monsoon season ends, often in October or November. Forecasters predict heavy rain in the area within the next 48 hours, adding pressure to evacuate at least some of the strongest of the boys, said one Thai navy officer. The air in the cave is also worsening because of the carbon dioxide released by the boys and rescuers as they breathe.

Thailand's King Maha Vajiralongkorn urged rescuers to move faster, Deputy Prime Minister Prawit Wongsuwon told the Bangkok Post.

Forecasters predict heavy rains in the area where the Thai soccer team is stranded.

"I have to make a decision about taking them out when the time comes," said Narongsak Osottanakorn, governor of northern Chiang Rai province, where the caves are.

That decision will include how many boys to take out—given the taxing nature of the journey, which is taking trained Thai navy SEAL divers five hours—and whether to assign two or three divers per boy, Gov. Narongsak said.

Meanwhile, Thai SEALs and other rescue workers bearing GPS locators launched a push to pinpoint where the team is

underground and locate any holes that lead from the caves to the surface.

The hope, ignited by reports that the boys heard bird noises from outside, is to drill a passage to pull the team to safety, deemed preferable to a risky underwater rescue. Helicopters hovered overhead throughout the day, ferrying surveyors up the mountainside above the cave system.

The surveyors on the mountain also worked with climbers from southern Thailand who specialize in scaling caves and cliffs to procure swallows' nests—considered a delicacy in parts of Asia. The climbers shone lights up crevices from the inside of the cave system, which searchers on the outside tried to locate, one person involved in the search said.

Some rescuers say the drilling option would be vastly preferable given the dangers of a dive. "I think it's better to take the kids out by lifting them up through tunnels if we can find tunnels," said Bin Bunluerit, a rescue volunteer at Ruamkatanyu Foundation, who has been assisting divers inside the cave by cutting rocks in the narrow paths.

The boys, ages 11-16, ventured into Tham Luang cave on June 23 with their 25-year-old coach, Ekapol Chantawong. They were located by a British diving team late Monday.

—Warangkana Chomchuen contributed to this article.



Family members prayed for the trapped soccer team at a shrine near the Tham Luang cave on Thursday.

YE AUNG THU/AGENCE FRANCE PRESSE/GT/GETTY IMAGES

Safe Passage

Plans for how to extract the trapped youth soccer team from the Tham Luang cave are under discussion, each with its own set of challenges.

DRAIN ENOUGH WATER TO WALK OUT

The plan

Pump out enough water so the boys can walk out under their own power, as soon as possible.



Challenges

- ◆ There is a lot of water in the cave system, and some passages are still submerged.
- ◆ The restart of torrential rains could make this impossible for the rest of monsoon season.
- ◆ Some of the boys are still weak and may not be able to make the walk soon.

DIVE THEIR WAY OUT

The plan

Match each child with two or three divers who would guide them out individually and carry air tanks that attach to masks for the children.



Challenges

- ◆ The boys haven't dived before.
- ◆ Swift currents and submerged passages mean trained divers are taking five hours to make the journey one way.
- ◆ If a group ran into trouble and had to turn back, it would be against the current.
- ◆ Narrow stretches would require them to go single file, following a guide rope—a panicked child would be difficult to help.

FROM PAGE ONE

Aramco IPO Seems In Doubt

Continued from Page One
lier this year and asked them to prepare for the possibility it could list on several different international venues. Aramco officials later told them they had no plans to make a decision soon, people involved in the process said.

Aramco executives and outside advisers have become more vocal in recent months about telling Prince Mohammed about the problems with listing the company, government officials said.

Saudi officials said they have determined that listing on a large stock exchange in New York, London or Hong Kong would carry too many legal risks, exposing Aramco to shareholder lawsuits, for example.

They have also soured on a

backup plan of listing only a tiny part of the company on the Saudi stock exchange, known as the Tadawul, the officials said. Saudi officials are trying to obtain a valuation of as much as \$2 trillion for Aramco, so even a small listing could overwhelm the Tadawul, which has a market capitalization of about \$523 billion, according to the World Federation of Exchanges.

A decision on what to do rests in the hands of Prince Mohammed, the son of King Salman and the country's day-to-day ruler. He could still plow ahead with the IPO anyway: The float of about 5% of Aramco is meant to be the central pillar in his vision of a more modern, market-oriented kingdom, providing an influx of capital for the Saudis to invest in non-oil sectors.

Opposition to the IPO has been firm within Aramco itself, including from energy minister Khalid al-Falih, who is also chairman of the company, Saudi officials said. Last month, Mr. Falih signaled more delays for the IPO, saying "timing isn't critical for the

government of Saudi Arabia."

"It would be nice if we can do it in 2019," Mr. Falih said at an Organization of the Petroleum Exporting Countries conference in Vienna. "There is a lot more at stake than just ticking a box and say: 'We got this out of the way.'"

Saudi leaders no longer see the IPO as the only way to raise money for the kingdom's future, Saudi officials and other people familiar with the king-

dom's planning said.

Oil prices have more than doubled to nearly \$80 a barrel since Prince Mohammed floated the idea of an Aramco IPO, giving the Saudi kingdom a jolt of cash. The Saudis have a rare moment when they can increase oil production and still benefit from high prices because of oil shortages stemming from Iran, Venezuela and Libya.

The Saudis have also raised

billions of dollars by selling sovereign bonds to foreign investors, Saudi officials said.

The Saudis raised \$17.5 billion in their first-ever global bond issuance in 2016 and have since done several more.

Saudi Arabia has also shown it can make economic and financial changes without the impetus of the IPO. For instance, this year its stock market has secured inclusion on key indexes that is estimated to bring billions of investment into the kingdom. The kingdom this year also introduced changes such as a 5% value-added tax and energy-subsidy cuts meant to wean the kingdom off its large reliance on oil revenues.

Another option discussed has been selling a stake in Aramco to China instead of doing an IPO, which would raise a similar amount of money. People close to the process said there have been no active talks about such a sale recently. One person said China is less interested in Saudi crude oil and is more interested in buying Iranian oil at a discount after U.S.

sanctions scare away other buyers this year.

Saudi officials said they have been careful to avoid publicly acknowledging how badly the IPO process is going to avoid damaging relationships with banks and other advisers. The delays have already frustrated bankers working on what had been billed as a historic IPO involving JPMorgan Chase & Co., HSBC Holdings PLC and Morgan Stanley, among others, people familiar with the process say.

Bankers and other advisers have stationed dozens of employees inside Saudi Arabia to help the kingdom and Aramco prepare for more than two years, taking minimal fees in the hope of a huge payout when the IPO actually happens.

Scraping the IPO would also disappoint stock exchanges that have vied for the listing.

President Donald Trump tweeted his support for a U.S. listing, while the U.K. has changed its rules for publicly traded companies to make it easier for a state-owned company to do an IPO.



Saudi officials seek a valuation of as much as \$2 trillion for Aramco.

SAUDI ARAMCO/REUTERS

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WORLD NEWS

Berlin Steps In to Quiet Property Boom

City widens laws to blunt market forces in home sector, but critics say they go too far

BY ANDREA THOMAS

BERLIN—The property boom in Germany's capital is breaking record after record, but the city's elders are looking to pump the brakes.

Berlin's left-leaning local government, an alliance of Social Democrats, Greens and Socialists, is moving to rein in the residential real-estate market with a barrage of measures that critics say would have put East Germany's Communist former rulers to shame.

In the past two years, the government, under pressure from financially stretched tenants, has doubled the number of districts covered by anti-speculation laws enabling it to block private sales in favor of state-owned companies or nonprofit investors, prohibit lease terminations and even ban simple renovations that might result in higher rents. Last month, the city announced the creation of four new such zones in central Berlin. This followed a new regulation in May entitling it to seize empty apartments.

The message behind the offensive: In a country of state-run hospitals and universities, local market forces shouldn't shape real-estate prices any more than they do the cost of medical treatment or education.

"We fight tooth and nail for the people who live here," Florian Schmidt, councilor in Berlin's hip district of Friedrichshain-Kreuzberg, said in an interview at his office. "We are buying our city back."

Berlin's special zones, where the laws of supply and demand no longer apply, go much further than in the rest of Europe, said Christoph Schmid, law professor at the University of Bremen who coordinated a European Union-sponsored project on tenancy



Protesters held signs reading 'Do not feed the landlords,' left, and two featuring a shark and a hand holding money during a demonstration against rising rents and the lack of affordable-housing solutions in Berlin on April 14.

OMER MESSINGER/REA/SHUTTERSTOCK

Rising Prices

German cities had some of the biggest gains in real-estate costs last year.

Global Residential Cities Index, Q4 2017

Change from a year earlier



rents. While Berlin and many other German cities have strict rent-control systems, they use average rents as a base.

Stephan Moll, who owns 12 apartment buildings in Berlin, said the city stopped him from enlarging a tiny bathroom in one of his flats in November.

"The goal is to preserve everything as it was built 110 years ago," said Mr. Moll, who is suing the city, calling the move "left-wing social-policy nonsense."

Birgit Wienke, a Berlin-based architect, said that while the rules could help keep rents affordable, they ended up encroaching on fundamental property rights.

Berlin politicians and advocates of the city's policies argue that the large proportion of people who rent, rather than own, their homes—some 84% in Berlin and 54% in Germany as a whole, both high by European standards—justifies the means.

Gentrification Takes Big Toll on Capital Residents

Gentrification has been a scourge of low-income city dwellers across the West for years.

The boom in Berlin, population 3.5 million, has been extreme. Last year, average residential property prices rose 20.7% according to real-estate consultants Knight Frank, the fastest rate of all global cities it surveyed.

Authorities in London, Paris and Amsterdam have focused on encouraging construction of affordable housing or making it easier for average earners to buy property.

In the U.S., municipalities have mainly used rent-increase caps and free legal advice for tenants but otherwise have refrained from interfering in the market.

They say thousands of Berliners who rely on stagnating income have seen their livelihoods threatened by rent increases of close to 70% on average between 2004 and 2016,

according to a study by real-estate services company Jones Lang LaSalle Inc. Disposable income in Germany rose by just 23.5% over that period, according to government figures.

An opinion poll by Forsa Institute conducted last year showed that 47% of Berliners feared they wouldn't be able to afford their flats over the next two years, compared with just 36% two years earlier. In April, 10,000 protested against rising housing costs.

But the city's decision to stop large transactions and step in as a buyer has been controversial even among affordable-rent advocates, who say there are better and more profitable ways to deploy taxpayer money to protect tenants.

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IN DEPTH

Key Exams Bring Out Cheaters

Continued from Page One

the questions during the test. One of the latest versions is a tiny flesh-colored earpiece that is practically invisible. This week, several students were caught wearing sneakers with a communication device embedded in the soles.

Students buy questions ahead of time, and sell them on to others at an increasingly steep discount as the exam nears. Sometimes questions are posted on the internet for anyone to see.

Some students have bribed exam supervisors for help during the test, or to get them to turn a blind eye to cheating. More bribes—even by parents—have been offered afterward to ensure high scores. Raed al-

Rawi, who works in the office of a local education official, said he had been approached by the mother of a pupil.

Sarmad Lafta, a spokesman for the Education Ministry, said the practice had been eliminated by imposing strict controls on exam supervisors.

Students take tests on subjects including math, Islamic Studies and English. The night before the first exam last month, the questions for the Islamic Studies test surfaced on the internet. One: "What is the story of the companion of the Prophet who lived in extreme poverty?" The test went ahead, but the Education Ministry annulled the results, outraging thousands of students who now need to retake it.

"Our investigations currently point to the involvement of senior [Education] Ministry officials," said Mr. Lafta.

Since U.S.-led forces toppled Saddam Hussein in 2003, the country's institutions have crumbled and corruption has saturated daily life. For a small

bribe, Iraqis can jump the queue of appointments in public hospitals; obtain a driver's license without a test; or avoid paying fees for water and electricity.

"These days the government is corrupt, parliament is corrupt, state offices are corrupt," said Falah al-Qaisi, who is in charge of education in part of Baghdad. "There is no accountability for officials, so how can you hold students responsible?"

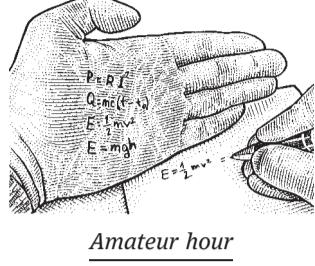
Students are desperate to do well to improve their chances of winning a position in a job market unable to absorb the 400,000 young people who enter it each year.

"Success is sweet, and I sometimes wish to cheat in order to do well," said Baghdad student Omar Salim, 17, who said he hasn't cheated. "The problem is that I'd be really embarrassed in front of my friends and family if I were caught."

Those caught are failed, or in some cases disqualified from taking exams for two years.

Electronic equipment used for cheating is available in a

sprawling Baghdad market where everything from weapons to knockoff Nintendo video-games are sold. Education officials have asked the government to restrict the sale of the devices, but few stall owners on a recent day had qualms about



selling to students. "I don't mind selling them," said one, "as long as I make a good return."

Around \$210 at the market will buy an earpiece with a receiver in the form of a card that can be slipped beneath clothing, enabling the cheater to communicate via Bluetooth with a co-conspirator outside the exam hall. The cheater quietly reads

out the questions—without being spotted by exam supervisors—and the accomplice murmurs the answers directly into his or her ear.

Some students have even undergone surgery to have a microphone implanted beneath their skin or deep inside their ears, according to Messrs. Lafta and Qaisi. The latest anti-cheating weapon to discover such devices is a wand the officials said was invented by an Iraqi physics teacher. The white plastic device with a blinking light at the end picks up signals from hidden devices. It is swept over rows of students before every exam.

In some halls, jamming devices have been installed to interrupt all signals.

Trouble typically begins in the hours before the test, when the questions are taken out of safes and distributed to exam centers across the country.

Online sales of leaked questions have become so prevalent that the government has been cutting nationwide access to the

internet for two hours leading up to the start of every exam. Ahead of this summer's exams, education officials boasted the blackout gave them a decisive edge over cheaters.

Students said leakers simply release the questions before the internet shutdown—questions for tests in outlying provinces are often taken out of safes hours earlier than the blackout to allow for travel time.

Baghdad high-school student Tabarak Majid said many of her classmates had found the Islamic Studies exam questions online before the test. "They were practically dancing with joy," she recalled after the test. "At that moment I wished I had done it, too."

Inevitably some cheaters are cheated, tricked into buying fake exam answers. "There is one student who paid \$4,000" for leaked exam questions, said Mr. Lafta, the ministry spokesman. But none of the questions actually appeared on the exam. The duped student, he said, "didn't get a single one."

Walmart Takes a Stand

Continued from Page One

ter other companies or politicians have done the same. In the past, "the CEO rule was basically keep your head down, stay out of complicated issues, because there were opinions on both sides of any issue," said Lawrence Parnell, associate professor at the strategic public relations program at George Washington University's Graduate School of Political Management, who also consults with companies on the topic.

"It's no longer a question of if, but where, when and how to engage on these issues and what type of topics to engage on," he added. "These are new challenges and things CEOs and boards never had to deal with before, so they are struggling."

Last August, after one person was killed at a white nationalist rally in Charlottesville, Va., critics protested that President Donald Trump didn't condemn the violence strongly enough. Merck CEO Kenneth Frazier announced that he was leaving Mr. Trump's American Manufacturing Council, saying in a statement on the company's Twitter account that "America's leaders must honor our fundamental values by clearly rejecting expressions of hatred, bigotry and group supremacy." Other CEOs, including from Intel and Under Armour, followed his departure from the council.

In June, several airlines, including American Airlines Group Inc. and United Continental Holdings Inc., announced that they told the government they didn't want to transport children who were separated from their parents as the families attempted to cross the U.S. border from Mexico.

Under its 51-year-old chief executive, Doug McMillon, Walmart has often taken a more liberal stance on issues in recent years—a gamble for a company based in Red State Arkansas. But executives see its approach as part of its mission to let potential shoppers and employees know the company aims to be socially engaged.

It's a big change for a company that built itself as a ruthlessly efficient business focused on affordable shopping and that generally avoided taking a stand on political issues.

In some cases, the company is embracing public positions as part of efforts to enhance its reputation. Surveys show that Walmart's reputation fell behind that of its rivals more than a decade ago, as it battled perceptions that it sold cheap goods and treated workers poorly. With sales on the rise at Amazon.com Inc., Walmart needs to find ways to increase its \$500 billion in revenue. That's led it to go after new groups of shoppers—including wealthier consumers in big cities—to try to attract tech-savvy talent and to buy up e-commerce startups, broadening its employee base.

Today, around 72% of Walmart shoppers want the company to "take a stand on important social issues" and 85% want the retailer to "make it clear what values you stand for," said Walmart's chief marketing officer, Tony Rogers, in a June presentation to reporters, citing a survey by re-



Walmart CEO Doug McMillon with his wife, Shelley, during the annual shareholder meeting in June in Fayetteville, Ark.

RICK T. MILKING/GETTY IMAGES

Walmart's Challenge

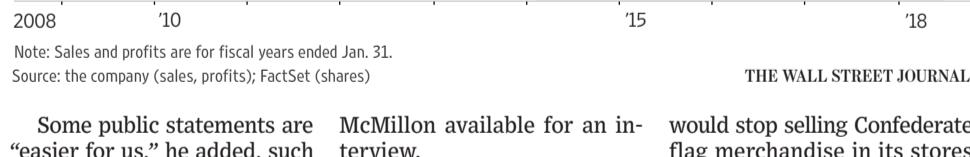
While comparable store sales are up over the past two years...

Change from previous year



...and a recent dip in the company's stock price.

Share price, weekly



Note: Sales and profits are for fiscal years ended Jan. 31.

Source: the company (sales, profits); FactSet (shares)

...CEO Doug McMillon must contend with squeezed profits...

Annual net profit



McMillon available for an interview.

A Walmart spokesman said there wasn't a significant negative reaction after it raised the age to buy guns and ammunition in stores to 21, above the federal minimum, earlier this year. Still, some shoppers were offended.

"I think it's kind of ridiculous that I can serve my country and buy a gun, but I can't buy ammunition at Walmart," said Kyle Baker, a 20-year-old mechanic and National Guardsman in Alexandria, Va.

Mr. Baker said he had shopped frequently for groceries and car parts at his local Walmart until he discovered in April that he couldn't buy ammunition for a hunting trip. He no longer shops there and encourages friends to avoid the retailer as well, he said.

On June 22, 2015, five days after a white gunman killed nine African-Americans at a historic church in Charleston, S.C., Gov. Nikki Haley called for the removal of the Confederate flag at the state house. Other Republican politicians added their support. Later that day, Walmart said it

would stop selling Confederate flag merchandise in its stores and online.

Walmart came under pressure to weigh in on the immigration debate a few weeks ago after reporters toured a former Walmart in Brownsville, Texas, that is now home to the country's largest licensed holding center for immigrant children. That led critics to call for a boycott of Walmart. (The retailer sold the store in 2016.) Walmart released a statement that it was "deeply disturbed" to learn about the use of the store, and called for "both parties to find compromise and pass bipartisan, comprehensive immigration reform," joining others calling for similar action.

Walmart's public stances on controversial topics, along with recent moves to raise wages for workers and improve its stores, are working to boost its reputation among critics, executives say. "We are moving more people to the 'undecided' column from the 'hard no' column, which is critical," said Mr. Bartlett. "That's been a hard, long effort."

Walmart's reputation has

lagged behind most other retailers for more than a decade. Its success has often been associated with cheap goods, poor treatment of workers and the death of retail businesses in small communities.

An annual Harris Poll survey of around 25,000 U.S. adults shows that Walmart's reputation score fell steadily through the 2000s. It rose during the recession—when shoppers appreciate low prices—then dropped again. It started to recover after Walmart began raising store worker wages in 2015.

The most recent Harris figures show Walmart earning a 68.5 out of 100. Amazon's score: 83.2.

Walmart's reputation was at historic lows when Mr. McMillon, a 28-year company veteran, became CEO. One of his first major initiatives was to raise the company's minimum wage to \$9 an hour and clean up stores. Its starting wage is now \$11 an hour. Two years ago he added "become the most trusted retailer" to a short list of company goals.

In recent years, Walmart has tried several tactics to try to change public opinion. In 2012, the company hired Omelet, a small Los Angeles marketing firm, to help improve its reputation. Omelet staffers used a succinct phrase to guide their Walmart work: "make people hate us less," according to former employees at the firm. The agency created ads to highlight the company's decision to increase wages and its efforts to sell U.S.-made items.

It has continued publicizing recent wage hikes with television ads. Executives are discussing ways to contrast Walmart's community involvement through 4,700 U.S. stores with Amazon's more anonymous warehouse network, according to a person familiar with the discussions.

It may not be long before the company has to weigh in on another divisive issue. In the company's hometown of Bentonville, a debate is brewing over a statue of a Confederate soldier in the town square. The 20-foot-tall monument stands across the street from one of Sam Walton's first stores, now part of the Walmart Museum.

Several towns have removed Confederate monuments in the wake of the violence in Charlottesville, Va., last year. Some locals are asking that Bentonville's statue, which was erected in 1908, be moved to a local cemetery or battlefield. Others want to keep it downtown.

So far, Mr. McMillon and Walmart have been silent.

We are moving more people to the "undecided" column from the "hard no."

"In an organization of our size, not everybody in the company agreed with that, nor did all of our customers agree with that," said Dan Bartlett, the company's executive vice president of public affairs. Mr. McMillon reached out directly to some employees to explain his thinking, Mr. Bartlett said. Walmart declined to make Mr.

GREATER NEW YORK

Program Aims to Keep the Peace

New York City plans to deploy manned buses to defuse tensions after violent incidents

BY ZOLAN KANNO-YOUNGS

New York City will spend \$1.8 million this year to set up "mobile trauma units," or buses filled with counselors and peacekeepers, to crime scenes throughout the city in an effort to ease tensions in communities after acts of violence.

The buses, which are about 60 feet long, will roll out in January to each borough with staffers who can provide trauma relief, as well as information about job and educational opportunities. Some team members have prior criminal records and former gang affiliations, city officials said.

Known as "violence interrupters," they use their credibility and connections to resolve disputes before they escalate.

"A lot of people don't realize once the funeral is over, once the candles stop burning, once the media is gone, people are still suffering, people are



Jose Bencosme held a painting of his slain cousin, Lesandro 'Junior' Guzman-Feliz, in the Bronx.

national Justice, said it would be hard to justify the use of such a program.

"They're going to try to stop retaliation. The claim will be since they intervened, there was no retaliation action," Mr. O'Donnell said. "As with any preventive strategy, it's going to be hard in this case to prove if they've actually had any success."

Ms. Gibson pointed to a Bronx stabbing that occurred last month as a prime example of the need for the units. The Bronx community of Belmont has been reeling since 15-year-old Lesandro "Junior" Guzman-Feliz was dragged out of a bodega by members of the Dominican-American gang, the Trinitarios, and fatally stabbed after he was mistaken for someone else. Police said they have made 10 arrests so far.

Ms. Gibson and Mr. Cumberbatch said they hope the staff on these buses can contact gang members after such crimes to prevent further violence. "Everybody was affected by that and, in the days and months ahead, people will still be affected," Ms. Gibson said. "Because it's destruction happening in our own community."

New Jersey Resumes Tax Breaks For Film

BY KATE KING

New Jersey again wants to bring film production companies to the state by offering tax credits on movie and television shoots.

Gov. Phil Murphy signed into law on Tuesday tax breaks that he said would provide "good-paying union jobs and countless residual benefits" by boosting the state's film and digital-media industry.

"We are allowing these companies to take advantage of New Jersey's unique culture, location and geography," said Mr. Murphy, a Democrat.

The tax credits could cost the state \$425 million in lost revenue over five years, according to the state Office of Legislative Services. The office was unable to quantify how much economic benefit the state and local municipalities stand to gain from the subsidies.

Some states have pulled back from film and television incentives in recent years. As of January, 31 states were offering such tax credits, down from 44 states in 2009, according to the bipartisan National Conference of State Legislatures.

The new incentives are a reversal for New Jersey, where Republican former Gov. Chris Christie suspended the state's film tax credits in 2010 after a review found the program, first enacted in 2005, lost money. Mr. Christie vetoed legislation that would have revived film tax credits in 2011.

He declined to comment through a spokesman.

\$425M

Amount the tax credits could cost in lost revenue over 5 years

State Sen. Joseph Pennacchio, a Republican, voted against awarding subsidies to film companies, saying the state needs the revenue to fund priorities such as public schools and special education. "Why are we doing this for one particular industry?" he asked.

Under the new law, which took effect immediately, film companies are eligible for business or gross income-tax credits equal to 30% of certain production expenses. Projects that are filmed in Mercer County or one of the state's seven southernmost counties are eligible for credits equal to 35% of expenses.

Digital-media projects, such as animation and computer graphic productions, are eligible under the new law for tax credits equaling 20% of production expenses, or 25% if completed in one of the eight targeted counties.

The five-year program caps the number of available tax credits at \$75 million per fiscal year for film productions and \$10 million for digital-media projects.

State Sen. Loretta Weinberg, a Democrat, said the tax credits will allow New Jersey to compete with New York, which offers a 30% tax credit for certain costs incurred by movies and television shows filmed there. "It's just a great industry to have here," she said.

Mr. Murphy has ordered an audit of New Jersey's other incentive programs, saying the state has too often awarded large subsidies to big projects rather than startups and technology companies.

Pop-Up 'Museums' Are Instagram Hits

Short-run exhibits lure photo-happy visitors willing to shell out up to \$45 for access to selfie playgrounds

BY LARA KORTE

There's the Museum of Ice Cream, and the Museum of Pizza. Now, spots devoted to pink wine, eggs and trippy dreams are popping up all over New York City.

These short-run exhibits, dubbed pop-up museums or simply pop-ups, have become popular destinations for Instagram-hungry visitors willing to shell out up to \$45 for access to these selfie playgrounds. They have opened up in Los Angeles and the Bay Area, and some, like the Museum of Ice Cream, have even gone on tour.

"I heard of it actually from one of my co-workers, it was on her Instagram feed," 20-year-old Anna Lauren Bock said while visiting the Egg House, a multilevel Manhattan space that was converted into a residence for a giant metal egg named Ellis.

During the exhibit, which ran from April 7 until June 27, attendees traveled through the house, posing with props including a human-size egg crate and an eggshell swing suspended from the ceiling.

Ms. Bock said she enjoys pop-up museums for the opportunity to experience art.

"I think that's a really great way for someone to express themselves and for the audience to not just stare at a painting and try to observe it mentally, but also interact with it," she said.

Not everyone is a fan of the pop-up fad, though.

"They're using the cultural cachet of the word *museum* unfairly," said Mark Walhimer, managing partner of Museum Planning LLC, an exhibition planning and design studio.

"Yes, museums can learn from the pop-up museums: Be risk takers, align yourself with the views of millennials, be more experiential, but they're not museums."

Not all pop-ups claim to be museums. The Rosé Mansion, set to run from July 12 to Oct. 7 in Manhattan, bills itself as a wine-tasting experience where attendees travel through 14 rooms in-



Anja Lyons, 6 years old, dived in at the Egg House, a pop-up exhibit in Manhattan that closed last month. The Museum of Ice Cream, which ran in New York in 2016 and later went on tour, featured a 'Sundae Stag.' Rosé Mansion, a wine-tasting experience, opens July 12.



Associated Press

spired by the pink wine.

Rosé Mansion's co-founder, Tyler Balliet, said he wants participants to learn something, while taking advantage of photo ops with a giant swinging chandelier and bathtub of roses.

"We're living in an age where visuals are really important, and I don't think that's a bad thing," he said.

Sharing the beauty comes

at a price, however. Tickets for pop-ups can run from about \$20 to \$45. At Rosé Mansion, a \$35 ticket (\$45 for evenings and weekends) comes with nine wine samples, or about two glasses' worth.

Laura Lott, chief executive of the American Alliance of Museums, said pop-up installations have seized on a truth that some more-traditional museums are still coming to

terms with: They must adapt to audiences' expectations.

Paige Solomon got the idea for Brooklyn-based Dream Machine after she noticed the demand for pop-ups while working at an experiential marketing agency.

For \$38, visitors move through a dreamlike sequence of rooms, encountering neon lights, a ball pit and a hall of sparkling streamers.

When it comes down to it, Mr. Walhimer said, pop-ups often fail to meet a number of museum criteria, such as being a nonprofit and having a permanent collection.

"In today's world, the joke is, if you didn't Instagram, did it even happen?" Ms. Solomon said. "People can be annoyed by that, but the truth of the matter is that's the world we're living in."



Peter Foley for The Wall Street Journal

Employee at Elite Summer Camp Arrested on Sex Charges

BY JOSEPH DE AVILA

An employee of an elite summer camp in the Adirondacks has been arrested on five counts of sex abuse for sexual contact with children younger than 11 years old, the New York State Police said.

Dylan Stoltz, 51 years old, had been a staffer at Brant Lake Camp for 33 years, ac-

cording to the camp. The Queens resident also is a fourth-grade teacher for the Hewlett-Woodmere School District on Long Island.

Mr. Stoltz couldn't be reached for comment, and it wasn't clear Thursday if he has an attorney. Brant Lake Camp officials declined to comment.

Mr. Stoltz, who was arraigned on Thursday, is being

held in the Warren County jail after failing to pay a \$50,000 cash bond or a \$100,000 secure bond, police said.

In an email to parents reviewed by The Wall Street Journal, camp officials said they fired Mr. Stoltz when they became aware of the allegations of inappropriate touching. The camp reported Mr. Stoltz to authorities on June

28, police said.

It wasn't clear how many alleged victims are involved.

In the email, camp officials said they held meetings with the campers to share information about what occurred.

We are 100% committed to supporting all our campers, their families and our entire camp community," the email said. "The investigation is con-

tinuing and we will provide additional updates as appropriate."

The all-male camp, founded in 1916, hosts about 330 boys each season and has roughly 105 counselors, according to its website. Tuition fees for 2018 are \$12,775, and camp runs from June 23 to Aug. 10.

The Hewlett-Woodmere School District referred to a

letter sent Thursday to parents when asked for comment. The district "immediately placed this individual on administrative reassignment pending the outcome of this matter."

The district's website most recently lists Mr. Stoltz as a fourth-grade teacher at Ogden Elementary School in Valley Stream, N.Y.

GREATER NEW YORK

GREATER NEW YORK WATCH

LIBERTY ISLAND

Statue Climber Faces Trespassing Charge

An immigrant-rights advocate who scaled the base of the Statue of Liberty in protest on the Fourth of July was charged in Manhattan federal court Thursday with trespassing, disorderly conduct and interference with government agency functions.

Therese Patricia Okoumou, 44 years old, of Staten Island, faces a maximum of 18 months in prison if convicted, according to the U.S. Attorney for the Southern District of New York.

Police arrested Ms. Okoumou Wednesday after a three-hour rescue effort. She made it about 25 feet above the observation deck where tourists are allowed.

Ms. Okoumou pleaded not guilty in court Thursday and was released without bail. Her lawyer, Rhiya Trivedi, introduced her outside the courthouse as "Lady Liberty" to loud applause.

Ms. Okoumou said she immigrated to the U.S. from the Republic of Congo in 1994. "Michelle Obama...said when they go low, we go high. And I went as high as I could," she said.

U.S. Attorney Geoffrey Berman said Ms. Okoumou's actions put her and her rescuers at risk.

—Zolan Kanno-Youngs

TRANSPORTATION

PATH Stations Will Close on Weekends

Several PATH rail stations will close on weekends during the next four months to accommodate work on installing a federally required emergency braking system.

The Port Authority of New York and New Jersey said its World Trade Center and Exchange Place stations will close this weekend for crews to test signals. Starting the following weekend and continuing through the end of October, stations in Manhattan between Christopher Street and 33rd Street will be closed, though they will be open Labor Day weekend. The stations will be closed from midnight Friday until 5 a.m. Monday.

The Port Authority said diverted PATH riders in Manhattan would be able to get free, two-trip MetroCards at the 33rd Street station that could be used on city buses and subways.

The Hoboken PATH station will be closed on three Sundays, Sept. 16 and 23 and Oct. 14, but will remain open on the rest of the affected weekends.

All U.S. railroads are required to install the braking system, known as positive train control.

—Associated Press



Cecily Robinson taught a class at A+ Academy, which helps students prepare for the entrance exam for specialized public high schools.

Students Head to Test-Prep Camp

BY LESLIE BRODY

Hundreds of middle schoolers flocked to their first day of camp in Brooklyn this week without the usual backpacks full of bathing suits and sunscreen.

Instead they lugged notebooks and pencils to small, sometimes windowless classrooms at A+ Academy, a test-prep center where they will spend seven weeks studying for the ultracompetitive exam that determines whether they get a seat at New York City's Stuyvesant High School and seven other coveted public high schools.

For some campers, rising eighth-graders who aim to take the three-hour test in October, the motto is "Stuy or Die."

Christina Tsingis, a 12-year-old whose heart is set on Staten Island Technical High School, said she wasn't visiting relatives this summer so she could pore over workbooks. "I don't mind being here as long as I get into a high school I like," she said.

These ambitious students are diving into test-prep camp just a month after Mayor Bill de Blasio announced a new push to get state lawmakers to eliminate the exam. His supporters say using only one score to pick students has un-

Mayor's School Plan Faces an Uphill Fight

New York City Mayor Bill de Blasio announced last month that 20% of ninth-grade seats at each specialized public high school would be set aside for students in the city's Discovery program, which offers tutoring to those who just missed the test-score cutoff and come from schools in high-poverty areas.

That plan, starting with admissions for fall 2019, means there will be fewer seats for teenagers vying to get in through the regular route.

The mayor also wants state legislation to phase in a new admissions system that would choose students through a mix of course grades and state exam scores, so the top 7% of eighth-graders from each public middle school city-wide would get offers. He has acknowledged it would be difficult to get such a bill passed.

justly hindered diversity. Of 902 teenagers offered admission to Stuyvesant this fall, for example, only 10 are black and 27 are Latino. Proponents of the test say it is the most objective way to judge who can handle the rigor of some of the city's top high schools, where students are now predominantly Asian and white.

Cramming is big business, especially in heavily immigrant neighborhoods. A+ Academy, which has four year-round test-prep sites in Brooklyn and Queens, expects more than 400 eighth-graders to attend its sessions this summer. Students have classes in math, reading and writing for three hours ev-

ery weekday. The seven-week course costs \$1,390, though some students get discounts.

At one branch near Brooklyn's Sunset Park, a blue banner congratulates the company's 392 students who received offers to the specialized high schools this spring, including 128 who were accepted into Stuyvesant.

Some arriving on Monday said they were glad for a chance to boost their scores. Others weren't thrilled to be there. Chloe Huang, who is 12, said she would rather go to sports camp. "It's a lot of pressure to get into Stuy," she said.

Her mother extolled the benefit of hitting the books over hav-

ing fun outdoors. "It's for your own good," she said. "When they grow up they understand."

Inside a basement classroom, a teacher analyzed multiple-choice questions about Greek poetry. In another room, teacher Cecily Robinson asked students whether they thought of themselves as good test-takers.

The test "feels really overwhelming and you get dizzy and you really can't focus and start to panic," said one girl.

"So now what strategies do we use?" asked the teacher.

"Process of elimination," one boy called out.

Students' parents included a restaurant cook, home health aide and computer saleswoman. Most parents were Asian.

Lulu Zhou, director of A+ Academy and a graduate of Stuyvesant, said most students come from low-income or lower middle-class families. Many parents, she said, sacrificed to pay the tuition. "We're not trying to give them a bunch of tricks and tips and just learn how to conquer a test," she said. "We're really teaching them stuff they should have learned in school."

Many educators believe the fixation on specialized high schools is the wrong approach, and say there are other quality options that are more diverse.

Fallen Officer Remembered



HONOR: A street outside the 46th Precinct in the Bronx was named for NYPD Detective Miosotis Familia on Thursday, a year after she was shot and killed while sitting in a police vehicle.

CHEW ON THIS



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LIFE & ARTS

TELEVISION REVIEW

By John Anderson

Laboring On and off The Pitch

FEW ENTITIES in sports or entertainment have honed soulless cynicism to as fine a point as FIFA, the international, scandal-ridden soccer federation. Not only did it award the current World Cup to neo-imperialist Russia, it granted the 2022 edition to Qatar, where the games will have to be held in November to avoid summer temperatures of 106 degrees. One would certainly not want any future Lionel Messi, Cristiano Ronaldo, or Kylian Mbappé expiring on the field, under a merciless Mideast sun. Besides, as "The Workers Cup" makes clear, the 2022 Cup has taken enough of a human toll already.

Director Adam Sobel could have chosen any number of scandals associated with Qatar—including a death toll among immigrant construction workers that by every estimate is off the usual charts. But instead he goes in sideways, focusing on the soccer tournament that was created, in classic bread-and-circuses fashion, for the workers themselves. The result is a fascinating, and no doubt officially sanctioned, glimpse inside the enormous machinery that makes a World Cup happen. It also gives us snapshots of the people who provide the labor and live in the sprawling, faceless labor camps which, by law, must be kept away from Qatar's residential areas.

Amid all this, Mr. Sobel is exposing something about sport in general—how it provides a release valve for an unhappy public, a distraction from people's frustrations, a channel for their anger. The men we meet in this presentation by "POV" are from Kenya, Nepal, India and, like Kenneth—who becomes captain of his team—Ghana, where an "agent" took \$1,500 from him in exchange for a job he thought would involve playing soccer. His is not an unusual story, we gather; there is considerable talent among the 24 teams vying for the Workers Cup, which inspires the same level of passion as the real thing. It also inspires loyalty among the laborers for their team and, as unlikely as it seems, their employers. Management isn't stupid.

The Workers Cup

Monday, 9 p.m., PBS



Deputy team captain Paul in Adam Sobel's documentary about the soccer tournament created for the workers who are building the facilities for the 2022 World Cup

SEVEN YEARS AGO, it was still inherently newsworthy when the Oregon Shakespeare Festival put on a "Julius Caesar" whose title role was played by a woman, Vilma Silva. Nowadays, though, gender-bending revivals of the classics have become all but commonplace, and what makes Davis McCallum's Hudson Valley Shakespeare Festival production of "Richard II" noteworthy is not that Julia Coffey has been cast as Shakespeare's unhappy king, or even that her performance is so distinctive: it is, rather, Mr. McCallum's staging. As crisp, legible and full of import as a well-written headline, his "Richard II" cuts straight to the heart of a play that has never been as popular as its historical companion pieces.

THEATER REVIEW

By Terry Teachout

A NEW TWIST ON SHAKESPEARE: PLAYING IT STRAIGHT

Garrison, N.Y. Why is "Richard II" not done more often? One reason for its lack of renown is that it is a play without a hero, a tragedy of mutually undesirable alternatives. Richard II, who puts his head in the noose of hubris by banishing Bolingbroke (Mark Bedard) without sufficient cause, is the ugliest kind of king, by turns smug and capricious—but Bolingbroke then unsheathes his own ugliness by usurping his legitimate ruler and placing himself on the throne. What gives the play its dynamism is that both men, under pressure, find their better selves, and the quality of Mr. McCallum's production lies in the clarity with which it demonstrates this aspect of power in action.

Ms. Coffey, who first came to my

attention when she appeared in Mr. McCallum's 2014 Mint Theater revival of John Van Druten's "London Wall," is at home with both aspects of Richard II's cloven personality, pivoting from arrogance to desperation so smoothly as to suggest that both qualities are opposite sides of the same coin of character. Mr. Bedard's bald, bullet-headed Bolingbroke, by contrast, is all of a piece, tough and incisive in his iron determination to revenge himself. They are the two poles between which the other characters in this production array themselves, and their excellence makes everyone else shine even more brightly. Mr. McCallum

Please turn to page A11



Paul Rudd as Ant-Man left and below

MARVEL STUDIOS (2)

FILM REVIEW

By Joe Morgenstern

'Ant-Man and the Wasp': A Sequel With Wings

SEVERAL STRETCHES of "Ant-Man and the Wasp" play out in the quantum realm, so there's plenty of mumbo-jumbo about quantum entanglement, a phenomenon too abstruse for most of us to grasp. Yet the latest epic from Marvel Comics is a lucid demonstration of nonquantum entanglement. Unlike the unaccountably dull "Ant-Man" feature that came and went three years ago, this one tangles us up cheerfully, almost instantly, in its high-tech bedazzlements and witty beguilements, never loosening its grip. Some of the mumbo really is jumbo, as before—the technology that miniaturizes Ant-Man can also giantize him. The best thing, though, is the movie's modest scale. It's a good-natured epic, dedicated to the nontech principle of dispensing plain old pleasure.

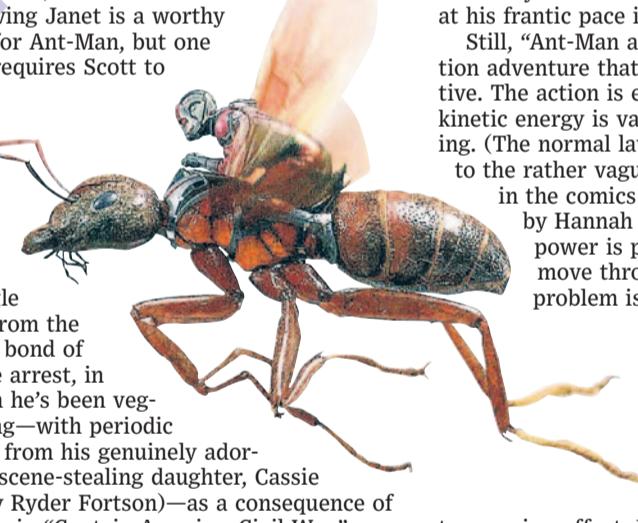
Paul Rudd is back, winningly, as Scott Lang/aka the superhero of the title, along with Michael Douglas as the unquenchably inventive inventor Dr. Hank Pym, and Evangeline Lilly, who is lovely and strong as Hank's daughter, Hope van Dyne. Hope now has wings (plus blasters), and wings with a family history; they make her the Wasp of the title. What's more, they make her a formidable feminine force, a superheroine who flies rings around her unreliable super guy when the occasion demands it.

The whole movie has wings. It's as if all concerned, starting with the director, Peyton Reed, had been released from the bondage—the fundamental inertness—of the previous film. (Part of the explanation could be a new set of writers. The script is credited to no less than five of them: Chris McKenna, Erik Sommers, Mr. Rudd, Andrew Barrer and Gabriel Ferrari. The production was designed by Shepherd Frankel. The cinematographer was the ever-superb Dante Spinotti.)

Will hardcore fans embrace it? Maybe not so much, for the same reasons a wider audience probably will. The film forgoes any grand purpose; it lacks the sort of density

that pits crowds of intricately connected characters against one another in pell-mell pursuit of cosmic goals. Decades ago it seemed as if every James Bond movie was about James saving the world. Then comic-book extravaganzas committed superheroes to saving the galaxy. The focus in "Ant-Man and the Wasp" is sharper, tighter, more human—finding Hope's mother, Janet (Michelle Pfeiffer), the original Wasp, and bringing her back from the quantum realm, where she's been languishing for 30 years. (Ms. Pfeiffer doesn't have a lot of screen time, but she makes her presence powerfully, even regally, felt.)

Saving Janet is a worthy task for Ant-Man, but one that requires Scott to



wriggle free from the ankle bond of house arrest, in which he's been vegetating—with periodic visits from his genuinely adorable, scene-stealing daughter, Cassie (Abby Ryder Fortson)—as a consequence of events in "Captain America: Civil War." Grand or modest, every Marvel film must maintain its connection to the Marvel Cinematic Universe.

Starting at a leisurely pace, the movie finds time for father-and-daughter fun and games during one of those visits. These scenes are a fine showcase for Mr. Rudd's singular quality as a Hollywood star. He is how to say this without seeming to miniaturize his appeal?—remarkably companionable, working the knife edge between witty

and earnest. He's also the main beneficiary of the smart writing. (Surrounded by technobabblers, Scott asks, "Do you guys just put the word 'quantum' in front of everything?")

Words count for a lot in this production, which may have the most discursive narrative structure since "Six Degrees of Separation"; the backstories have backstories. In one hilarious set piece, Michael Peña's Luis, who is Scott's partner in a low-rent security firm, recounts an elaborate story at warp speed under the influence of a truth serum—there's even funny stuff about whether it truly is a truth serum—while we see everyone who figures in the tale talking at his frantic pace in his voice.

Still, "Ant-Man and the Wasp" is an action adventure that honors its main imperative. The action is enjoyable, if familiar. The kinetic energy is vast, if sometimes exhausting. (The normal laws of energy don't apply to the rather vague villain, Ghost, a male in the comics but here a female played by Hannah John-Kamen. Ghost's power is phasing, the ability to move through solid matter. Her problem is that she often phases uncontrollably.)

One size fits all only for brief passages. This is another big-and-little show with vehicle

chases—cars are just the beginning—that use teeny and huge to amusing effect. Hank's laboratory, which normally occupies a massive building, can shrink on cue to almost nothing at all, then pop back up to full volume when required. The previous "Ant-Man" was memorable for the appearance of an enormous Thomas the Tank Engine. During a chase in this one a Brobdingnagian-sized Ant-Man uses a flatbed truck as a scooter. And, as you might expect, lots of extremely large ants play very small roles. They aren't charming, but they do make themselves useful.



Chris Thorne in 'Richard II'

T. CHARLES ERICKSON

LIFE & ARTS

A scene from the Icelandic film 'Under the Tree,' directed by Hafsteinn Gunnar Sigurðsson

MAGNOLIA PICTURES



FILM REVIEW | By Joe Morgenstern

'Under the Tree': Neighbors at War

LET'S BE HONEST about "Under the Tree" and the likelihood of your seeking out a film from Iceland with limited distribution, a special tone that's hard to describe, and a cast you may never have heard of—unless you come from Iceland, where everyone knows everyone else. Not at the top of your to-do list for a summer weekend? Understood, but don't write it off. You know about good things and small packages; this is a dark and startling thing in a brightly wrapped package, and the brightness is all the more misleading because the action takes place

during Iceland's radiant summer. The story promises to be a whimsical one about three disparate couples, starting with a passionate spat between a young wife and mother, Agnes (Lára Jóhanna Jónsdóttir), and her no-account husband, Atli (Steinþór Hróar Steinþórsson). When she catches him in a virtual transgression—something on his laptop—she throws him out and he goes to live with his aging parents, amiable Baldvin (Sigurður Sigurðsson) and shrewish Inga (Edda Björgvinsdóttir). They, in turn, are feuding with their next-door neighbors,

Konrad and Eybjorg (played, respectively, by Þorsteinn Bachmann and Selma Björnsdóttir), who claim that a tree in the older couple's back yard is casting a shadow on their sun deck.

So how seriously should any of this be taken? A reasonable assumption is not very. Doomy chords from Daniel Bjarnason's powerful score keep saying otherwise, but music has been known to be whimsical, droll or ironic. (Choral music enriches the overall tone. In a nation whose citizens will sing at the slightest provocation, Baldvin belongs to a fine men's choir.) Yet the

director, Hafsteinn Gunnar Sigurðsson—he wrote the screenplay with Hulda Breiðfjörð—has other plans for our hearts and minds, and the sweat glands at the back of our necks. The shadow from that tree is downright resplendent compared to the darkness that eventually besets these Icelandic counterparts of the Hatfields and McCoys. (Or these updated antagonists from a Viking saga.)

Tone is crucial to the success of all movies; it's not only the style of a sequence or scene, but emotional weather that can be as influential as it is intangible. "Under the Tree"

is, among other things, an exercise in tone, and undertone. (It's also a study in how much melodramatic excess a slender premise can sustain—just about this much, surely no more.) From the beginning there's a sense of menace, of a silly provocation threatening to become who knows what. The easiest explanation of the root cause is a buildup of anger that can no longer be repressed, but it's equally a case of displaced grief, though you have to listen carefully for the clues. The film unleashes cascades of anger and grief, and proves in the process that a tree can be a red herring.

Get Thee to the Playhouse

Continued from page A10
works his usual visual wonders—no director in America is more adept at moving around a big cast—and Gabriel Kahane's incidental music, all sounding brass and clamorous drums, sets just the right tone for the proceedings.

* * *
In the #MeToo moment, how can "The Taming of the Shrew" be staged without setting off alarm bells of political incorrectness? The best way, it strikes me, is to play it the way Shakespeare wrote it, as a slapstick comedy in which a proto-feminist hellion gets her comeuppance at the hands of an arrogant man, and let the audience draw its own conclusions about what it's seeing. This is more or less the way Shana Cooper approaches the play in her Hudson Valley Shakespeare Festi-

val directorial debut, and the results are consistently satisfying—the best "Shrew" I've ever reviewed, in fact.

Ms. Cooper, a newish face on the theatrical scene, has written a program note that bristles with up-to-the-minute notions ("The world of 'Taming' is one...in which women are judged and punished for not adhering to the rules of the game as dictated by a patriarchal society"). But whatever her production really "means," Ms. Cooper's "Shrew" plays as a riotously bawdy baggy-pants farce, one whose director is unafraid to opt for broad comic gestures and whose cast is more than happy to oblige her. Petruchio (Biko Eisen-Martin) is a lanky hipster, while Kate (Liz Wisan) is a strong, beautiful woman with the bold energy of a stand-up comedian whose weary demeanor at play's end unobtrusively hints that her will has been broken by—yes—the patriarchy. Part of what is so pleasing about this staging, though, is that it doesn't whack you over the head with Kate's fate: Instead, you're expected to connect the dots yourself.

Ásta Hostetter's colorful costumes are amusingly varied in style, while Erika Chong Shuch, the choreographer, has contributed dance numbers so foot-tappingly rousing as to make us wish that she and Ms. Cooper would now try their hands at "Kiss Me, Kate." The supporting cast is up to the marks set by Mr. Eisen-Martin and Ms. Wisan, with special honors going to Triney Sandoval, whose noisy Gremio recalls Gilbert Gottfried (with a pinch of Al Pacino added for extra silliness). An old hand whose face will be familiar to "Law & Order" buffs, he is a scene-stealing Shakespearean clown of very high merit. As for Ms. Cooper, she's a find, a director of great promise whose work I expect to see again soon.

Hudson Valley Shakespeare Festival
Boscobel House and Gardens, Garrison, N.Y. (\$10-\$94), 845-265-9575

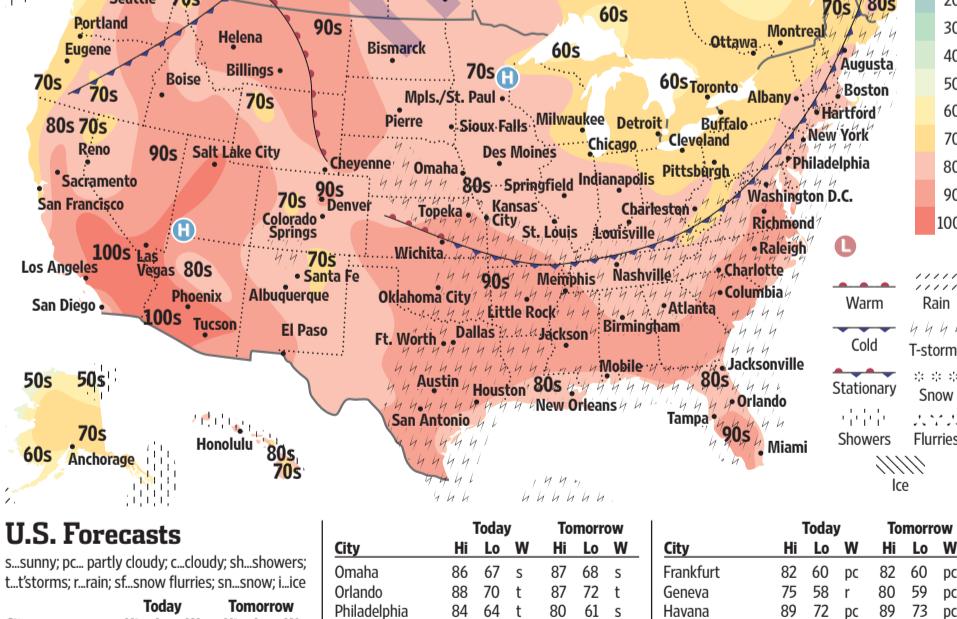
Richard II, closes Aug. 26
The Taming of the Shrew, closes Aug. 24

Mr. Teachout, the Journal's drama critic, is the author, most recently, of "Billy and Me." Write to him at tteachout@wsj.com



T. CHARLES ERICKSON

Weather



SPORTS



THE COUNT

NEYMAR'S DRAMATIC FLAIR

BY ANDREW BEATON

Samara, Russia
IT'S EASY to quantify just how good Neymar is. He has scored two goals for Brazil in this World Cup. He's the most expensive soccer player on the planet. But the same data points don't exist for another part of his game: the time he spends writhing on the ground in search of fouls.

The Wall Street Journal analyzed Brazil's four World Cup games so far with something very specific in mind: Neymar's dramatic renditions of fouls. Or, in some cases, non-fouls.

In total, Neymar has gone to the ground 43 times. Those trips have lasted eight minutes and 15 seconds, according to the Journal's review. And he's more apt to flop and delay the game, for longer periods of time, when Brazil is winning.

Like a master thespian, no two of Neymar's performances are exactly alike. The median wincing time was only six seconds. But, on eight different occasions, he spent at least 20 seconds on the ground.

After Brazil's 2-0 win over Mexico, Mexico manager Juan Carlos Osorio said their shouldn't be "so much acting," in a rebuke of Neymar's actions.

"I don't much care for criticism," Neymar said afterward.

Flop or Foul?

A breakdown of Neymar's dramatic renditions of fouls:

	BRAZIL WINNING	BRAZIL TIED
Frequency	1 per 8.5 minutes	1 per 9.5 minutes
Avg. duration	15.1 seconds	9.1 seconds
Longest time on ground	105 seconds	41 seconds
Longest stretch with no falls	24:10	34:13

Source: Fox Sports; InStat



We all know it's not a proper Tour de France without an *amuse-bouche* of queasy. But this year's Tour has already upgraded the queasy to a main course—a full-on queasy feast.

Un festin de gêne. That translation is courtesy of my French-born WSJ Sports colleague Joshua Robinson, so if it's wrong, that's on J-Rob.

This year's pre-race nausea concerns the race's defending champion, four-time winner Christopher Froome. Over the winter, news leaked that Froome had tested for an irregularly high level of the asthma drug salbutamol at last summer's Vuelta a Espana race. Froome, a known asthma sufferer, denied wrongdoing, but the case dragged and dragged, without a ruling from cycling's overlords.

The prospect of another scandalized Tour de France winner made the race's organizers bananas—to the point they were maneuvering to ban Froome from starting. Then, on Monday—basically the last minute, as the Tour begins Saturday—cycling's governing body, the UCI, suddenly, with the tersest of explanations, cleared Froome of any wrongdoing, ending the matter.

So that's that, right?

Sort of, but not really. Froome is off the hook and gets to race. He and Sky successfully argued that his salbutamol reading had been affected by illness and dehydration. (Salbutamol is permissible to use within a certain range.) But the 2018 Tour de France has a

Soccer Hits the Accelerator

After eight years of plodding possession play, the international game is all about speed again

BY JONATHAN CLEGG
AND JOSHUA ROBINSON

Moscow

WITH EIGHT TEAMS left at the most wide-open World Cup in recent memory, predicting the winner in Russia is as risky as a double-vodka at breakfast. But as the tournament heads into the quarterfinals, one thing is now certain: international soccer's era of possession football is over.

Eight years since Spain won the World Cup by turning the sport's toughest matches into a game of playground keepaway, and four years since Germany dominated the ball on its way to lifting the trophy in Brazil, the last three weeks in Russia have shown how far—and how fast—the game has evolved.

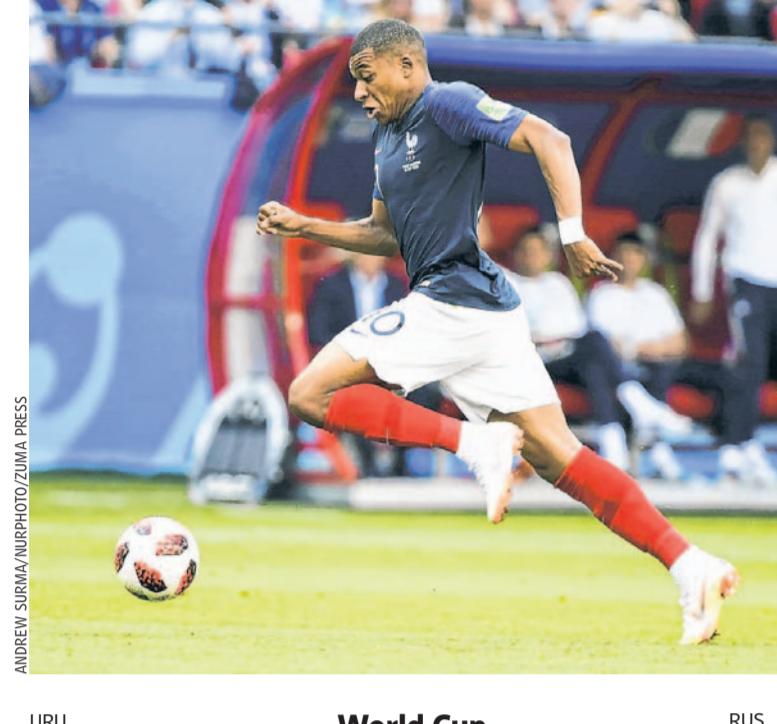
The best teams at this World Cup still know how to keep the ball, but they have added extra purpose. No longer content simply to pass the opposition to death, sides such as Brazil, Belgium, England and France can vary the pace of the game and cut through defenses at breakneck speed. Like millions of fans who had tired of watching Spain's tedious buildup play, international soccer has run out of patience.

"In 2008, 2010 and 2012...we played at a level and in a style that nobody had done before," Spain manager Fernando Hierro said. "Now we're in 2018 and many things have changed. There are a lot of direct balls and quick transitions."

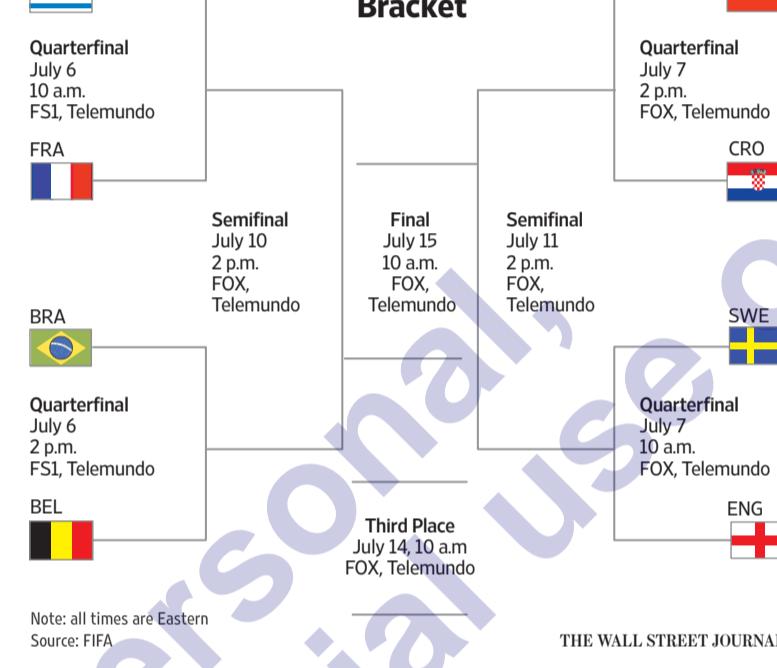
The numbers tell the story. Only three teams in Russia have possessed the ball for more than 60% of their games, on average, according to Opta Sports. Spain led the way, controlling the ball for a staggering 74.7% of its four games, followed by Germany and Argentina. None of those teams made it beyond the round of 16.

By contrast, Brazil, Belgium, England and France have all controlled the ball more than their opponents, but they have also exhibited a directness that the likes of Spain and Germany often lacked. Each of them has produced at least twice as many direct attacks per game (plays in which 50% of the movement is toward the opposition goal) as patient buildup sequences.

Nothing exemplifies this like Belgium's marauding counterattack to score a last-minute winner against Japan. From the time goalkeeper Thibaut Courtois rolled the ball out to Kevin de Bruyne, the move took just two more passes



ANDREW SURMA/NURPHOTO/ZUMA PRESS



Note: all times are Eastern
Source: FIFA

THE WALL STREET JOURNAL.

and nine seconds for Nacer Chadli to slam the ball home.

"I did not expect that kind of super counterattack," Japan manager Akira Nishino said. "My players didn't expect that the ball would be carried into our half in the space of a few seconds. It decided the match."

In its four games so far, Belgium has scored three times on high-tempo counterattacks that started in their own half of the field, which amounts to 25% of its total goals scored. Brazil, Croatia, and Sweden have also found the net after one of these breakaways,

meaning that a focus on quickly turning defense into attack has helped pave the way for four of the eight quarterfinal teams.

Brazil, Belgium and the rest still owe a lot to the likes of Germany and Spain. They've lifted the best parts of their models, from packing their lineups with as many technically gifted players as possible to pressing the opposition high up the field, but infused them with two key ingredients: youth and urgency. England and France were the youngest teams to make the knockout rounds, with an average age of just 26.

Possession Obsession

The World Cup leaders in average possession per game:

TEAM	POSS.	RESULT
Spain	74.7%	Round of 16
Germany	72.0%	Group stage
Argentina	66.0%	Round of 16
Saudi Arabia	59.1%	Group Stage
Switzerland	58.9%	Round of 16

Source: Opta Sports

France's Kylian Mbappé used his speed to torch Argentina's defense.

"We've played in a style that has really shown what young English players are capable of," said England manager Gareth Southgate. "They've been able to change perceptions of how an England team might play."

France has also bucked its reputation for cautious, defensive play under manager Didier Deschamps. Of the remaining eight teams, only Brazil and Belgium have made more direct attacks per game than Les Bleus. And no one can match the speed at which they attack, thanks in large part to having the fastest player at the tournament: Kylian Mbappé. He was clocked at a top speed of 37 kph against Argentina, quicker than Usain Bolt's average over 100 meters, according to the French team.

To be sure, this new spirit of adventure isn't without its drawbacks. One of the overlooked aspects of Spain's death-by-a-thousand-passes approach was how it could be used to close out games late on. The top teams at this tournament are bolder, but may also be more vulnerable. Even as Mbappé tore apart Argentina last weekend, France still managed to surrender three goals, while England coughed up a lead on a stoppage-time equalizer in its round-of-16 win against Colombia.

Still, for most of the World Cup's remaining sides, it seems that sacrificing control for a sharper edge is a trade-off they are willing to make.

"There is very often this mistaken assumption that ball possession leads to scoring opportunities," said Uruguay's Óscar Tabárez, whose side advanced to the quarterfinals despite holding the ball for just 39% of its round-of-16 showdown with Portugal. "Even if you don't have much possession you can still inflict yourself on opponents in different ways."

CYCLING | By Jason Gay

ANOTHER QUEASY TOUR DE FRANCE



Four-time Tour winner Christopher Froome during training with Team Sky.

hangover before it even starts.

As for cycling's stewardship, I'd compare this whole episode to the Keystone Cops—but I am worried about offending the Keystone Cops.

I'm on record as a cycling fanatic, so you know I'll still be watching. But the sport's ability to continually step on a rake continues to amaze. It would be funny, if it weren't such a remarkable sport, and there weren't riders who are genuinely trying to do it the right way.

This latest episode is big plate of ouch. It's easy to forget that Froome is on a historic march—

he's currently the reigning champion of the sport's three Grand Tours (the Vuelta, the Giro d'Italia, and the Tour) and trying to become the first rider since Marco Pantani to win the Giro and Tour in the same season. It's an astonishing run, and on paper, he's got a strong case as one of the greatest ever.

But he's got work to do. Froome wasn't an especially popular champion even before the salbutamol episode—he and his well-monetized team, Sky, have been dinged for distilling an instinctive sport into a series of coldly analytic chess moves, relying on data and well-

paid support riders, and, in the process, draining a lot of romanticism out of the event. (Sky sponsor 21st Century Fox and The Wall Street Journal share common ownership.)

Sky isn't the first outfit to outgun everyone with a super team—Lance Armstrong's U.S. Postal Service outfit did the same. But the suspense can be minimal with such a controlling powerhouse on the road. Despite everything, Froome will be the heavy favorite when the race begins Saturday in Nîmes.

This really is the worst Tour de France preview column ever. I feel like I'm inviting you to a pizza party by telling you crummy things about pizza.

There is indeed some great stuff in this year's race, including a zesty cobblestone stage on Sunday, July 15—the same day as the Wimbledon men's final and the World Cup finals. It's the sort of hard-knock stage where teams will gang up and try to gain time on the mountain goats who usually dominate the race. The serpentine Alpe d'Huez is back on the menu. The final week in the Pyrenees will be decisive.

If you want to be popular in France this July, try to upset Froome. Possibilities include the 33-year-old Australian Richie Porte, who was threatening in last year's race until a brutal crash evicted him from the peloton, as well as perennial contender Nairo Quintana of Colombia, a featherweight climber still looking to make his Tour victory breakthrough. Scrappy 2017 Giro winner

Tom Dumoulin hopes to be in the mix. Leading the French contenders is 27-year-old Romain Bardet, who finished third overall in last year's Tour.

Lurking somewhere in the field is Rigoberto Uran, the canny, veteran Colombian who finished second in the 2017 Tour, less than a minute behind Froome. Uran rides for the American outfit EF Education First, and his support crew includes a pair of U.S. riders, Taylor Phinney and Lawson Craddock. A win for Uran would be a massive moment for the team, which began its life as Slipstream Sports, and nearly went to cycling team heaven last fall before EF stepped in to become a main team sponsor.

Meanwhile, the eccentric sprinter Peter Sagan is back at the Tour, trying to avoid the drama of last year, when race officials booted him after a disputed crash with rival Mark Cavendish. Sagan's ejection was another bummer for the sport—he's the most popular rider in pro cycling at the moment, and it isn't clear who initiated the dangerous high-speed tangle with Cavendish. Here's hoping Sagan is able to keep riding long enough to wheelie across the cobbled finish on the Champs-Élysées on July 29. Cavendish, too, I wish I could do more to wave the pom-poms here for a sport and an event I adore. Cycling is an easy sport to cheap shot—I'd pay cash money to see the NFL or any major team sport endure its rigorous drug testing—but this summer, the wounds feel self-inflicted. As always, *Vive Le Tour*. But let's get it together.

OPINION

Will the FBI Come Clean?



POTOMAC WATCH
By Kimberley A. Strassel

In the trench war between congressional Republicans and the Federal Bureau of Investigation, we have arrived at a crucial battle. A House resolution sets Friday as the deadline for the Justice Department to come clean on the beginning of its investigation into the Trump campaign. We'll find out if the FBI has been lying to the public.

That is, if the department complies. It has flouted so many subpoenas, and played so many games with redactions and deadlines, that the entire House GOP united last week to vote for the resolution demanding submission to Congress's requests for documents. The vote was an order but also a warning—that this is the last chance to comply, and the next step will be to hold officials in contempt. It is a measure of the stakes that even that threat doesn't guarantee cooperation.

At issue is the FBI's "origin story," in which it claims its full-fledged investigation into a presidential campaign was conducted, as it were, by the book. According to this narrative, the FBI did not launch its probe until July 31, 2016, only after Australia tipped it to a conversation junior Trump aide George Papadopoulos had with Australian diplomat Alexander Downer in the spring of

Lawmakers demand the truth about the origin of the 2016 Trump investigation.

justifying the probe. The origin story suggested the FBI had followed procedure. Mostly, it countered the growing suspicion that the bureau had been snooping on a presidential campaign on the basis of truly disreputable info—a dossier of salacious information compiled by an opposition research firm working for the rival campaign.

The story is full of holes, and they are widening. No one has explained why two months passed between the Papadopoulos-Downer conversation and the July 31 probe. We've learned that it wasn't Australian intelligence that passed along the info, but Mr. Downer personally, to State Department

personnel in violation of procedure. And a growing list of Trump officials now relate moments when they were approached by suspicious figures before July 31.

That's why congressional investigators have come to suspect the real origin story is very different. They believe the FBI was investigating Trump officials well before July 31, on the basis of the dossier and dubious information from State Department officials. They think the bureau was employing a variety of counterintelligence tools before there was an official counterintelligence probe—and that this included deploying spies against political actors. They suspect that only when the FBI decided that it wanted to obtain a Foreign Intelligence Surveillance Act warrant against Trump aide Carter Page (which requires an official investigation) did it surface the Downer information (collected back in May) and make it the official pretext in July.

This theory is at the heart of the standoff with the Justice Department, which focuses on FBI actions prior to July 31. I'm told that multiple senior congressional members have repeatedly asked Justice Department leadership to affirm that the department had provided Congress *everything* relevant with regard to the Trump investigation. The department has said yes. Yet investigators have credible evidence pointing to the use of FBI informants against the

Trump campaign earlier than July 31, and last week's resolution requires the department to answer whether that is true, and if so, on what basis they were used.

The FBI and its media allies have waged a ceaseless campaign to lower the bar on what counts as appropriate. We are told it is OK that the government opened a counterintelligence probe into a presidential campaign. OK that it obtained a warrant to spy on a U.S. citizen. OK that it based that warrant on an unverified dossier from the Democratic campaign, and then hid that true origin from the FISA court. OK that it paid a spy to target domestic political actors.

It's not OK. Not so long ago, the FBI would have quailed at the idea of running an informant into any U.S. political operation—even into, say, a congressman under criminal investigation for bribery or corruption. These are the most sensitive of lines.

But Mr. Trump's opponents, in government and media, have a boundless capacity to justify any measures against the president.

If it turns out that the Justice Department and FBI lied about how and when this all started, that is scandalous. Worse if it comes out that senior officials lied to Congress about whether they had complied with its demands for information. And once again, it is a reason for Mr. Trump to step in and declassify everything.

Write to kim@wsj.com.

Inside Amy Coney Barrett's 'Cult'

HOUSES OF WORSHIP
By Adam O'Neal

Judge Amy Coney Barrett could be President Trump's nominee to the Supreme Court—a prospect that thrills many conservatives. A former Antonin Scalia clerk and Notre Dame professor, Judge Barrett, 46, seems an ideal choice. Yet her religious beliefs could lead to a contentious confirmation process. Would it be a risk to pick her?

Last year President Trump nominated Ms. Barrett for a seat on the Seventh U.S. Circuit Court of Appeals. Several Democratic senators pondered whether an "orthodox Catholic" would have dual loyalties. "The dogma lives loudly within her," Sen. Dianne Feinstein said during Ms. Barrett's hearing. "That's of concern."

Video of Mrs. Feinstein's religious test quickly spread, provoking outrage from thousands of Americans. Yet a New York Times news story suggested she and her colleagues hadn't gone far enough: The nominee's "membership in a small, tightly knit Christian group called People of Praise never came up at the hearing, and might have led to even more intense questioning."

Richard Painter, a law professor and Democratic U.S. Senate candidate in Minnesota, loved the article. He recently tweeted the link, adding his own comment on People of Praise: "A religious group in which members take an oath of loyalty to each other and are

supervised by a male 'head' or female 'handmaiden.' That looks like a cult." As nonbigots do, Mr. Painter then added, "don't even try playing the 'anti-Catholic bigotry' card."

It's easy to make People of Praise sound terrifying. Isn't there a TV show and novel about these "handmaid" people? Do Americans really want a cultist on the Supreme Court? Despite such insinuations from "resistance" conspiracy theorists, understanding the group requires more than a couple of tweets.

People of Praise was founded in 1971, part of a broader "charismatic renewal" in American Christianity. The group has about 1,800 adult members, with some 350 in South Bend, Ind., where Ms. Barrett taught law. It's an ecumenical group—the only requirements being Christian baptism and acceptance of the Nicene Creed—but roughly 90% of members are Catholic. A few are priests, and in 2014 Pope Francis appointed one a bishop.

People of Praise members live ordinary Christian lives. They attend church Sunday morning and meet together in the afternoon and during the week. Many are neighbors; some live together. Members provide one another spiritual and practical support. They carry out service projects and have started several Christian schools, which are popular outside the People of Praise community.

"Through my interactions over the years, I've found that

these are lovely, earnest people who want to build an intentional community for the purpose of loving and serving others," says O. Carter Snead, a Notre Dame law professor who isn't a member. "They remind me of Catholic groups like the Knights of Columbus or Communion and Liberation."

The controversy stems from misunderstandings—perhaps intentional ones. After a lengthy period of discernment, members can choose to remain in the community permanently.

If she is the nominee, get ready for a vicious anti-Catholic Senate smear campaign.

This is not a loyalty oath but a promise to care for each other. Members are accountable to an adviser, called a "woman leader" or, for men, a "head."

These leaders offer personal advice on how to lead a better Christian life. The group once used "handmaiden"—a reference to Mary's description of herself as "the handmaid of the Lord"—but the name was changed when popular culture gave that word a sinister connotation.

People of Praise's current leader—a term-limited post that answers to a board—is Craig Lent, an electrical engineering professor at Notre Dame. Mr. Lent chuckled when asked whether Judge Barrett's

husband, or another member of the group, could steer her judicial decisions. "We're quite about personal freedom. The only person you can control is yourself," he says. "We have liberals and conservatives and pacifists and people in the military." A People of Praise judge might seek advice on how to be more patient with an annoying colleague. She wouldn't consult on stare decisis.

Ms. Barrett, whom Notre Dame Professor John Jenkins describes as "a strong, independent-minded woman," has been clear about judicial independence for decades. In a 1998 law-review article she wrote: "Judges cannot—not should they try to—align our legal system with the Church's moral teaching whenever the two diverge." She reiterated this belief during her confirmation hearing last year.

People of Praise isn't for everyone. I prefer doughnuts after mass. But millions of Christians around the world find their faith enriched by joining organizations like it, and that shouldn't preclude them from participating in public life. The U.S. does best when considering judicial nominees on the basis of their philosophy, intellect and character. Rejecting Judge Barrett because of how she practices her religion would be an insult to millions of Americans—and a dangerous precedent.

Mr. O'Neal is an assistant editorial features editor at the Journal.

Expose the Palestinian 'Refugee' Scam

By Richard Goldberg and Jonathan Schanzer

If President Trump wants to promote peace in the Middle East, his first step should be to declassify a key State Department report that would end the myth of Palestinian "refugees."

The United Nations Relief and Works Agency is singularly devoted to the Palestinian refugee issue. Unrwa labels more than five million Palestinians "refugees"—an impossible figure. The first Arab-Israeli war, in 1948, yielded roughly 800,000 Palestinian Arab refugees. Perhaps 30,000 remain alive today, but Unrwa has kept the refugee issue alive by labeling their descendants—in some cases great-great-grandchildren—as "refugees," who insist on the "right of return" to their ancestors' homes. Israel categorically rejects this demand.

Unrwa's operations run

counter to the broader mission of the U.N. High Commissioner for Refugees, which is to resettle those displaced by war. Unrwa's mission, on the other hand, keeps the conflict's embers glowing by refusing to resettle Palestinians in neighboring countries or even in the Palestinian territories.

If Mr. Trump wants his peace plan to have a chance, he has to challenge false Palestinian narratives. He did this by recognizing Jerusalem as the capital of Israel and moving the U.S. Embassy there. For decades, Palestinian leaders issued maximalist claims on Jerusalem. Mr. Trump's move sent the message that making peace requires accepting reality.

Mr. Trump can send the same message by declassifying one document. In 2012 Congress ordered the State Department to disclose how many Palestinians currently

served by Unrwa fled the 1948 Arab-Israeli war and how many are merely their descendants. The Obama administration classified the report, citing national security—as if revealing foreign census data were a threat to America.

Obama concealed a myth-smashing report. Trump can reveal it to the world.

A year and half into office, Mr. Trump hasn't reversed this policy, but momentum is building against it. In April more than 50 House members urged State to declassify the report. Florida Sen. Marco Rubio has done the same.

Removing the label of "refugee" from millions of Palestinians wouldn't hurt them.

The inability of Palestinian leaders to detach from this 70-year-old story raises real concerns about whether peace is possible. But if Mr. Trump is committed, he can send a clear message to the millions living in Unrwa camps: Your leaders want to keep you in squalor, while America wants you to prosper. It's the most pro-Palestinian step an American president could take.

Mr. Goldberg is a senior adviser and Mr. Schanzer senior vice president at the Foundation for Defense of Democracies.

BOOKSHELF | By Benjamin Shull

Windy City Windfall

Barrel-Aged Stout and Selling Out

By Josh Noel
(Chicago Review, 386 pages, \$19.99)

The popular image of the brewing industry is of a war between Craft and Big Beer. It's small, independently owned breweries facing off against multi-billion-dollar corporations hawking bland-tasting beer with outsize control over the global market. These terms are useful for drawing battle lines in the beer world, but as Josh Noel explains in "Barrel-Aged Stout and Selling Out," the reality is slightly more complicated.

Mr. Noel's book recounts the rise of Chicago-based Goose Island Brewery, a vanguard name in craft brewing that was purchased in 2011 by Anheuser-Busch InBev, the biggest and baddest beer maker on the planet. Mr. Noel, a beer and travel writer for the Chicago Tribune, uses the tale of Goose Island and Anheuser-Busch to elucidate "how craft beer became big business." His briskly written narrative will be of interest whether one prefers Bud Light or Goose IPA.

Goose Island was founded in 1988 by John Hall, a box-company executive with a taste for European beers. The operation began as a brewpub on Chicago's Clybourn Avenue. Mr. Hall envisioned a bar where patrons could purchase beers more flavorful than the ones served up by industry giants Anheuser and Miller. A dining critic wrote a favorable review soon after its opening, praising a porter on tap for its "sophistication, redolent with the full body and pronounced flavor of its toasted grain." Such was the language of craft brewing, an enterprise that boomed from the late 1980s to the mid-1990s.

Mr. Hall's business expanded in 1995 to include a stand-alone brewery. His talented staff—including his son, Greg, the brewmaster-turned-Goose not only into a Chicago favorite but into one of the major players in craft beer. With a new production facility, Goose could now distribute its popular offerings—whether Honker's Ale, Oatmeal Stout or, of course, India Pale Ale—to store shelves and tap handles far and wide. Goose reaped the rewards of its expansion, as its barrel production crept steadily upward.

Big Beer could not afford to ignore upstarts like Goose. Anheuser responded to the craft-beer boom by developing its own artisanal styles and buying stakes in a number of small breweries. But the threat to Big Beer seemingly abated when craft's swift advance suddenly skidded to a halt. As Mr. Noel writes, "from 1997 to 2003, craft's growth slowed to an average of less than 3 percent per year." Goose was not immune, suffering its own slump with declining sales and barrel production. That downturn was one factor that led it to agree, in 2006, to the sale of a large minority stake—to a brewing company partially owned by Anheuser.

Mr. Hall realized that the beer giant's distribution network and financial clout could "launch Goose Island into the big time." Others weren't convinced. Sam Calagione, the founder of Dogfish Head Brewery, said at the time that "in five years, if [Anheuser] really gives a s— about craft beer, then I'll stand corrected." Another industry insider said that the sale felt "like David selling out to Goliath." In the mean-

time, Chicago's Goose Island grew into one of the marquee names in craft beer. Then it was purchased by the largest brewer on the planet.

time, however, the effect of the deal couldn't have been more pronounced. Goose sales spiked 60% within a year. In 2004 Goose had produced 50,000 barrels of beer; in 2011 that number had tripled. But its success became its own obstacle: Goose couldn't brew enough beer to meet insatiable demand. So it "sold out"—agreeing in March 2011 to a 100% sale to Anheuser for \$38.8 million.

"Barrel-Aged Stout and Selling Out," apart from a narrative history of a pair of beer companies, is also an accessible introduction to the business of brewing. Mr. Noel explains this landscape of distribution rights, franchise laws and equity contracts without relying on corporate jargon. For those interested in the art of brewing itself, Mr. Noel happily dives into the back stories of various Goose favorites, including its "dry hopped" IPA or the titular barrel-aged stout. As for the book's centerpiece—the story of Anheuser's purchase of Goose—nobody is more qualified to tell it than Mr. Noel, since he broke the news of the sale for the Chicago Tribune.

By the time Mr. Hall informed his staff of the decision, Anheuser itself was a subsidiary in an even larger beer behemoth—AB InBev, a Belgian-Brazilian brewing conglomerate. Anheuser had been purchased for \$52 billion in 2008, creating "the world's new largest beer company" and the antithesis of everything craft-beer drinkers held dear. Mr. Hall now had the unenviable task of telling his employees who their new bosses were. And though he tried to explain how a sale might actually benefit Goose, resistance was stiff. "Shock stared back at him," Mr. Noel writes. "Anger. Betrayal." One longtime member of the marketing team wouldn't even look at him.

That sense of betrayal lingers for a large swath of beer drinkers, some of whom refuse to drink Anheuser products. In Mr. Noel's book, Anheuser certainly doesn't come off as the good guy, with its hardball tactics to stamp out competition—as when it tried to keep its distributors from carrying non-Anheuser products. And the company has only become more formidable: In 2016, AB InBev merged with SAB Miller, the world's second-largest brewer. Since buying Goose, AB InBev has purchased additional craft breweries in the U.S., including such familiar names as Blue Point and Elysian Brewing.

Goose, as it happens, has enjoyed impressive growth since being purchased by AB InBev. But what does that mean for the industry as a whole? There's a contradiction at play in the relationship between craft beer and big business. On the one hand, as Mr. Noel spells out, craft won the war by forcing the world's largest brewer to change. On the other, it lost by being commanded by that very same company. How one feels about that odd state of affairs seems these days to have more to do with one's values than drinking preferences.

Mr. Shull is an assistant books editor at the Journal.

Coming in BOOKS this weekend

Francis Willughby: The first ornithologist • Riches in the American West • Richard Sennett's ethics for the city • Karl Marx on his bicentennial • Memoirs of the Obama White House • Anne Tyler's new novel • & much more

OPINION

REVIEW & OUTLOOK

Attack of the Killer Audis

U.S. Trade Representative Robert Lightizer is struggling to find a legal national-security rationale to slap 20% tariffs on automotive imports, but we're told that President Trump has ordered him to find one anyway. There isn't one. And if Mr. Trump goes ahead and claims there is he'll be acting as lawlessly as Barack Obama did with his war on fossil fuels.

Mr. Trump in May directed the Commerce Department to investigate whether foreign cars and automotive parts imperil national security under Section 232 of the Trade Expansion Act of 1962. That law allows the President to restrict imports that he determines threaten national security, which is broadly defined as including "the economic welfare of individual domestic industries." But this grant of authority is not limitless, and the U.S. auto industry is healthier than it has been in decades.

Foreign steel and aluminum also pose no security threat—half of U.S. aluminum imports come from Canada—but at least the Pentagon needs metals for weapons. There is no plausible Section 232 case that foreign cars or car parts are a military threat. About \$145 million of U.S. defense dollars in 2016—0.02% of spending—went to auto manufacturers and much of this was for civilian purposes.

The United Auto Workers union argues that the U.S. needs to be prepared for a World War II-style mobilization when auto plants "quickly changed from producing civilian cars to Jeeps, tanks and bombers." But even if the U.S. did have to ramp up defense production, we have far more manufacturing capacity than during World War II, including 14 more auto-assembly plants. Allies could also assist.

As for the "economic welfare" argument, not even American carmakers support Mr. Trump's tariffs on foreign cars. Detroit's trucks and vans are already protected by a 25% tariff. And U.S. automakers have largely stopped producing passenger cars for the U.S. market because trucks and SUVs are far more profitable.

GM opposes Mr. Trump's proposal for a 20% tariff and explained in a public comment to Commerce last week that raising prices to cover the higher cost of imported auto parts would reduce sales. The alternative, GM writes, is to reduce investment, which would result in a smaller workforce and "could delay breakthrough technologies and threaten U.S. leadership in the next generation of automotive technology." That harm to innovation would be a far greater threat to national security than Audi sedans.

American auto-manufacturing has never

There is no national-security case for auto-import tariffs.

been more competitive, and the overwhelming evidence is that the tariffs would hurt the U.S. auto industry and economy. Automotive jobs

have increased by about a third since Nafta was ratified and are 100,000 above the peak before the 2008-2009 recession. Much of the job growth is driven by foreign manufacturers and imports.

About 40% of the content in Mexican imports was made in the U.S. Cross-border supply chains improve efficiency and create jobs in both countries.

Tariff-free trade with Mexico has also brought more investment. Daimler, BMW and Volkswagen employ 36,500 workers and produce 804,200 vehicles in the U.S. In the last year, Daimler, Volkswagen, BMW, Volvo, Toyota and Mazda have announced more than \$4 billion in new U.S. investments. America exports almost as many German-branded cars (about 481,000 in 2017) as it imports from Germany (492,000).

A big risk is that the President's tariffs will hurt exports by triggering retaliation. China says it will respond to Mr. Trump's tariffs on industrial products by raising its duty on American cars to 40%, which will whack Americans employed at BMW and Mercedes plants that supply cars to the Chinese market.

According to the Peterson Institute for International Economics, a 25% tariff on autos and auto-parts would reduce U.S. production by 1.5% and cost 195,000 job in the industry. If other countries retaliated, 624,000 jobs would be lost. The Auto Care Association estimates the tariffs could cause 6,800 job losses at repair shops and 85,200 in wholesale and retail segments. These are mostly small family-owned businesses.

Consumers would also have to pay about \$5,000 to \$6,000 more for a car, which would offset some benefits from tax reform and slow vehicle sales. A modest decline in auto sales during the first quarter of this year clipped 0.34% off U.S. GDP growth.

* * *

One reason the economy struggled under Barack Obama is because he stretched the law to serve his ideology. Businesses never knew when a new regulation might hit next, and on what legal basis. Mr. Trump is making the same mistake on trade, substituting presidential whim for clear and fixed rules.

If Mr. Trump invents a national-security threat to justify car tariffs, business should fight back in court and Congress should strip his Section 232 power.

The Fed's Tariff Warning

The U.S. economy continues to show strength in the wake of tax reform and deregulation, but the downside of robust growth is that Donald Trump thinks this means he can dabble at trade war with impunity. He ought to look at the signs that growth would be even stronger if not for his border-tax brawls.

The latest evidence came in the minutes released Thursday from the Federal Open Market Committee's June meeting. Fed district presidents from around the U.S. reported evidence of strong growth, but along the way came this warning:

"However, many District contacts expressed concern about the possible adverse effects of tariffs and other proposed trade restrictions, both domestically and abroad, on future investment activity; contacts in some Districts indicated that plans for capital spending had been scaled back or postponed as a result of uncertainty over trade policy."

The minutes continued: "Contacts in the

Minutes from the June meeting show growing worry over trade harm.

steel and aluminum industries expected higher prices as a result of the tariffs on these products but had not planned any new investments to increase capacity. Conditions in the agricultural sector reportedly improved somewhat, but contacts were concerned about the effect of potentially higher tariffs on their exports."

These reports are from the economy's ground floor, not the Beltway penthouse. They show that U.S. tariffs and the risks of retaliation are creating uncertainty that could reduce business investment. This probably won't show up in GDP for the recently completed second quarter because the tariff impact is only starting to be felt.

But investment decisions roll through the economy with a lag. More uncertainty means less investment, which means less growth, which means fewer jobs and slower wage gains. Mr. Trump isn't any more immune from the laws of economics than Barack Obama was.

Pruitt Drowns in the Swamp

Chalk one up for the swamp. The permanent progressive state finally ran Scott Pruitt out of the Environmental Protection Agency on Thursday, and the tragedy is that Mr. Pruitt gave his enemies so much ammunition.

President Trump announced on Twitter Thursday afternoon that he had accepted Mr. Pruitt's resignation. Mr. Pruitt cited the "unrelenting attacks on me personally" and his family that have "taken a sizable toll on us all." He's right about unrelenting. Dozens of reporters have examined every furl of Mr. Pruitt's forehead since he started the job.

Press dispatches have suggested that he misused private air travel, sent staff on personal errands and bought \$1,560 pens, among dozens of other allegations. Mr. Pruitt says most of this was false or exaggerated, and no doubt much of it was. He's also right that billionaires Tom Steyer and Mike Bloomberg were out to get him. You can add the EPA bureaucracy that leans left, the green lobby entwined with it, and their collaborators in the press corps.

But this is not news, or it shouldn't have been to Mr. Pruitt, who claimed to understand he was the biggest political target in the Administration after President Trump. EPA is the Holy Sepulchre of progressive politics, and Mr. Pruitt posed an existential threat to command and control regulation that is the hallmark of the left's environmental agenda.

The permanent green government takes out Trump's deregulator.

Mr. Pruitt had to avoid even the hint of an ethical question, and he should have been walking around Federal Triangle handcuffed to a general counsel. Of particular odor were the claims that Mr. Pruitt used his official position to help his wife find work or even open a Chick-fil-A franchise. The daily assault undermined his effectiveness and ultimately his support at the White House.

The shame is that Mr. Trump is losing his bravest deregulator. Mr. Pruitt started to roll back the Obama Administration's Clean Power Plan that attempted to re-engineer the economy with little effect on climate change. He clamped down on the "sue and settle" racket that allows environmental groups to impose policy through consent degrees. He moved to redefine the Waters of the United States rule that let EPA regulate ponds and potholes. Mr. Pruitt also sought to require more honest cost-benefit analysis, and he updated advisory science boards that have been stacked with members who receive EPA grants.

Deputy Administrator Andrew Wheeler will take over, though acting directors are inherently transitional and thus less powerful. Then again, Mr. Wheeler may be there a while: Senate Democrats would block the Dalai Lama to run EPA if Mr. Trump nominated him.

Fresh off its Pruitt defenestration, the left will be looking for new targets, so some advice to the rest of the Trump cabinet: Fly coach.

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LETTERS TO THE EDITOR

There's Already a Party That Favors Growth

In "Go for Growth, Fellow Dems" (op-ed, June 29), Tony James urges Democrats to embrace many Republican positions. He likes tax cuts, sensible regulation, supporting businesses, and addressing the unequal tariffs between the U.S. and our trading partners. Alas, he is wasting his time trying to shift the views of the Democratic Party, which has become ever more left-wing, if not outright socialist. I think it is time for Mr. James to become a Republican.

GUY RANDOLPH
Savannah, Ga.

It's shocking that Mr. James is surprised by the positive economic results of less regulation and lower taxes. This cause-and-effect relationship is obvious to most conservatives and, I thought, most liberals. I also thought that liberals chose more regulation and higher taxes despite this cause-and-effect relationship. Now I discover that they don't even understand it.

MIKE HAUSER
Virginia Beach, Va.

NICOLAS FURLOTTE
Groton, Conn.

Tax-Free Health Spending Is Only the Start

Arguing that "The IRS Can Save American Health Care" (op-ed, July 2), Regina Herzlinger and Joel Klein overlook the biggest factors that keep prices from coming down.

The ban on purchasing health insurance across state lines is one major example. Minnesota, for instance, has multiple state regulations that drastically increase the price of insurance. If Minnesotans could purchase their health care in a state with fewer regulations such as Wyoming, their costs would drop dramatically. If allowed, large national providers like United Healthcare and Blue Cross could provide nationwide menus for consumers to tailor to their needs at a much lower cost.

The authors also fail to mention the benefits of health-savings accounts. Employer-sponsored plans that include HSAs tend to be much cheaper. Employees contributing to their HSAs gain a monetary incentive to stay out of the health-care system and save the unused amount of the deductible in a forever tax-free account. This means prices would drop, along with absenteeism among workers taking less sick leave: A "win-win" for employer and employee. These methods are much better ways to lower costs in the American health-care system.

JAMES DEGEROME, M.D.
Lantana, Fla.

I agree wholeheartedly that it would be great for individuals to use pretax dollars to purchase health insurance, and that if the individuals can shop around, competition will drive down costs. Where I am lost is that the authors subscribe to the position that the new plans "would be subject to the Affordable Care Act's requirements on essential health benefits and cost sharing limits."

Selling American Weapons Overseas Is Risky Business

In "America Needs to Sell More Weapons" (op-ed, July 1), Alexander Benard extols the merits of increasing arms transfers, but his argument rests on several common misunderstandings about the arms trade.

The U.S. makes arms-sales decisions under legislative restrictions Mr. Benard doesn't address. The 1976 Arms Export Control Act creates a directive to ensure that American-made weapons don't spark arms races, support terrorism, or enable human-rights violations abroad. These aren't "worries" or "aversions." It's the law.

Mr. Benard also completely ignores the possibility that arms transfers can create negative downstream consequences. Deteriorating governance in Turkey and human-rights violations in Vietnam are legitimate causes for concern. These factors could easily lead to American weapons being used for purposes counter to U.S. national strategic interests. U.S. troops have fought combatants armed with U.S. weapons at some point in each of the last three decades. Dispersion and black markets feed criminal activity and terrorism. Widespread violence and internal conflict destabilizes countries and regions.

The United States should instead move in the opposite direction—selectivity is an asset to leverage.

CAROLINE DORMINY
Cato Institute
Washington

What's up with that position? How do they square the statements that competition will drive down costs with the fact that many ACA exchanges now have only a single insurance provider? And why should the government mandate anything about what my health care should be?

A. GUY HUBSCHMAN
Andover, Mass.

History matters. The employer's role in paying for health care is an outgrowth of a post-World War II decision known as The Treaty of Detroit. The late 1940s were heady days as civilian production was roaring back and auto makers needed workers—lots of them. Manufacturers were vying for them with ever-higher wages.

In a move to stem inflation, President Truman enacted a wage freeze. Auto makers then hoped to attract workers with benefits such as health care in lieu of wages. The manufacturers saw a young, healthy workforce, and they failed to account for how costs would increase. The workers saw "free" health care, not realizing the benefits would be paid for with their wages.

Walter Reuther, head of the United Auto Workers, previously had pushed for a national health-care system like that in Great Britain. But he caved and ceded the payment of employee care to the Big Three auto makers. This agreement was replicated across multiple industries, and forms the basis of our present patchy, bloated, inefficient, expensive health-care industry.

BARBARA CHARTON
Brooklyn, N.Y.

Ms. Herzlinger and Mr. Klein correctly describe how employer-based health plans shield patients from acting as a consumer in the health insurance marketplace. However, it's the patient who ends up paying, in either lost time or lost wages. Allowing individuals to spend their own health-care dollars will drive prices down to a reasonable level and prevent employers from having the final say over the most personal of issues—your health.

PAULA MUTO, M.D.
Lawrence, Mass.

Never Realized How Happy You Made Me, Oh Mandy

"How Much Manilow Is Too Much?" (Page One, June 28) was really funny—until "Mandy" became an earworm an hour later, requiring desperate measures to extract. Thank goodness for satellite radio's Muzak station. Now, how do I get Andy Williams's "Moon River" out of my head?

Tom Holt
Portland, Ore.

Pepper ... And Salt

THE WALL STREET JOURNAL



"I see you've got 'You Light Up My Life' stuck in your head. My sympathies."

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OPINION

The Use—and Abuse—of Tariffs

By Martin Feldstein

President Trump's threatened barrage of tariffs on more than \$400 billion of Chinese exports to the U.S. is set to begin Friday. While I am a strong advocate of free trade, the threat of tariffs can be useful in the right context. But the president has never specified his objective. What would the Chinese government have to do to stop Mr. Trump's tariffs?

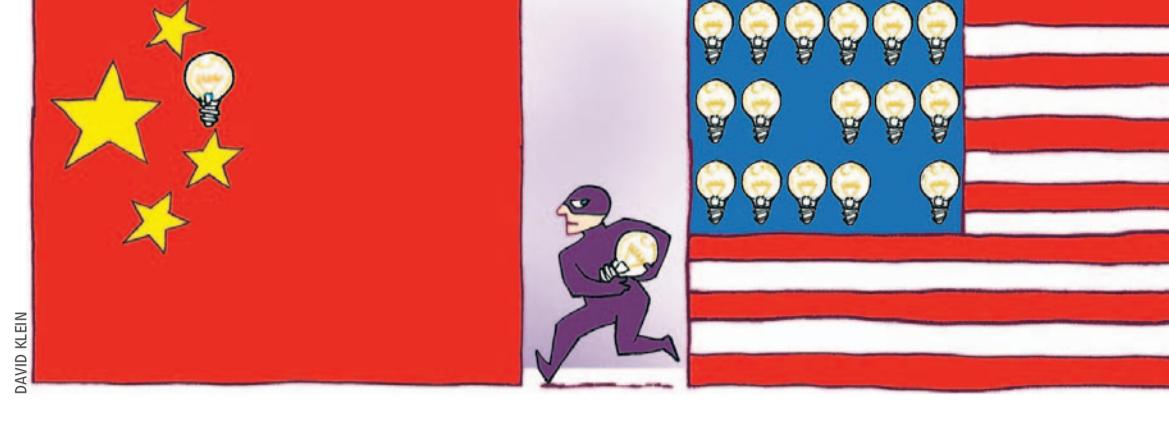
One possible objective might be to pressure China to reduce its \$376 billion bilateral annual trade surplus, which the president frequently denounces. The Chinese government could accomplish this either by buying large quantities of American products or "voluntarily" reducing the country's exports to the U.S., as Japan did in the 1980s.

If that's the president's goal, it's deeply misguided. Reducing Chinese exports to the U.S. would deny American consumers the low-cost products they buy from China while doing nothing to reduce the global U.S.

If Trump's goal is to reduce the trade deficit with China, forget it. But the threat could be useful.

trade deficit. That's because the trade deficit reflects the reality that Americans consume more goods than we produce. To do that we must import the difference from the rest of the world.

Although the U.S. has trade surpluses with some countries and trade deficits with others, the total balance is negative. If the U.S. reduces the trade deficit with one country, it must increase the net trade deficit with others to keep the total unchanged. The U.S. could balance the trade deficit only if Americans increased their



saving to make room for more domestic production.

A decline in the U.S. trade deficit with China would mean an equal increase in the trade deficit with other countries. If Beijing agrees to import more American products or to sell fewer goods to the U.S., Americans will sell less to other countries or buy more from other countries. A tariff threat that leads China to reduce its trade surplus with the U.S. would not have accomplished any change in America's global trade deficit.

A more judicious use of tariffs would give the Chinese government an incentive to stop stealing the intellectual property of U.S. companies. China now requires U.S. firms operating in China to form a "partnership" with a Chinese counterpart and share their technology with it. The Chinese use that stolen technology to compete with American firms in China and around the world. This unfair economic practice undermines American industry.

The Chinese requirement to share technology as a condition for doing business in China is explicitly forbidden by the World Trade Organization rules, which China agreed to when it joined the organization in 2001. The Chinese government says it is not in violation of the WTO rule because

American companies "voluntarily" choose to do business in China with the understanding that they must have a Chinese partner. American companies say it isn't voluntary because they have no choice if they want access to an economy with 1.3 billion people and an economy nearly as large as America's.

The U.S. government filed a complaint with the WTO in March demanding an end to the Chinese practice, but as a result of U.S. experience with previous WTO complaints, American officials are not optimistic about a favorable decision. The European Union filed a similar complaint in June.

A negotiation with the Chinese under the threat of U.S. tariffs would be a more effective means of changing China's policy. The threat of punitive tariffs could lead the Chinese government to agree to allow U.S. firms to operate in China without local partners. If China did not live up to the agreement, the tariffs could be reimposed.

Chinese theft of U.S. technology is not a new problem. At their 2013 California summit, President Obama showed Chinese President Xi Jinping evidence gathered by the National Security Agency of Chinese hacking into the computer systems of U.S. companies. The U.S. and China ended

that meeting with a communiqué stating that neither government would support cybertheft for commercial purposes.

It is more difficult to confirm whether the Chinese have honored that agreement than it would be to determine whether they were allowing American companies to operate in China without surrendering their intellectual property. But the NSA should review the evidence. Chinese resistance from cybertheft also should be a condition for tariff-free access to U.S. markets.

American policy to block the theft of U.S. technology is legitimate and desirable. But it is not the same as a U.S. policy to try to prevent China from achieving its "Made in China 2025" goal of becoming a global leader in high-tech industries through its own research and investments. If the U.S. wants to retain the lead in technology manufacturing and services, it should support education in the U.S. and provide incentives for American firms to do the necessary investments and research. A trade war won't get us there.

Mrs. Feldstein, chairman of the Council of Economic Advisers under President Reagan, is a professor at Harvard and a member of the Journal's board of contributors.

Finding the Right Right for Europe


POLITICAL ECONOMICS
By Joseph C. Sternberg

That thud you just heard is the other shoe—the right one—dropping in Europe. The story of the past decade has been the collapse of center-left parties, which face extinction in France and Italy and are fading into irrelevance in Germany. Now the center-right ruling parties are in crisis, too, in Britain and Germany.

Can anyone run this place?

Certainly no one can run Britain. From its start in 2016, Prime Minister Theresa May's government has been harried to the point of derangement by Conservative Party infighting over Britain's impending departure from the European Union. Things may come to a head soon with the release of a formal plan for the nation's future relationship with the EU. The most extreme euroskeptics in Mrs. May's party probably won't like it, yet none can build a popular consensus behind the hard Brexit they want.

Matters are little better for Chancellor Angela Merkel, who this week barely survived a rebellion within her own coalition. Here the flashpoint is migration. Mrs. Merkel seems perpetually surprised that her humanitarian instinct to welcome more than a million economic migrants starting in 2015 isn't shared by more politicians in her Christian Democratic Union and especially not in its Bavarian sister, the Christian Social Union. Yet the CSU also lost support among its constituents when it staged a grand showdown with Mrs. Merkel last month over migration policies.

A few observations: The conventional wisdom that "it's all about identity, stupid" is true but incomplete. Voters do seem less interested in the left vs. right debates about economics that used to sort mainstream parties. Yet what "identity" voters

want from politics remains a mystery, perhaps even to them.

Voters supposedly want to return to a sense of nationhood as against the overweening EU in Brussels. If you think that's clear-cut, however, surprises abound in the European Commission's spring Eurobarometer poll. Europeans on the whole trust the EU more than they trust their national governments, by 42% to 34%, and the margin is widening slightly. Although only 40% of Europeans have a positive view of the EU—down from 52% in 2007—only 21% have a negative view.

This point gets lost when examining noisy popular movements in places like Italy, Greece and Spain. Voters there know their domestic political classes are incompetent, corrupt or worse, and that the EU acts as a check. That's why Greeks decided to keep the euro in 2015, and why Italians voted for antiestablishment parties only after they promised not to leave the common currency.

Immigration is another surprise. Asked what worries people about the EU, it tops the list, cited by 38%

as a problem. Yet asked about the biggest problem facing *their country*, the most common answers are unemployment (25%) and welfare (23%). While immigration, and by implication security and cultural identity, weighs heavily on some countries—notably Germany—it's not clear Europeans in general share the preoccupation. The freedom to

As ruling conservative parties go to pieces, the hunt is on for a new kind of leadership.

travel, live and work anywhere in the EU remains the single most popular feature of the bloc (82% support) even though it requires that national governments cede considerable border sovereignty.

One can start to guess why the center right is down but not yet out. The fervent euroskepticism of Europe's insurgent movements may strike many voters as a second-best alternative to

a more convincing mainstream right. The better option would be a right capable of talking about nationhood but not hostile to the EU, and also able to deliver economic growth and security. If this is true, surely voters' main frustration with the center right at the moment is with its parties' tendency to follow voters stumblingly to the fringes—whether with Brexit absolutism or the CSU's showboating on migration—rather than offering alternatives.

Contrast that with how Europe's most muscular mainstream politician, Emmanuel Macron, managed to trounce one of Europe's most muscular euroskeptics, Marine Le Pen. He described economic reforms in terms of national identity—France will be a great nation again by cultivating a strong economy. In this way he has demonstrated political leadership rather than panicked followership.

That kind of leadership has not been characteristic of Mrs. May and is less and less a hallmark of Mrs. Merkel, which is one reason their countries' and their parties' political traumas drag on.

Who Put the Hard in Hard Copy?

By Stephen Miller

Technology is great—except when it drives you crazy. One Saturday morning I was printing something at my home when I heard three beeps. A paper jam. Happens all the time. Extracting the crunched paper didn't solve the problem. The printer kept showing an error code, so I looked it up. The manufacturer advised unplugging the printer for 10 minutes and trying again. Nope—same error code. My next move was to go online to see what the techies would suggest.

My printer was seven years old,

so I could justify buying a new one. But many online respondents said the problem was easily fixed. Their recommendations, though, were confusing and written in poor English. They talked about pressing the "on" button and the "stop" button at the same time; pressing the "reset" button (I couldn't find it); taking out the cartridges or buying new ones; cleaning the print head; unplugging the printer for a few seconds, or 10 minutes, or one hour; and stroking the printer tenderly for 10 seconds (just kidding). Nothing worked. After two hours of trying different things, I gave up.

Act II: I went to a well-known chain store and found a salesman, who recommended a new printer. It was a good price, so I said I'd take it. Then I asked: "Do you recycle old printers?"

He said yes—and that if I brought my old printer in right now, I would get a 15% discount on the replacement. Since I live 10 minutes from the store, I went straight home to get it.

The 15% coupon was duly presented, and I paid. I was about to leave when I noticed that the sales slip showed no sign of the promised discount. I told the checkout clerk, who said: "That's weird. I scanned it in." An electronic mystery.

For the next 45 minutes, a succession of employees worked on the problem—to no avail. The store's computers would not accept the 15% discount, and a manager couldn't figure out why. Eventually she keyed it in manually.

"Thanks for your patience," she said. "We're going to send you an email asking you to rate how well we

served you." I smiled and said: "Are you kidding? What I would say might get you all fired." I was joking. She laughed nervously. So far, I haven't gotten an email from the store.

Act III: I set up the new printer. I knew this would be a problem because the documentation said in boldface "Easy Set Up," which reminds me of the boxed furniture sold with "some assembly required." The job was far from easy. The printer's small touch screen provided instructions, meaning I had to get up from

Buying a printer turned out to be quite an ordeal. I'm not looking forward to doing it again in 2025.

the computer to bend down and look at it. Both my computer and the printer frequently said I had missed an important step.

Nevertheless, after two hours, my computer said: "Congratulations. Your printer is ready to use." I was afraid to try it out, but the next day I summoned up the courage. Success. I felt as if I had completed a mental marathon. With any luck, this printer will last seven years, too. Yet in 2025 computers and printers will be completely different, so I will have to run another mental marathon.

Mr. Miller is author of "Walking New York: Reflections of American Writers from Walt Whitman to Teju Cole."

Intersectional Bookstore Comes to a Dead End

By Andy Ngo

Portland, Ore.

In Other Words is no more. The bookstore and "feminist community center" made famous by the IFC comedy "Portlandia" closed its doors Saturday. A statement on its website blamed the closure on "patriarchy," "white supremacy" and "capitalism."

The shop was founded in 1993 by a Portland State University sociologist and two women's health activists. It billed itself as filling a niche for feminist books, but in reality it was a vanity project, supported by an exclusive contract to sell textbooks for PSU's women's studies courses. In 2010, PSU ended that arrangement after Congress enacted legislation requiring schools to disclose textbook information during class registration, effectively ending such monopolies by giving students time to shop around. In Other Words' sales plummeted, and within a year the store was more than \$18,000 in debt.

Portland's In Other Words attributes its own demise to 'patriarchy,' 'capitalism' and 'white supremacy.'

In need of a new business model, the store rebranded itself as "a safer space where women, people of color, queer, trans, gender variant folks, workers, and those who live at the intersections of these identities can organize for self-determination and build a sustainable movement for liberation." At In Other Words, the customer wasn't always right. In fact, he was expected to "abide by" seven "guidelines" including this one: "Cishetero-patriarchy exists, white supremacy exists, ableism exists, racism exists, colonialism never ended, capitalism is bad. This is not a space where we argue about the basics of the situation."

The bookstore was open only a few days a week. It periodically ran fundraising campaigns and was entirely dependent on volunteers. It did make some money as a shooting location for "Portlandia," in which Fred Armisen and Carrie Brownstein played humorless feminist bookstore staffers. The gag proved too on the nose, and the store publicly repudiated the show in 2016, accusing it of being racist, contributing to gentrification and being "trans-misogynistic." Ms. Brownstein attempted to placate the owners by making a donation, but to no avail. They hung a "F— Portlandia!" sign in the window.

I visited In Other Words a few weeks before it closed. For a "feminist" enterprise, it didn't seem very interested in women. The storefront featured the slogan "black lives matter" in block letters larger than the business sign. Signs denouncing police, the U.S. military and immigration authorities lined the remainder of the windows. Inside, I looked at some of the merchandise for sale. There were "Riots not diets" buttons and a "F— patriarchy" T-shirt. The latter was double-extra-large—too big for me. One piece of merchandise carried a label that read "Trigger warning: gendered and patriarchal language." The offending verbiage? Instructions for using a feminine-hygiene product.

I attempted to make a small purchase but didn't have any cash. A sign at the counter declared: "Due to patriarchy we require a \$5 minimum on all debit/credit card purchases." I left empty-handed. A few weeks later, the store announced it was closing: "Patriarchy, white supremacy, capitalism cannot be reformed and ever serve the people. Abolition is the goal." The final statement doesn't mention women.

Last Monday, University of Toronto psychologist Jordan Peterson came to Portland as part of his tour to promote "12 Rules for Life: An Antidote to Chaos." Some 50 protesters stood outside the theater accusing him of "transphobia" and misogyny. Their signs—one of them read "infinite genders"—reminded me of the bookstore. One protester told me she was shocked that so many women came to hear Mr. Peterson speak: "It's just disgusting!" Sure enough, inside were many women, including women of color.

Mr. Peterson has 12 rules, compared with In Other Words' seven. Perhaps the bookstore would have survived if it had followed Mr. Peterson's Rule No. 6: "Set your house in perfect order before you criticize the world."

Mr. Ngo is an editor at Quillette.

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Karen Miller Pensiero, Managing Editor

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EDITORIAL AND CORPORATE HEADQUARTERS:

121 Avenue of the Americas, New York, N.Y., 10036

Telephone 1-800-DOWJONES

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WORLD NEWS

Coalition Sets Sights on Mexico's Congress

President-elect López Obrador's backers near a supermajority for passing major overhaul

By JUAN MONTES

MEXICO CITY—The majority obtained in Mexico's Congress by the political parties supporting Andrés Manuel López Obrador, the winner of Sunday's election, is so overwhelming that the future president is very close to the two-thirds majority needed to pass constitutional reforms.

Mr. López Obrador's broad coalition, formed by his own Movement for National Regeneration, known as Morena; the far-left Labor Party and the conservative Social Encounter Party, got 307 out of 500 representatives in the Lower House and 68 out of 128 senators, according to estimates by the electoral agency with 94% of the vote counted.

The size of the majority means Mr. López Obrador, whom some analysts fear could govern as a populist, needs the support of only a few smaller parties to pass constitutional overhauls. With that support, the country's big two traditional parties, the ruling Institutional Revolutionary Party and conservative National Action Party, won't have enough legislators to block changes.

Constitutional changes are needed to repeal most of the economic overhauls passed during the administration of President Enrique Peña Nieto.

Mr. Peña Nieto's administration led the historic opening of the oil industry to private investors and overhauled the public education system based on teacher exams and professional merit. During the campaign, Mr. López Obrador pledged to repeal the education-sector changes and reassess, though not necessarily reverse, the energy reform.

While Mr. López Obrador has stopped short of saying he will repeal the oil reform, his would-be energy minister, Rocío Nahle, has publicly said legislation will be introduced to raise requirements for the



President-elect Andrés Manuel López Obrador at a Thursday news conference in Mexico City

national content, such as equipment and supplies, in oil contracts awarded to private firms to 80%. Similar legislation in Brazil led to cost overruns, delays and corruption.

Constitutional change is a tool that has been widely used in Latin America by leftist populists to shape the country along their agenda, including concentrating power. Former leaders of Venezuela, Ecuador and Bolivia all carried out constitutional rewrites to allow them to stay in power longer.

Some of Mr. López Obrador's critics fear he might try to change Mexico's longstanding ban against presidential re-election. But the president-elect, during his victory speech vowed he would never become a dictator.

Mr. López Obrador has said he wants to change the constitution to eliminate the immunity from prosecution of the president and all public servants, including lawmakers. He also has said he wants a constitutional change to include the possibility of revoking the president's term if so decided by the Mexican people.

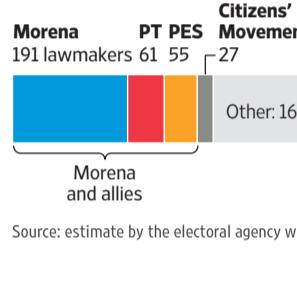
"The big question now is whether Mr. López Obrador's electoral coalition will become a successful legislative coalition," said José Woldenberg, a political analyst and former head of the electoral agency. "If it happens, it would be easy for him to have legislation passed reaching deals with different parties, depending on the issue."

Mr. López Obrador repeatedly has said that sending legislation to Congress wouldn't be a priority, focusing instead on fighting corruption and re-engineering Mexico's budget.

Newcomer

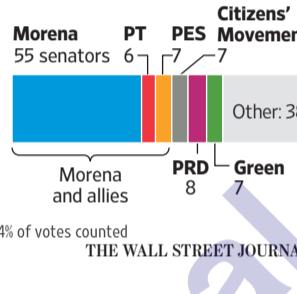
Morena and its allies in Congress just need the support of small parties to secure a majority for constitutional changes.

Morena and allies could get the 2/3 majority in the **Lower House** with the support of Citizens' Movement...



Source: estimate by the electoral agency with 94% of votes counted

...and would additionally need the PRD and the Green Party to get the 2/3 majority in the **Senate**.



Source: estimate by the electoral agency with 94% of votes counted

THE WALL STREET JOURNAL.

tion," said José Woldenberg, a political analyst and former head of the electoral agency. "If it happens, it would be easy for him to have legislation passed reaching deals with different parties, depending on the issue."

Mr. López Obrador repeatedly has said that sending legislation to Congress wouldn't be a priority, focusing instead on fighting corruption and re-engineering Mexico's budget. But he made those pledges

during the campaign, when few expected him to capture a majority in Congress let alone close to securing such a majority, analysts say.

Mr. López Obrador's spokesman said that despite the legislative majority, the plan remains to send few bills to Congress. "No major" changes to the constitution are expected to be submitted to Congress, beyond the two proposals about immunity and term revocation.

Pledge to Investors Sparks a Rally

MEXICO CITY—The first order of the day for Mexican President-elect Andrés Manuel López Obrador after Sunday's landslide win was to assure investors his leftist party's victory doesn't spell defeat for years of financial stability. His message sparked a rally in Mexican financial assets.

Since his victory speech, the approach taken by Mr. López Obrador has differed from his often-confrontational campaign speeches: He is stressing that the social overhaul of Mexico will come about with central bank autonomy, respect for government contracts and fiscal responsibility.

Judging by the rally in the peso and stocks in the days after the vote, his message appears to be getting through. Mexico's currency has appreciated 3.6% this week, outperforming its emerging-market peers. The stock market's benchmark index rose 1.9%.

"The message is certainty and security for capital," said Alfonso Romo, a businessman who was named as Mr. López Obrador's future chief of staff.

Communicating plans for the orderly handling of public finances, continuing talks to redraw the North American Free Trade Agreement and working with the private sector helped the rally, said Gabriela Siller, head of analysis at financial group Banco Base.

—Anthony Harrup and Santiago Pérez

Trudeau Responds To Groping Allegation

By KIM MACKRAEL

Canadian Prime Minister Justin Trudeau said Thursday he doesn't believe he behaved inappropriately during an interaction with a female reporter that took place 18 years ago and has come under renewed scrutiny.

The allegation was made in an editorial published in the Creston Valley Advance, a newspaper in the West Coast province of British Columbia, in 2000. The editorial was republished in a satirical magazine earlier this year and later circulated on social media.

The editorial, which wasn't signed, accused Mr. Trudeau of "groping" a young female reporter and said Mr. Trudeau had apologized for his behavior that day after learning the reporter was also writing for another newspaper with a larger circulation. The editorial didn't provide further details of the incident.

Asked about the matter during a public appearance in Toronto on Thursday, Mr. Trudeau said he didn't believe he had acted inappropriately.

"I've been reflecting very carefully on what I remember from that incident almost 20 years ago and again, I am... I feel I am confident that I did not act inappropriately."

He said it is possible the person who made the allegation perceived the interaction differently.

Mr. Trudeau said that if he apologized after the incident, "it would be because I sensed that she was not entirely comfortable with the interaction that we had."

The woman hasn't spoken publicly about the matter.

Mr. Trudeau has positioned himself as an outspoken advocate for gender equality and has dealt harshly with members of his party who have been accused of sexual misconduct.

WORLD WATCH

JAPAN

Cult Leader Executed For Deadly Attacks

The head of a Japanese doomsday cult and six of his followers convicted of deadly gas attacks in the 1990s were executed on Friday, public broadcaster NHK reported.

Cult leader Chizuo Matsumoto, also known as Shoko Asahara, had been on death row since 2004. During morning rush hour on March 20, 1995, members of the cult he led, Aum Shinrikyo, punctured plastic bags with sarin nerve gas on three Tokyo subway lines, killing 13 people and injuring over 6,000.

Mr. Matsumoto was one of 13 cult members sentenced to hang for their part in the attack. An earlier sarin attack by the cult in central Japan killed seven people.

Aum Shinrikyo was formed by Mr. Matsumoto in the 1980s. It practiced a mixture of Buddhism and Hinduism before turning into a paranoid apocalyptic cult centered on its leader.

—Alastair Gale

THAILAND

Dozens Said Missing After Boat Overturns

A search and rescue operation continued for 49 people who remained missing Friday, a day after a tourist boat capsized in rough seas in southern Thailand.

The governor of Phuket said strong winds were hampering the search, which began Thursday when the boat—carrying mostly Chinese tourists—was caught in a sudden storm while returning to Phuket from a day trip to the nearby island of Koh Racha.

The boat's captain, Somjing Boontham, said the vessel was pummeled by 5-meter-high waves and had begun to take on water when it keeled over. He said he told passengers to make sure their life jackets were secure and launched inflatable life rafts. Images published by Thai media showed fishing vessels rescuing people from the rafts.

Gov. Norraphat Plodthong said 48 passengers had been rescued.

—James Hookway

Church Opens Sanctuaries in Philippines Drug War

Priests provide shelter from bloody crackdown in snub to President Rodrigo Duterte

By JAKE MAXWELL WATTS

MANILA—Catholic churches in this fiercely religious country are giving sanctuary to people who fear for their lives in President Rodrigo Duterte's war on drugs, pitting an influential institution against a strongman leader in an intensifying battle for moral supremacy.

Troubled by the violence of the antinarcotics crackdown, which has killed thousands, many priests in the Philippines have converted church buildings into hiding places, reviving an ancient church concept that leverages secular authorities' reverence for holy places.

The sanctuaries are part of a fight that is deeply personal for Mr. Duterte, who has said he was molested by a priest as a child and has regularly lambasted the Roman Catholic Church, calling it corrupt and accusing priests of womanizing. Last month, he called God "stupid" for the concept of original sin and refused to apologize for the comment after a flood of criticism—marking a low point in relations between the church and the president just days after a priest was shot.

The concept of seeking sanctuary in churches dates back centuries and, in England, provided inviolable protection from the law until the 1600s. In the Philippines, the church has sheltered fugitives since the Spanish colonial era, including the country's first saint, Lorenzo Ruiz, who was executed by the Japanese in the 17th century for refusing to renounce his faith.

In the early 1980s, during the dictatorship of former President Ferdinand Marcos, political activists sought sanctuary and the church was instrumental in Mr. Marcos's downfall in a people power revolt in 1986.

JEZ AZNAR FOR THE WALL STREET JOURNAL

Today, church authorities estimate that hundreds of people are living under sanctuary from the drug war.

Individual churches have the freedom to decide whether and how to protect drug suspects and nobody knows how many sanctuaries there are, said Bishop Broderick Pabillo, a spokesman for the Catholic Bishops' Conference of the Philippines. Many are limited by a lack of resources, he said.

One person hiding under church protection is 20-year-old Ryan Santos, who witnessed a massacre two years ago. He was at a party in a poor neighborhood, when gunmen opened fire. Seven people, including a pregnant woman, were killed. Mr. Santos was shot in the leg. Doctors have been unable to remove the bullet.

Mr. Santos says he owes

his life to the church. "I prayed silently to God for me to survive," he said.

The official police account says four unidentified gunmen on motorbikes were responsible. Mr. Santos believes police invented the

In the Philippines, the church has sheltered fugitives since the colonial era.



The Baclaran Redemptorist Church in Manila, shown here in June, has taken in people fleeing the Philippines' war on drugs.

him into signing a statement corroborating their account. Ryan Santos is a pseudonym he uses to protect himself.

Police deny executing suspects and didn't respond to questions about Mr. Santos's allegations that officers misled him. Nobody has been charged with the shooting.

Police spokesman Supt. Benigno Durana Jr. said he hadn't heard that clergy were protecting suspects but that doing so would be against the law. Still, he said, police may think twice before entering a church.

"This is a very religious country," Supt. Durana said. "If you are sensible police officers then you have to talk with the religious leaders."

Police say that more than 4,100 people have been killed, nearly all while resisting arrest, in official operations in Mr. Duterte's war on

drugs, which began after he took office in mid-2016. Various rights groups estimate the real toll at well over 10,000, including targeted executions by unknown killers or vigilantes.

Church officials say they have a moral obligation to intervene. "If there was no church, there would be more killings," said the Rev. Gilbert Billbena, who protected suspected drug offenders for more than a year in a Manila neighborhood with a particularly high death toll in the war on drugs. "We believe that life is very sacred."

Father Billbena said he believes Mr. Duterte's scorn for the church and a culture of impunity have put priests in the line of fire. Three priests have been shot in the past six months; motives and suspects are under investigation.

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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Boeing Moves Into Smaller Jets

Brazilian plane maker Embraer agrees to sell U.S. company control of units for \$3.8 billion

BY ANDREW TANGEL
AND ROBERT WALL

Boeing Co. has agreed to take control of **Embraer** SA's commercial jetliner business, a deal that extends the U.S. aerospace giant's reach into the

market for smaller passenger planes.

The agreement with the Brazilian company, cast as a joint venture valued at \$4.75 billion, marks an extension of what has become effectively a global duopoly of Boeing and European rival **Airbus** SE for planes with more than 150 seats to even smaller jets.

Now, the two aircraft makers are bracing for new competition in coming years from China and Russia, where aero-

space companies are working on new single-aisle and wide-body planes

Chicago-based Boeing said Thursday that it will take an 80% stake in Embraer's commercial airplane and services businesses. Embraer will own the remaining 20%, with the right to force Boeing to buy it out over the next decade.

Boeing will pay its new partner \$3.8 billion in cash once the deal closes, Embraer executives said. Embraer also will commit

cash and debt to the commercial joint venture, they said, without providing more details.

The executives said the two sides are also exploring a joint venture for defense products.

Boeing shares, which are up 13% this year, were little changed Thursday, while Embraer's shares fell 14% as analysts said investors were expecting a higher purchase price. The Wall Street Journal reported in December that Boeing and Embraer were in takeover

talks.

The deal also must survive the political uncertainty besetting Brazil in the run-up to presidential elections in October. While Embraer would retain a significant stake in the business at the outset, the prospect of exiting a commercial aircraft sector developed with government funding over nearly 50 years would be controversial.

Boeing Chief Executive Dennis Muilenburg. Please turn to page B5

STREETWISE | By James Mackintosh

The Fed's Role in the Global Market Malaise



When money gets tight, greed turns to fear and investors retreat from the riskiest assets. Already, bets on low volatility have blown up; money has fled from Turkey and Argentina in particular and from emerging markets more generally; stocks of the biggest banks are under pressure; and Italian bonds have been in turmoil. For the next domino to fall, follow the debt: the banks in highly indebted China, Australia, Sweden and Canada and then on to investment-grade corporate bonds everywhere.

That, at least, is the theory of Ian Harnett, chief investment strategist at Absolute Strategy Research. What may seem like unrelated events—including the bursting of the bitcoin bubble—are symptoms of tighter money, most obvious in Federal Reserve rate rises and the recent jump in the greenback, he says.

The theory stands in contrast to the mainstream explanation: The events are mostly not connected, and where they are, the dollar mostly isn't the cause. The dollar rose a lot in a short period, which surely hurt some of the most vulnerable emerging markets. But the rise in the dollar wasn't the cause of slower growth in Europe and China. Indeed,

As global monetary conditions tighten, some strategists fear a rolling crisis has begun, starting with the most obviously vulnerable assets such as emerging-market debt. Signs of trouble for global bank stocks are, on this view, a warning of dangers ahead for leveraged developed-country assets. Corporate bonds could be in the line of fire.

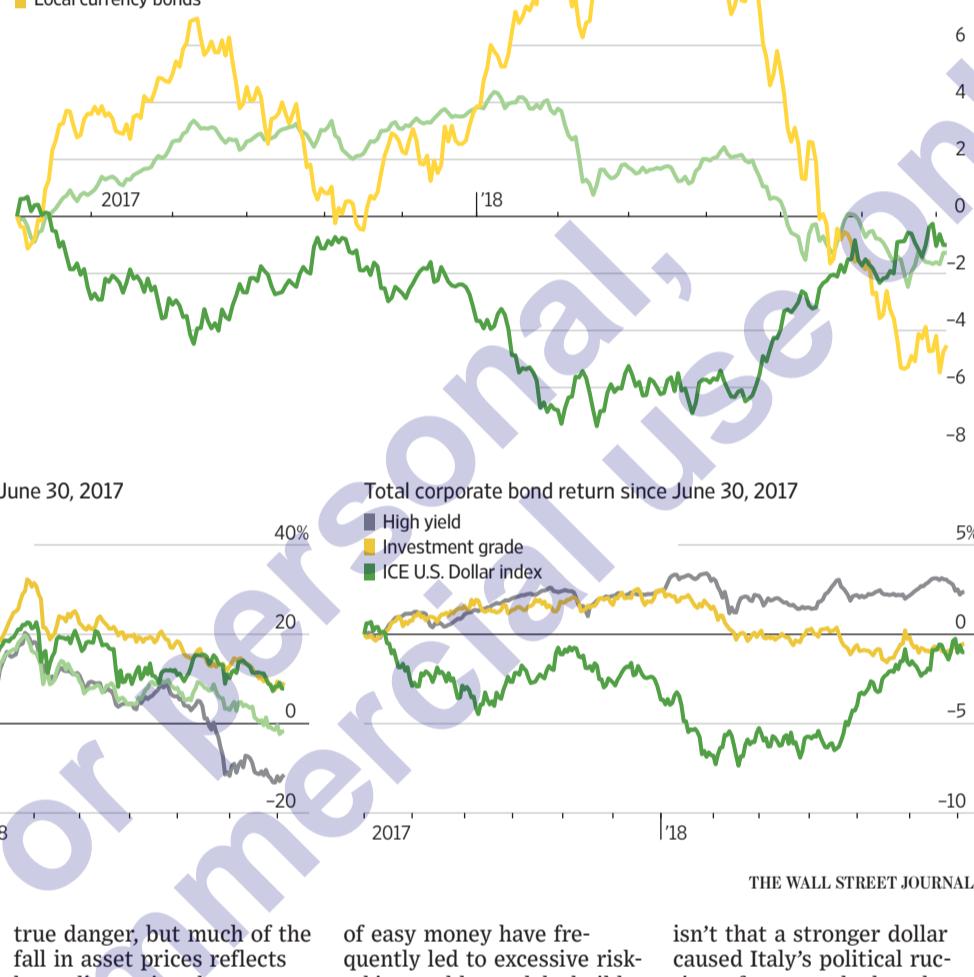


its strength against the euro was clearly the result of the deceleration in the European economy. Some economies may be going through a soft patch and a trade war is a

Local-currency emerging-market bonds are highly sensitive to the dollar.

Total return since June 30, 2017

- ICE U.S. Dollar index
- Dollar bonds
- Local currency bonds



true danger, but much of the fall in asset prices reflects hope disappointed. Mr. Harnett's theory chimes with historical patterns, however. Long periods of easy money have frequently led to excessive risk-taking and large debt build-ups, ending with a bang when monetary conditions start to return to normal. It isn't that a stronger dollar caused Italy's political ructions, for example, but that the rise in the dollar has made investors more sensitive to it.

Please turn to page B10

Firms Seize Tax Break, Giving Treasurys a Lift

BY BEN EISEN
AND DANIEL KRUGER

U.S. companies are funneling extra money into their pension funds to take advantage of temporary tax savings, moves that are helping suppress yields on long-term Treasurys.

S&P 500 companies are contributing to pension plans this year at a pace expected to nearly match 2017's level, which at \$63 billion was the most since 2003, according to Goldman Sachs Asset Management. Last year's contributions were spurred in part by companies anticipating changes in the U.S. tax-code overhaul.

That and continued contributions this year have been a boon for the Treasury market

because pension funds tend to invest in long-dated bonds to match their long-term liabilities. The yield on the 30-year bond has been falling recently, closing at 2.953% on Thursday, down from a recent peak of 3.245% in mid-May.

Analysts are pinning the drop in yields—which happens as prices rise—partly on demand from pension funds. Long-term rates have remained low and U.S. inflation has picked up this year. Inflation poses a risk to bonds, and especially longer-dated ones, because it erodes the purchasing power of fixed-interest and principal payments.

Long-term yields are "very low because people are still putting money into Treasurys,"

Please turn to page B2



Preloaded apps harvest data from phones sold in emerging markets where privacy protections are lax.

Cheap Phones Grab User Data

BY NEWLEY PURNELL

For millions of people buying inexpensive smartphones in developing countries where privacy protections are usually low, the convenience of on-the-go internet access could come with a hidden cost: preloaded apps that harvest users' data without their knowledge.

One such app, included on thousands of Chinese-made Singtech P10 smartphones sold in Myanmar and Cambodia, sends the owner's location and unique-device details to a mobile-advertising firm in Taiwan called **General Mobile** Corp., or GMobi. The app also has appeared on smartphones sold in Brazil and those made

by manufacturers based in China and India, security researchers said.

Taipei-based GMobi, with a subsidiary in Shanghai, said it uses the data to show targeted ads on the devices. It also sometimes shares the data with device makers to help them learn more about their customers.

Smartphones have been billed as a transformative technology in developing markets, bringing low-cost internet access to hundreds of millions of people. But this growing population of novice consumers, most of them living in countries with lax or nonexistent privacy protections, is also a juicy target for data harvesters, according to

security researchers.

Smartphone makers that allow GMobi to install its app on phones they sell are able to use the app to send software updates for their devices known as "firmware" at no cost to them, said GMobi Chief Executive Paul Wu. That benefit is an important consideration for device makers pushing low-cost phones across emerging markets.

"If end users want a free internet service, he or she needs to suffer a little for better targeting ads," said a GMobi spokeswoman.

Thi Thi Moe, a sales clerk in Mandalay, Myanmar, said she was unaware until being informed by The Wall Street Journal

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INSIDE



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Glencore Probed By U.S.

Continued from the prior page

2000s as the two tried to gain a stake in the country's lucrative copper belt. Glencore and Mr. Gertler separately bought shares of Nikanor PLC, a company listed in London that owned a large copper mine there.

To expand, Nikanor's owners, including Glencore, sought to merge with another Congo mining company, Toronto-listed Katanga Mining Ltd. A tie-up between Katanga and Nikanor was sealed in January 2008, creating one of Congo's largest copper-mining companies.

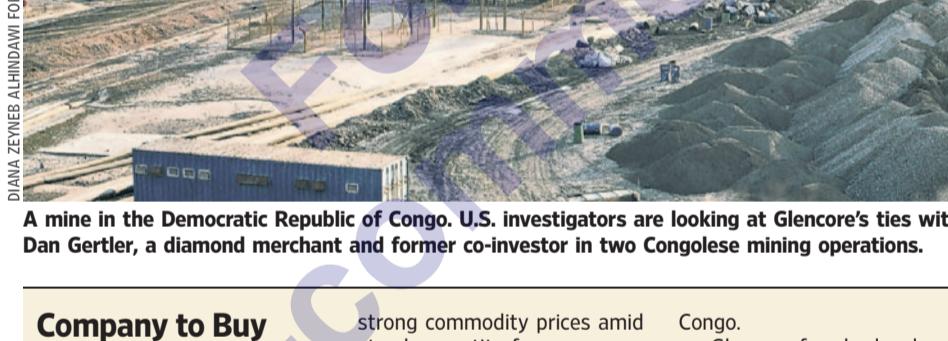
In 2013, a subsidiary of Glencore-controlled Katanga Mining hired the Gertler-linked firm, De Novo Congo SPRL, according to the contract reviewed by the Journal. The contract was signed by Pieter Debutte, which the document lists as De Novo's manager. Mr. Debutte also managed Mr. Gertler's business in Congo.

Mr. Debutte, who also served as president of the Gertler Family Trust, a charity in Congo, was sanctioned along with Mr. Gertler by the Treasury Department in December. Through a spokesman, Mr. Debutte declined to comment.

The contract listed De Novo's address in the Congo capital of Kinshasa, an address it shared with Fleurette Group, Mr. Gertler's main company.

De Novo was paid \$6 million a year by the Katanga subsidiary for a series of back-office services, including tax advisory and database administration, according to the contract. The contract also covers external-relations work, including "maintenance" of relations with local government offices, including the Congolese presidency, the mining ministry, lawmakers and the judicial system, among other government institutions, according to the document.

The contract stipulates that De Novo shouldn't engage in any activities that violate anti-corruption laws and that it would maintain "adequate procedures to prevent bribery," according to the document.



A mine in the Democratic Republic of Congo. U.S. investigators are looking at Glencore's ties with Dan Gertler, a diamond merchant and former co-investor in two Congolese mining operations.

Company to Buy \$1 Billion in Stock

Glencore PLC said Thursday it would purchase \$1 billion in stock from investors, launching the buyback just days after disclosing it had received a subpoena from the U.S. Department of Justice.

Glencore's shares fell as much as 12% Tuesday after it said the Justice Department was seeking records related to its compliance with American antibribery and antimoney-laundering laws in the Democratic Republic of Congo, Nigeria and Venezuela. It declined to provide details.

Glencore's shares are down 16% so far this year, compared with advances by mining-giant rivals that are benefiting from

strong commodity prices amid steady appetite for resources in China and elsewhere. Anglo American PLC is 12% higher year-to-date, BHP Billiton Ltd. is up 11% and Rio Tinto PLC has gained 2%.

Glencore has long signaled a buyback. Amid several years of low commodities prices, Chief Executive Ivan Glasenberg sold off assets and pared back debt dramatically. More recently, prices have bounced back strongly, boosting Glencore's stock price. On Thursday, shares rose more than 2% after the buyback disclosure.

Glencore shareholders approved a buyback in May.

The Anglo-Swiss mining company's shares have been weighed down this year by a series of negative news surrounding its giant copper and cobalt mining operations in

Congo.

Glencore faced a legal threat from Congo's state-owned mining company, Gécamines, which sued one of its Congo copper companies, Katanga Mining, over its \$9.2 billion debt load.

Glencore later said a unit of Katanga Mining would issue \$5.6 billion in stock to retire debt, resolving the dispute.

Glencore was also sued in Congo by its former partner, Israeli billionaire Dan Gertler, who last year was sanctioned by the U.S. Treasury Department for alleged corruption in Congo.

Glencore temporarily halted royalty payments it owed Mr. Gertler following the sanctions, prompting the lawsuit.

In June, Glencore said it would resume the payments.

—Scott Patterson

Justice Department reached a \$412 million settlement with New York hedge fund Och-Ziff Capital Management LLC, in which one of its units pleaded guilty to criminal charges related to its activities in Africa. In the settlement documents, the Justice Department accused Och-Ziff of working with an unnamed partner who it said gave Congolese government officials more than \$100 million in bribes.

That person was Mr. Gertler, the Journal has previously reported, citing people familiar with the investigation. The Justice Department had weighed whether to charge Mr. Gertler, the Journal has reported, although the status of that investigation isn't clear. He has said he did nothing wrong.

The Journal reported last year that the Ontario Securi-

ties Commission, Canada's largest securities regulator, is separately probing more than \$100 million in payments Glencore-controlled Katanga made to a separate company controlled by Mr. Gertler—payments originally slated for Congo's state-owned mining firm, Gécamines SA.

Glencore says it diverted the payments at the request of Gécamines. Repeated attempts to seek comment from Gécamines weren't successful. A spokesman for Mr. Gertler's company said it follows all disclosure obligations.

Glencore disclosed in November the Canadians' investigation and said three Katanga Mining directors were stepping down, following an internal probe that found "material weaknesses" in the company's controls over financial reporting.

"the perfect fit," he said, for retailers such as TJX, whose chains include T.J. Maxx, Marshalls, HomeGoods and HomeSense. TJX, based in Framingham, Mass., increased its store count by 71 in its fiscal first quarter to 4,141 locations, the company said in May. TJX declined to comment Monday.

Kimco, a real-estate investment trust, has interests in about 475 shopping centers, but only about 20 of them had Toys "R" Us stores at the start of the year.

The shift to online shopping has helped empty malls and push dozens of brick-and-mortar retailers into bankruptcy, but Mr. Flynn said the pace of

disruption in retailing has slowed in recent months.

"Closures have been actually down pretty significantly for us," Mr. Flynn said at the Jefferies Global Consumer Conference in Nantucket, Mass. Burlington Stores also is among the retailers looking to expand, he said, adding that "traditional grocers, the larger fitness players—those really are the stores that continue to want to expand in that category."

Hobby Lobby reached the 800-store mark in January. The privately held arts-and-crafts retailer has said it plans to open 60 new locations and hire about 2,500 additional employees this year. In June, Hobby Lobby opened seven stores. Hobby Lobby couldn't be reached for comment.

Discount retailer Burlington Stores had 647 locations in the first quarter, and the chain based in Burlington, N.J., plans to add at least 35 stores this year. The liquidation of Toys "R" Us presents it with an ex-

pansion opportunity, much as the failure of Sports Authority did earlier. "We did end up with over 30 Sports Authority locations," Burlington CEO Thomas Kingsbury said recently when asked about Toys "R" Us locations. "So we shall see if the Toys 'R' Us situation will end up yielding additional locations for us."

Kimco's Mr. Flynn said the standard Toys "R" Us stand-alone stores, each about 35,000 square feet, are likely to be sought by off-price retailers, fitness centers and specialty grocers.

The smaller Toys "R" Us stores, roughly 20,000 to 25,000 square feet each, are

"the perfect fit," he said, for retailers such as TJX, whose chains include T.J. Maxx, Marshalls, HomeGoods and HomeSense. TJX, based in Framingham, Mass., increased its store count by 71 in its fiscal first quarter to 4,141 locations, the company said in May. TJX declined to comment Monday.

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disruption in retailing has slowed in recent months.

"Closures have been actually down pretty significantly for us," Mr. Flynn said at the Jefferies Global Consumer Conference. "And in the first quarter, you actually saw our occupancy go up from the fourth quarter, which is the first time that's happened in over 10 years."

Publicly traded Kimco said its occupancy rate was more than 96% in the first quarter.

"Typically, after our fourth quarter, stores usually close because they've made it through the holiday season, and they've decided to close up shop," Mr. Flynn said. "We didn't see that this year."

Treasurys Boosted by Pensions

Continued from the prior page

said Torsten Slok, an economist at Deutsche Bank. The difference between yields on 30- and 10-year Treasury debt has shrunk to about 0.13 percentage point this week from about 0.33 percentage point at the start of this year.

Voluntary contributions to pension funds, which already were brisk last year, have soared recently thanks to the passage of the tax overhaul. This introduced a window for companies with underfunded plans to make additional contributions and garner a tax benefit, analysts said.

Firms that contribute through mid-September can receive deductions based on the old 35% corporate tax rate, rather than the new 21% rate. A company that contributes \$1 million to an underfunded pension plan could have \$350,000 in tax savings before the deadline, but would have savings of just \$210,000 after September.

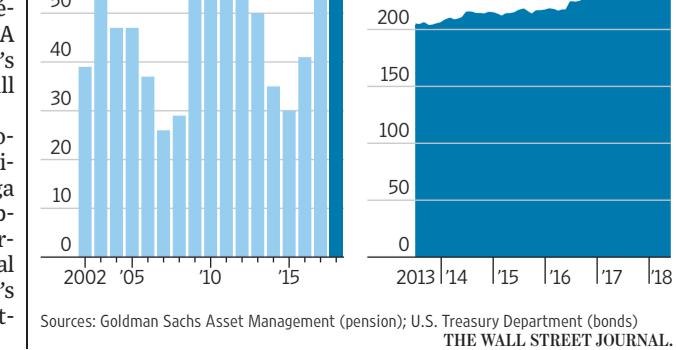
Those making discretionary pension contributions include Verizon Communications Inc., which added \$1 billion to its pension plan in the first three months of the year, a large enough sum that the telecom giant won't have to make mandatory contributions for eight years, the company said in April. A Verizon spokesman said the tax benefit was a factor in the decision.

Stripping Soars

Companies are increasing their pension contributions, leading to greater investment in stripped long-term Treasurys.

S&P 500 pension contributions

\$70 billion full-year estimate



Sources: Goldman Sachs Asset Management (pension); U.S. Treasury Department (bonds)

THE WALL STREET JOURNAL.

BUSINESS & FINANCE

Retailers Circle Toys 'R' Us Stores

BY BECKY YERAK



JEENAH MOON/BLOOMBERG NEWS

Hobby Lobby Stores Inc., Burlington Stores Inc. and TJX Cos. are among the retailers expected to fill the spaces vacated by defunct retailer Toys "R" Us Inc., according to one of the nation's biggest owners of open-air shopping centers.

More than 700 Toys "R" Us stores in the U.S. closed their doors last week after the retailer abandoned its plan to reorganize in a chapter 11 bankruptcy case. Many retailers also bid on Toys "R" Us locations in bankruptcy court, including Big Lots Inc., Scandinavian Designs, Ashley Homestores Ltd. and Ollie's Bargain Outlet Holdings Inc., a filing shows.

Many of the larger empty big-box storefronts will be filled by hobby stores soon, said Conor Flynn, chief executive of Kimco Realty Corp.

"Hobby Lobby especially is very aggressive," in that space, Mr. Flynn said last month at the Jeffer

BUSINESS NEWS

ZTE Picks New Chief Under U.S. Pressure

BY DAN STRUMPF

HONG KONG—**ZTE** Corp. has new leadership, including a 20-year company veteran as chief executive, as the Chinese telecommunications manufacturer presses ahead with a U.S.-mandated purge of its top ranks.

ZTE said Thursday that its new CEO is Xu Ziyang, the former head of its business in Germany. Other posts with new occupants include chief financial officer, chief technology officer and head of human resources.

Mr. Xu, who joined ZTE in 1998, was most recently an executive in the company's core network product line, according to an official biography. He led ZTE's German operations from 2014 to 2016.

The leadership change comes less than a week after ZTE's board of directors resigned and shareholders voted to install a new eight-person board. ZTE was required to name a new board and senior executives as conditions for the U.S. government to lift a ban on purchasing American-made parts for its smartphones and telecommunications gear.

ZTE announced the new leadership in a filing with the Hong Kong stock exchange following a meeting of its new board of directors. Mr. Xu didn't respond to a request for comment, and a ZTE spokeswoman declined to comment.

U.S. electronics makers were barred from selling to ZTE in April after the Commerce Department found that the Chinese company violated the terms of a settlement resolving sanctions-dodging sales of telecommunications equipment to Iran and North Korea. A reversal of the sales ban was announced last month by Commerce Secretary Wilbur Ross.

Wynn Resorts' Top Lawyer Resigns

Kim Sinatra knew of settlement between her former boss and a casino employee

BY CHRIS KIRKHAM
AND KATE O'KEEFE

Kim Sinatra, the company's executive vice president and general counsel, will no longer serve in that position as of July 15, the company said. In a filing, Wynn Resorts said the terms of Ms. Sinatra's move hadn't been finalized.

A company spokesman declined to provide additional comment about Ms. Sinatra's move and didn't clarify whether she is leaving the company entirely or just the general-counsel role. Ms. Sinatra didn't respond to requests for comment.

The company's new general

counsel is Las Vegas casino-industry lawyer Ellen Whittemore, according to people familiar with the matter. Ms. Whittemore didn't immediately respond to requests for comment. The company declined to comment about any successor to Ms. Sinatra.

Wynn Resorts has been under heightened regulatory scrutiny since The Wall Street Journal in January published an article detailing allegations of behavior by Mr. Wynn that cumulatively would amount to a decadeslong pattern of sexual misconduct. The Journal

article also reported that he paid a \$7.5 million settlement to a manicurist at his Wynn Las Vegas resort, who in 2005 told people that Mr. Wynn had forced her to have sex with him.

He stepped down as chairman and chief executive of

Wynn Resorts in February and in March sold his entire 12% stake in the company for \$2.1 billion. Mr. Wynn has said it is "preposterous" that he would assault a woman. In response to subsequent articles, a lawyer for Mr. Wynn has sent a statement on his behalf saying

he "declined to participate in The Wall Street Journal's reporting because it is clear that the Journal has no intention of treating him fairly." In late April, the lawyer added that "Mr. Wynn has not engaged in any nonconsensual sexual relations with any of the women upon whom the Journal has relied on its reporting."

Regulators in Nevada and Massachusetts, where the company is building a \$2.5 billion casino in the Boston area, have been investigating the allegations since the Journal's first article.

Litigation Finance Firms Draw Top Talent

BY SARA RANDAZZO

Lawyers at the top rungs of the legal profession are increasingly moving to a part of the industry that just a few years ago was largely unknown.

Litigation-finance firms, which invest money in corporate legal disputes, are raising hundreds of millions of dollars and staffing up to put that money to work.

The funders are attracting lawyers from elite firms including Arnold & Porter Kaye Scholer LLP, Latham & Watkins LLP, Proskauer Rose LLP and Wachtell, Lipton, Rosen & Katz. The roles are seen as more entrepreneurial than those at rigid, bill-by-the-hour firms.

"Thankfully for us, there are a number of unhappy lawyers in their current jobs," said Allison Chock, who leads funder Bentham IMF's U.S. investments. Bentham, which has \$136.6 million in current commitments in U.S. litigation, has hired 10 lawyers and one marketing executive with law-firm experience since 2015.

Funders front money for corporate litigation in exchange for a cut of any possible return. The money backs plaintiffs with individual cases as well as portfolios of cases being pursued by a single law firm. Funders typi-



Allison Chock leads funder Bentham IMF's U.S. investments.

cally lose their entire investment if a plaintiff loses their case.

The hiring spree is the latest indication that the business, which first emerged in the U.S. about a decade ago, has moved past some of the uneasiness it initially triggered.

"People used to want to take a shower after meeting me," William Strong, chairman of litigation-finance firm Longford Capital Management LP, told a

crowd at a recent litigation-finance conference in New York. Longford has raised \$556.5 million since its 2011 founding, committing \$330.3 million to 38 investments, including portfolios with multiple lawsuits.

In one of few public examples of how much money can be made, funder Burford Capital, which is traded on the London Stock Exchange, said in March it sold a \$12.8 million investment for \$107 million in an ar-

bitration matter stemming from the expropriation of two Argentine airlines by Argentina's government. The deal is part of an emerging secondary market for litigation investments.

Lawyers joining funders spend their days sifting through court records looking for investments and networking with lawyers who can refer them cases. Funders say a small percentage of cases that come in the door ever get funded.

To get top-tier talent, "you have to pay them significant salaries and bonuses as if they were in law firms," said Ralph Sutton, a former Bentham executive who just launched Validity Finance, a funder backed by \$250 million from private-equity firm TowerBrook Capital Partners, plus friends and family.

Law-firm lawyers in their first 10 years of practice typically make between around \$150,000 and \$350,000 a year.

Validity is starting business with midcareer lawyers from Kirkland & Ellis LLP, Boies Schiller Flexner LLP and Houston boutique Shipley Snell Montgomery LLP.

Hedge funds and other investment firms have been eyeing the market, and some are poaching talent to start their

own funds.

David Gallagher recently left Bentham's Los Angeles office to help start a litigation-investing group at hedge fund D.E. Shaw, in New York. Mr. Gallagher, previously a litigator at Akin Gump Strauss Hauer & Feld LLP, is co-leading the new group with Sarah Johnson, a D.E. Shaw veteran with a law-firm background.

New hires say they were attracted to the jobs because they see funding as the future of litigation. They also liked the opportunity to work in a startup environment, with more flexible hours and the potential upside of large bonuses if investments pan out.

Litigation funding has been met with resistance from the U.S. Chamber of Commerce and others who say it flouts attorney ethics laws and increases frivolous litigation. A pending bill in Congress would require litigation-funding agreements to be disclosed in class-action cases.

Defenders counter that only the most meritorious cases are funded since anything less would make a bad investment. They argue funding helps increase access to the legal system for those who can't afford to take on well-heeled opponents.



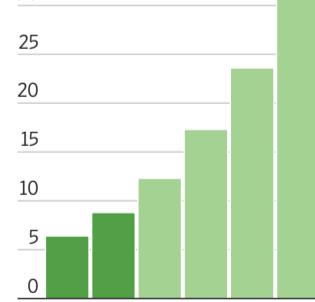
Mitsubishi Motors is encouraging owners of its cars to help channel information to auto insurers.

App Tracks Driving Habits

BY CHESTER DAWSON

Data Driven

U.S. car insurance policies with rates based on digital driving data



Note: 2018–21 data are projections.

Source: Berg Insight

THE WALL STREET JOURNAL

that one day insurers might effectively require drivers to share their driving data in real time, or face steep premium charges for failing to do so.

Such services are currently opt-in, but they have raised privacy concerns among car owners and public-interest groups. Mitsubishi says it takes privacy concerns seriously and notes users can disable the data sharing at any time with a dashboard switch.

For insurers, having access to data on the time of day, miles traveled and the frequency of lane changes is valuable because it shows how drivers behave behind the wheel.

The Mitsubishi app was developed by LexisNexis Risk Solutions, which provides insurers with driver profiles used to set policies. Traditionally, LexisNexis, a unit of RELX PLC, has used public data such as a consumer's credit rating, ZIP Code, age, gender and other information to divine driving characteristics. LexisNexis says its algorithm uses machine learning to determine whether a policyholder is actually driving, sitting in the passenger seat or riding in a bus or taxi.

Insurance rates for drivers with the app are figured after a period in which insurers build a customer risk profile. That provides a price quote less likely to change than those that provide sign-up discounts but can rise or fall sharply at renewal based on retroactive driving data, said Mike LaRocco, State Auto's chief executive.

new car sales, he said.

McKinsey & Co. estimates monetizing data from connected cars will be worth as much as \$750 billion by 2030. With most cars built after 2020 expected to come with pre-installed modems and other internet-connected devices, harvesting car data could be a significant growth opportunity for the auto industry as it grapples with changes wrought by autonomous vehicles.

The Mitsubishi app uses smartphone sensors that measure things such as acceleration, location and rotation. Insurers pay Mitsubishi for the data stream, which in turn allows them to study driving patterns and fine-tune their risk profiles. Industry experts say

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Huawei Fights to Retain U.S. Foothold

Chinese firm opposes FCC proposal to limit purchases of its gear by small rural carriers

BY DAN STRUMPF

HONG KONG—Huawei Technologies Co. is fighting to hang on to one of its last footholds in the U.S. market, hitting back against a measure that would restrict rural carriers from buying the Chinese company's telecommunications equipment.

In filings made public on Thursday, Huawei said the proposed measure by the Federal Communications Commission would hurt rural and low-income Americans and lead to heavy costs for small carriers, which would be forced to either rip out existing equipment or scale back network coverage.

"These high costs, which would particularly harm Americans in remote and low-income areas, cannot be justified by the supposed national security benefits of the proposed rule, because these are speculative," Huawei said.

Large U.S. carriers such as AT&T Inc. have long stayed away from gear made by Huawei, the world's biggest maker of cellular equipment like base stations and routers. As a result, Huawei mainly supplies gear in the U.S. to a small niche of rural carriers.

The FCC proposal would limit those carriers from accessing gear from Chinese suppliers, such as Huawei.

It would do so by restricting the carriers from using \$9 billion in federal subsidies to buy equipment made by the Chinese companies, saying these firms pose a national security threat.

Though it dominates tele-



The U.S. government has squeezed the telecommunications company, citing national-security concerns.

communications markets in Asia, Europe and elsewhere, Huawei has been largely locked out of the U.S. since a 2012 congressional report said its gear, and that made by Chinese peer ZTE Corp., could

be used by the Chinese government to spy on Americans. Both companies have long denied their equipment poses a threat, and Huawei says it is privately owned by its employees.

In recent months, the U.S. government has stepped up its campaign against the Chinese telecommunications firms. In addition to the FCC proposal, members of Congress have scrutinized Huawei's ties to U.S. tech companies such as Google parent Alphabet Inc. Earlier this year, the Pentagon halted sales on U.S. military bases of smartphones made by the two companies.

And this week, the Commerce Department recommended that giant Chinese network operator China Mobile Ltd. be denied a license to provide telecommunications services in the U.S., citing national security concerns.

Separately, the Justice Department is investigating whether Huawei violated U.S. sanctions on Iran.

Meanwhile, ZTE remains subject to a U.S. order barring

American companies from selling to the Chinese company, according to a person familiar with the matter, though it is racing to comply with a deal that would reverse that ban.

Since Huawei is effectively shut out of the \$30-billion-a-year U.S. wireless equipment market, that market is largely dominated by two European firms: Sweden's Ericsson AB and Finland's Nokia Corp.

In its comments to the FCC, Huawei said its absence from the U.S. telecom equipment market means "average prices for network equipment are higher here than in most other countries."

It also said "U.S. customers generally pay higher prices for a lower level of mobile service than consumers elsewhere."

Huawei also argued that the proposed rule is beyond the FCC's legal authority.

Samsung Forecast Misses Estimates

BY TIMOTHY W. MARTIN

SEOUL—Samsung Electronics Co. forecast that second-quarter operating profit will grow by 5%, though the result missed analysts' estimates and would halt what had been four straight quarters of record earnings.

The world's largest smartphone and semiconductor maker said Friday that it expects an operating profit of 14.8 trillion South Korean won (\$13.2 billion) for the quarter, up 5% from 14.07 trillion won a year earlier. Samsung expects revenue will decline to 58 trillion won from 61 trillion won.

Analysts polled by S&P Global Market Intelligence had expected the company to post operating profit of 15.1 trillion won and revenue of 60.3 trillion won for the quarter. Samsung reports final results later this month.

Samsung had delivered a string of record operating profits, peaking at 15.64 trillion won during the first three months of 2018.

But the company's recent hot streak, fueled by memory-chip sales, will be difficult to top—or even maintain—in future quarters, industry analysts said.

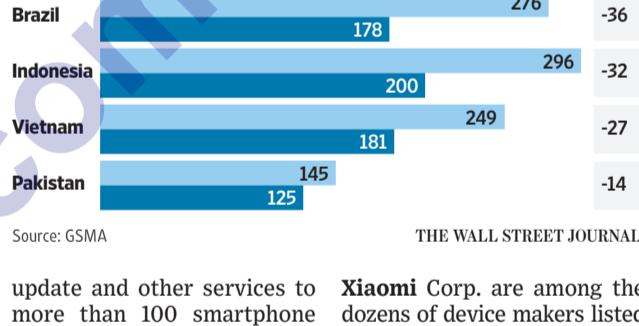
Sales of the company's latest flagship device, the Galaxy S9, have been weak, as consumers hold onto their phones longer and remain unimpressed with the newest options. Lee Seung-woo, a Seoul-based analyst at Eugene Investment & Securities, expects Samsung will ship about 31 million Galaxy S9 devices in 2018. That would mark a sharp decline from two years ago, when the Galaxy S7 became Samsung's best-selling phone ever, with roughly 50 million shipments.



In developing countries, the convenience of internet access can come with a hidden cost: apps that siphon users' data without their knowledge.

Falling Prices

Consumers in emerging markets are getting online thanks to low-cost devices.



THE WALL STREET JOURNAL.

ware that connects to the web. The app also sends some location data to GMobi's servers located in Singapore, Upstream said.

Upstream also said that in recent months it blocked GMobi's app from making suspicious attempts to sign up users for paid services, such as mobile games. Had the app been successful, users would have been billed more than \$7 million in total across eight countries, Upstream said.

GMobi's Mr. Wu said the company wasn't responsible for any malicious activity emanating from its app.

Many popular smartphone apps collect user data such as contacts and even locations, but users typically install such apps, actively consent to the data collection and can delete the apps at any time. GMobi's software comes preinstalled on new smartphones out of the box, and it can only be removed by taking elaborate technical steps.

GMobi provides firmware

Xiaomi Corp. are among the dozens of device makers listed on GMobi's website.

A Huawei spokesman said the company has never worked with GMobi. A spokeswoman for Xiaomi, which after one of 2018's largest IPOs will begin trading in Hong Kong on July 9, said the company doesn't work with GMobi and

has never done so.

Andy Ng, product director at Singapore-based Singtech, said his company stopped using GMobi's services last year, though he said approximately one million of his company's devices containing the app likely remain on the market in Myanmar and Cambodia.

"I wouldn't have cooperated" with GMobi had Singtech known user data was being collected, he said.

Shenzhen Hotway Science and Technology Co., Ltd., a China-based company that makes Singtech's devices, said all apps were installed at the smartphone maker's request.

GMobi said users are asked to consent to data collection by clicking an end-user license agreement when they first activate their phones.

—Josh Chin in Beijing, Myo Myo in Yangon, Myanmar, and Kersten Zhang in Beijing contributed to this article.

Uber-Grab Merger Challenged in Singapore

BY SAURABH CHATURVEDI

SINGAPORE—Uber Technologies Inc.'s merger with Southeast Asian rival Grab Inc. hit a road bump after regulators said the deal reduced ride-hailing competition in the city, threatening to unwind the deal if the companies don't respond to their concerns.

Singapore's antimonopoly watchdog on Thursday said it provisionally found that the deal had led to a "substantial lessening of competition" and proposed financial penalties for the two companies as well as demanded measures to enable greater competition.

Uber in March agreed to relinquish its business across Southeast Asian countries in exchange for a 27.5% stake in Grab. The deal allowed Uber to exit a costly fight for market share in the fast-growing region of 600 million people in which Grab emerged as the dominant player.

Grab has increased prices since the deal, the Competition and Consumer Commission of Singapore said in its decision.



Antitrust regulators said Grab's prices rose in the wake of the deal.

The size of the proposed penalty hasn't been finalized yet and no amounts were disclosed.

Uber has previously departed markets where it was struggling against local rivals in exchange for taking a stake in the competing firms, such as in Russia and China. Competition authorities in both of those cases reviewed the deals but allowed them to proceed. Uber's chief executive, Dara Khosrowshahi, is trying to shore up the company's finances ahead of an expected

2019 initial public offering.

Grab is facing off with Indonesian rival Go-Jek, which is gearing up to expand further into Southeast Asia but has no presence yet in Singapore.

The city state's regulator said its investigation found evidence Uber wouldn't have left the Singapore market in the near to medium term in the absence of a deal with Grab. A previous agreement Uber entered with ComfortDelGro Corp. to compete with Grab was withdrawn after the merger deal was sealed, the

commission said.

Grab said in an emailed statement that the company will appeal the findings. "This provisional decision and proposed remedies are overreaching and go against Singapore's pro-innovation and pro-business regulations in a free-market economy," it added.

Uber representatives didn't respond to a request for comment.

The deal between Uber and Grab is attracting scrutiny from regulators in several countries, such as the Philippines and Malaysia, because of concerns it could be detrimental to ride-hailing consumers.

The Singapore regulator said Grab's exclusivity obligations imposed on taxi companies, car-rental partners and some of its drivers were creating barriers to entry and expansion in the ride-hailing sector. Remedies proposed by the commission include removing exclusivity obligations and lock-in periods for all drivers on Grab's ride-hailing platform.

—Newley Purnell contributed to this article.

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PUBLIC NOTICES

IN THE GRAND COURT OF THE CAYMAN ISLANDS FINANCIAL SERVICES DIVISION

FSD CAUSE NO: 95 OF 2018 (RMJ)

IN THE MATTER OF THE COMPANIES LAW (2018 REVISION) AND IN THE MATTER OF ABRAAJ HOLDINGS (IN PROVISIONAL LIQUIDATION)

TAKE NOTICE that a petition for an order that ABRAAJ Holdings (in provisional liquidation), whose registered office is situated at c/o Maples Corporate Services Limited, PO Box 309, Ugland House, South Church Street, George Town, Grand Cayman KY1-1101, Cayman Islands (the "Company") be put into liquidation and wound up in accordance with the provisions of the Companies Law has been presented to the Grand Court of the Cayman Islands.

The petition was presented by The Public Institution for Social Security of PO Box 24324, Safat, 13104, Kuwait (the "Petitioner"). Copies of the petition and supporting affidavits may be obtained free of charge from the Petitioner's attorneys, Conyers Dill & Pearman at Cricket Square, PO Box 2681, Grand Cayman, Cayman Islands KY1-1111.

The petition seeks an order that David Griffin and Andrew Morrison of FTI Consulting, 24324, Safat, 13104, Kuwait (the "Petitioner"). Copies of the petition and supporting affidavits may be obtained free of charge from the Petitioner's attorneys, Conyers Dill & Pearman at Cricket Square, PO Box 2681, Grand Cayman, Cayman Islands KY1-1111.

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The petition seeks an order that

BUSINESS NEWS

Defense Industry Adds Venture Capital to Arsenal

By DOUG CAMERON

Defense companies are looking beyond their own laboratories for the next technology breakthrough.

Long known for acquiring suppliers and spending big on research that might not pay off for years, **Boeing** Co., **L**ockheed Martin Corp. and others are now vying to invest in startups. Executives say they can no longer rely solely on their own researchers to outflank new drone, software and battery companies.

"We disrupt ourselves so someone else doesn't disrupt us," said Brian Schettler, managing director of Boeing's HorizonX venture arm, which launched in April 2017.

The corporate venture-capital market has more than doubled over the past five years. American companies made more than 1,200 deals worth a record \$34.3 billion in 2017, according to the National Venture Capital Association and PitchBook.

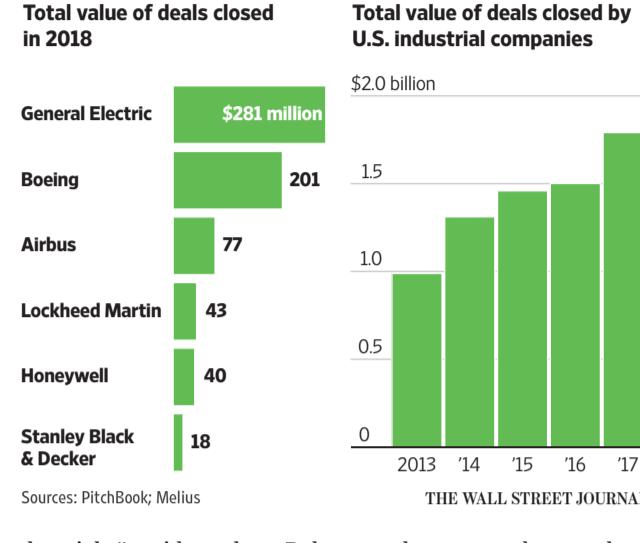
Aerospace and defense companies face stiff competition for deals. Alongside traditional players such as tech firms and drugmakers, a growing array of manufacturers—from power-tool maker **Stanley Black & Decker** Inc. to **G**eneral Motors Co.—are sifting startups for technology that could ensure their future.

While a handful of industrial giants such as **G**eneral Electric Co. and 3M Co. have long-established venture arms, the new entrants share a common focus on artificial intelligence, autonomous vehicles and other areas that could lead to new manufacturing processes and storage technologies, changing the way companies design and produce.

"There is an ongoing collision of the tech world with in-

Finding Nuggets

Automation, artificial intelligence and energy storage are key focus areas for corporate investment.



dustrials," said analyst Rob Wertheimer, at Melius Research LLC.

Boeing's HorizonX arm announced eight deals this year, adding to a portfolio of investments that include stakes in electric-airplane maker Zunum Aero and in Upskill, a productivity software company.

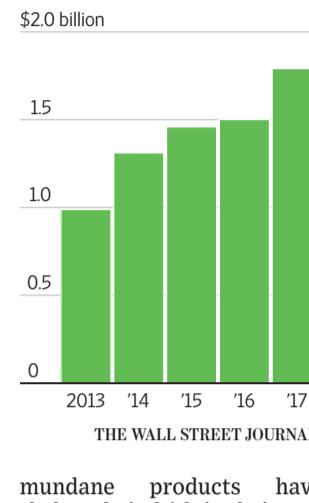
Lockheed in June doubled the size of its two-year-old Lockheed Martin Ventures unit to \$200 million with savings from recent changes to U.S. tax law.

Like its competitors, Lockheed hopes to harvest technology from the companies it invests in for its own systems and platforms.

Defense executives first woke up to the threat that startups pose to their businesses in April 2016, when Elon Musk's SpaceX won its first rocket-launch deal from the Pentagon—ending a decades-long monopoly for a Boeing-Lockheed joint venture.

Other companies say more

Total value of deals closed by U.S. industrial companies



mundane products have shaken their faith in their monopoly on good ideas.

Don Allan, Stanley Black & Decker's chief financial officer, said the debut of internet-based home-security systems such as Nest and Ring raised concerns internally that such technology could threaten the company's commercial-protection business.

The two startups have since been acquired by Google's Alphabet Inc. and Amazon.com Inc., respectively.

Mr. Allan said the company gathered its business heads three years ago to identify other threats. They established a venture-capital arm that has made 13 deals, including two this year. The unit has invested in firms developing 3-D printing and security systems, as well as energy-storage systems that could alter the design of its power tools.

"We see how fast batteries are changing," Mr. Allan said.

other companies to pursue their own joint-venture talks.

"It's in Embraer's best interest to get a deal done," said Carter Copeland, an analyst at Melius Research. "Their commercial business faces a pretty big challenge."

Boeing and Embraer had been working to assuage the Brazilian government's concerns that the deal would compromise the independence of Embraer's defense business. Also, workers at Embraer plants in Brazil have protested over the deal in recent months.

Jair Bolsonaro, a former army captain who is leading in polls ahead of presidential elections scheduled for October, supports the deal. But center-left rival Ciro Gomes and the Brazilian Workers' Party oppose it, exposing the joint venture to considerable uncertainty ahead of what is expected to be Brazil's most unpredictable elections in decades.

The deal, which doesn't include Embraer's business-jet unit, is expected to close by late 2019 pending regulatory approval.

Boeing and Embraer said Thursday that they will create a separate joint venture "to promote and develop new markets and applications for defense products and services," such as Embraer's KC-390 military transport jet. Embraer executives said the Brazilian company would have a majority interest in the defense unit but that the details haven't been worked out.

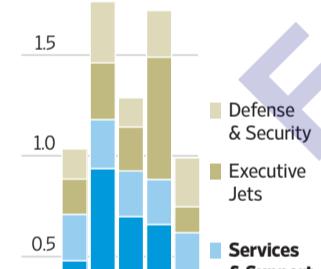
—Jeffrey T. Lewis

contributed to this article.

Flight Plan

Boeing made a deal for Embraer's commercial aviation and services units.

Embraer's revenue by segment



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—Jeffrey T. Lewis

contributed to this article.

Continued from page B1

nis Muilenburg said the Embraer partnership fits his company's strategy to make investments "that enhance and accelerate our growth plans." Embraer is best known for making regional jets in the 70-to-100-seat range, used heavily on routes that don't warrant larger Boeing or Airbus planes.

Boeing wants the added scale to compete against Airbus as its European rival moves into the market for small jets. It also said the joint venture, which will be run from Embraer's base in Brazil, would create about \$150 million in annual pretax cost savings by its third year.

Embraer executives see Boeing's global network of airline customers helping to generate sales for Embraer jets. That marketing clout has become more important to the Brazilian company since Airbus said in October that it would make some smaller passenger jets with Canada's **Bombardier** Inc.

Airbus, which also is looking for efficiencies, on Sunday completed its takeover of the Bombardier unit that makes the Canadian company's CSeries narrow-body planes.

The larger version of the CSeries plane, the CS300, seats around 140 people and competes with smaller versions of

Boeing's plans to form a defense-focused joint venture with **Embraer** SA will test whether the two aerospace companies can overcome the Brazilian skepticism toward the U.S. aerospace giant.

Boeing was stunned five years ago when Brazil selected Sweden's **Saab** AB in a \$4.5 billion deal for 36 Gripen fighter jets over its own F/A-18 Super Hornets. Embraer is helping to build the Gripen in Brazil.

Dennis Muilenburg, then Boeing's chief operation officer and now CEO, said at the time that the fallout from the U.S. National Security Agency sur-

veillance program exposed by Edward Snowden had made it tougher for a U.S. firm to win business in Brazil.

The leaks by the former NSA contractor included documents alleging that the U.S. had spied on the communications of Brazil's then president, Dilma Rousseff. "It's created some challenges," Mr. Muilenburg said in 2013.

Resistance to Boeing among some Brazilian lawmakers and military leaders has stiffened since The Wall Street Journal reported last year that the company wanted to partner with Embraer, the backbone of the country's homegrown defense industry.

Workers have protested the potential partnership outside Embraer factories, and politicians have denounced the deal

ahead of presidential elections scheduled for October.

Keeping Embraer in charge of the military side of the business is key to winning political support for the proposed deal it struck with Boeing that would put the U.S. company in control of Embraer's commercial plane-making operations, according to Embraer executives and Brazilian lawmakers.

Defense accounts for around a third of Embraer's revenue.

Embraer said the new venture with Boeing would focus on the KC-390, a new military transport jet due for delivery to Brazil's Air Force later this year. Boeing is helping to market the KC-390 through an existing partnership.

—Doug Cameron

and Jeffrey T. Lewis

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NOTICE OF ELECTION TO PURCHASE COMMON UNITS REPRESENTING LIMITED PARTNER INTERESTS OF BOARDWALK PIPELINE PARTNERS, LP

JUNE 29, 2018

Reference is made to the Third Amended and Restated Agreement of Limited Partnership, dated as of June 17, 2008, as amended (the "Partnership Agreement"), of Boardwalk Pipeline Partners, LP, a Delaware limited partnership (the "Partnership"). Unless otherwise specified, capitalized terms used herein and not defined herein shall have the meanings given to such terms in the Partnership Agreement.

This document constitutes a Notice of Election to Purchase pursuant to Section 15.1(c) of the Partnership Agreement and serves as notice that Boardwalk GP, LP, a Delaware limited partnership and the general partner of the Partnership (the "General Partner"), has exercised its right pursuant to Section 15.1(b) of the Partnership Agreement to purchase all of all Limited Partner Interests Outstanding held by Persons other than the General Partner and its Affiliates.

The only class of Limited Partner Interests of the Partnership Outstanding that is not entirely held by either the General Partner or its Affiliates is that consisting of Common Units. All conditions precedent to the exercise by the General Partner of its right pursuant to Section 15.1(b) of the Partnership Agreement have been fulfilled. The General Partner hereby elects to purchase all Common Units Outstanding held by Persons other than the General Partner and its Affiliates, upon surrender of Certificates representing such Common Units in exchange for payment of the Purchase Price set forth below, at the offices of American Stock Transfer & Trust Company, LLC, the transfer agent for the Common Units (the "Transfer Agent") set forth below.

Securities to Be Purchased:

All Outstanding Common Units held by Persons other than the General Partner and its Affiliates

CUSIP:

096627 10 4

Purchase Date:

July 18, 2018 (the "Purchase Date")

Purchase Price:

\$12.06 per Common Unit (the "Purchase Price"), which is equal to the average of the daily Closing Prices on the New York Stock Exchange per Common Unit for the 180 consecutive Trading Days ending on June 29, 2018.

Aggregate Purchase Price for All Common Units to Be Purchased:

\$1,504,010,427

Address and Telephone Number of the Transfer Agent:

American Stock Transfer & Trust Company, LLC
Operations Center
Att'n: Reorganization Department
6201 15th Avenue
Brooklyn, New York 11219
1-877-248-6417

This Notice of Election to Purchase is being mailed on July 3, 2018 to holders of record of the Common Units as of the close of business on June 27, 2018.

On or prior to the Purchase Date, the General Partner shall deposit with the Transfer Agent cash in an amount sufficient to pay the aggregate Purchase Price of all Common Units to be purchased. If on or prior to the Purchase Date the deposit described in the preceding sentence has been made for the benefit of the holders of Common Units subject to purchase, then from and after the Purchase Date, notwithstanding that any Certificate shall not have been surrendered for purchase, all rights of the holders of such Common Units (including any rights pursuant to Articles IV, V, VI and XII of the Partnership Agreement) shall thereupon cease, except the right to receive the Purchase Price (determined in accordance with Section 15.1(b) of the Partnership Agreement) therefor, without interest, upon surrender to the Transfer Agent of the Certificates representing such Common Units, and such Common Units shall thereupon be deemed to be transferred to the General Partner on the record books of the Transfer Agent and the Partnership, and the General Partner shall be deemed to be the owner of all such Common Units from and after the Purchase Date and shall have all rights as the owner of such Common Units (including all rights as owner of such Common Units pursuant to Articles IV, V, VI and XII of the Partnership Agreement).

All Certificates surrendered for payment must be accompanied by a letter of transmittal in the form to be mailed to holders of record of the Common Units as of the close of business on the Purchase Date. Copies of the form of letter of transmittal may be obtained from and after the Purchase Date free of charge upon request directed to the Transfer Agent at the address or telephone number set forth above. At any time from and after the Purchase Date, a holder of an Outstanding Common Unit in certificated form subject to purchase as provided herein may surrender such holder's Certificate evidencing such Common Unit, together with a completed letter of transmittal in the prescribed form, to the Transfer Agent in exchange for payment of the amount described herein, without interest thereon. The method chosen for the delivery of Certificates representing Common Units to the Transfer Agent is at the option and risk of the holder. If delivery is by mail, use of registered or certified mail, properly insured, is suggested.

Common Units held through The Depository Trust Company ("DTC") should be surrendered for payment in accordance with DTC's procedures therefor. Payment of the Purchase Price with respect to Common Units held in uncertified or book-entry form on the books of the Transfer Agent will be made in accordance with the applicable procedures of the Transfer Agent.

For more information regarding this Notice of Election to Purchase, you may contact the Transfer Agent at the address or telephone number set forth above.

BUSINESS NEWS

Truck Makers Struggle to Keep Up

Factory backlog hit highest in nearly two decades as economic growth fuels demand

BY JENNIFER SMITH

Truck owners stepped up orders for big rigs at a time when buying typically slows, pushing backlog at factories to the highest levels in nearly two decades.

Fleets ordered 42,200 trucks in June, more than double the number they bought in the year-earlier month, according to preliminary figures from ACT Research, and 18.5% more than they ordered in May.

"We're expecting in June that the backlog will rise to a level we haven't seen since about 1999," said Kenny Veith, president of Columbus, Ind.-based ACT.

The backlog-to-build ratio was about 9.6 months at the end of May, he said, meaning most trucks ordered in June won't arrive until the first half of 2019.

June is typically a weak month for truck orders. But the persistent robust demand for the heavy-duty vehicles used for long hauls meant carriers ordered new trucks at a seasonally adjusted rate of 492,000 vehicles in the first six months of this year—"the strongest six-month order period that we have in our database, which goes back to 1982," Mr. Veith said.

Truck operators are racing



Carriers ordered new units at a seasonally adjusted rate of 492,000 in the first half, the strongest such period since at least 1982.

to meet unrelenting shipping demand in a strong U.S. economy.

U.S. factory activity accelerated for a second consecutive month in June as manufacturers hustled to get goods moving ahead of tariffs. Businesses are struggling to book transportation amid a shortage of available trucks, with many paying a premium to keep shipments moving.

In June, the national aver-

age rate for the most common type of big rig hit \$2.32 a mile on the spot market, according to online freight marketplace DAT Solutions LLC, the highest monthly average since 2010, when DAT began reporting that data.

Shipments by truck and rail rose 11.9% in May compared with May 2017, while freight spending jumped 17.3%, according to Cass Information Systems Inc., which processes

freight bills. "Demand is exceeding capacity in most modes of transportation by a significant amount," Cass said in a report. "The current level of volume and pricing growth is signaling that the U.S. economy is not only growing, but that the level of growth is expanding."

Many carriers report trouble recruiting and retaining drivers, which has contributed to the spike in freight rates.

Some drivers are leaving for work in the expanding energy or construction industries that pay better or offer more time at home, exacerbating the industry's high turnover rate.

Some trucking companies use new tractors as an incentive to lure new drivers. Furthermore, diesel prices are rising, giving carriers an incentive to swap out older vehicles for newer models with greater fuel efficiency.

Perry Ellis Stands By Founder in Bid Battle

BY ALLISON PRANG

Perry Ellis International Inc.'s special board committee is pushing shareholders to vote in favor of a deal reached with its founder to take the company private.

In a written statement Thursday, Perry Ellis said the \$28-a-share offer received earlier this week from **Randa Accessories** wasn't in the best interest of shareholders. The company also said the offer from the men's accessories company was "substantially similar" to a previous one made when a board committee was going through its strategic review.

Randa had offered \$27.75 a share for the company at that point, Perry Ellis said on Thursday.

Randa's offer of \$28 a share values the apparel company at \$444 million. The counterproposal came less than a month after Perry Ellis agreed to let founder George Feldenkrais take it private for \$27.50 a share, a deal that values the company at \$437 million.

Mr. Feldenkrais' son, Oscar Feldenkrais, is Perry Ellis's current CEO. Together, the two own almost 19% of the company, according to FactSet.

Shares of Perry Ellis fell 3% to \$28.40 on the Nasdaq Stock Market Thursday.

New Highs and Lows | WSJ.com/newhighs

The following explanations apply to the New York Stock Exchange, NYSE Arca, NYSE American and Nasdaq Stock Market stocks that hit a new 52-week intraday high or low in the latest session. % CHG-Daily percentage change from the previous trading session.

Thursday, July 5, 2018												
52-Wk % Stock Sym Hi/Lo Chg		52-Wk % Stock Sym Hi/Lo Chg		52-Wk % Stock Sym Hi/Lo Chg		52-Wk % Stock Sym Hi/Lo Chg		52-Wk % Stock Sym Hi/Lo Chg		52-Wk % Stock Sym Hi/Lo Chg		
A	B	C	ASML	ASML 195.99 4.52	AdvMicroDevices	AMD 15.50 0.50	AABA	AABA 73.35 0.56	AmerTowerREIT	AMT 145.67 2.64	ApolloGibMgmt	APO 34.76 0.91
ABB	ABB	21.48 -0.05	AT&T	T 32.60 -0.11	AlticeUSA	ATUS 17.60 0.65	AmericWaterWorks	AWK 87.57 0.69	Autodesk	ADSK 132.80 1.20	Baidu	BIDU 244.07 -2.36
ADT	ADT	8.08 0.03	AbbVie	ABV 94.48 0.87	Aegon	AEG 6.01 0.15	Altria	MO 57.63 1.17	Apple	AAPL 185.40 1.48	BakerHughes	BHGE 33.25 -0.04
AES	AES	12.97 -0.04	Abiomed	ABMD 400.58 -8.95	AerCap	AEC 54.48 0.34	Ameriprise	AMP 140.97 1.73	Autohome	ATHM 103.21 0.08	Berkley	WRB 72.35 0.18
Aflac	AFL	43.04 0.14	Accenture	ACN 164.80 1.46	AgilentTechs	A 61.80 0.55	AlumofChina	ACH 10.21 -0.31	AptarGroup	ATR 94.54 0.55	America	BRKA 2383531635.00
AGNC Inv	AGNC	19.04 0.09	ActivisionBlz	ATVI 76.19 0.31	AgnicoEagle	AEM 47.74 1.44	AmerisourceBrgn	ABC 87.20 0.52	Autoliv	ALV 103.37 3.09	Bancroft	BRKB 187.50 1.48
ANGI Homesvcs	ANGI	16.13 0.35	AdobeSystems	ADBE 244.18 2.17	AirProducts	APD 155.79 0.79	Ametek	AME 71.98 0.41	Aptiv	APTV 93.07 2.16	Bard	BRK.A 298.81 5.30
Ansys	ANSS	175.38 2.04	AdvanceAuto	AAP 135.86 0.85	AkamaiTech	AKAM 74.34 0.11	American	AMGN 137.36 1.65	APD	ADP 133.7 0.05	BerryGlobal	BERY 46.64 0.19
							AquaAmerica	WTR 36.21 0.30	AeroZone	AZO 675.94 2.43	Bio-San	BIO 294.94 2.04
							AlignTech	ALGN 341.38 2.70	Aramark	ARMK 38.05 0.53	BioSantMex	BSMX 7.34 0.36
							Albermarle	ALX 41.21 0.52	AradarkPetrol	APC 72.58 -0.88	Bio-RadLab	BIO 294.94 2.04
							Allegany	ALX 41.21 0.52	ArcelorMittal	MT 29.71 1.34	Biogen	BIIB 298.81 5.30
							Alleghany	Y 583.82 0.86	ArchCapital	ACGL 26.93 0.17	BankColombia	CB 49.85 -0.39
							Allegion	ALLE 77.88 0.86	Andeavor	ANDY 131.88 -1.52	BankDenison	AVY 100.50 0.29
							Allergan	AGN 172.20 3.56	ArcherDaniels	ADM 46.34 0.68	BankMontreal	BAC 27.92 0.14
							AllianceData	ADS 238.01 2.77	Arconic	ARCN 17.07 0.17	BlackRock	BK 54.05 0.15
							AlliantEnergy	LNT 43.41 0.42	AristaNetworks	ANET 257.91 2.04	Blackstone	BX 35.13 0.88
							AmCampus	ACC 43.12 0.35	ArrowElec	ARW 76.66 1.18	BNK	BK 53.20 0.01
							Aetna	AET 184.99 -0.21	AspenTech	AZPN 94.41 0.10	BNK Nova Scotia	BNS 57.02 0.65
							Aetna	AET 184.99 -0.21	BHPBilliton	BHP 48.69 -0.02	Boeing	BA 331.8 0.25
							AffiliatedMgrs	AMG 148.02 1.00	BHPBilliton	BBL 43.93 0.05	BookingHolds	BKNG 2069.15 8.92
							Allegion	ALY 26.80 0.23	BOK Fin	BOKF 95.03 1.23	BuzziAllen	BAH 45.07 -0.18
							AllyFinancial	ALY 26.80 0.23	AstraZeneca	AZN 34.93 0.17	Dow Jones	DOW 241.78 0.19
							AmericanFin	AFG 106.53 -0.35	Axon	AON 138.22 1.14	Elliott Management	EMN 10.04 0.14
							AlphaPharm	ALY 98.05 -0.57	AtheneHealth	ATHN 159.43 1.41	ExxonMobil	XOM 70.04 0.14
							Alphabet C	GOOG 1124.27 21.38	Apache	APA 46.33 0.55	Facebook	FB 151.7 0.43
							Alphabet A	GOOGL 1141.29 25.01	AIG	AIG 53.92 0.25	Facebook	FB 151.7 0.43
							AIG	AIG 42.28 0.18	Atlassian	TEAM 63.40 0.42	Facebook	FB 151.7 0.43
									BWX Tech	BWXT 62.95 -0.04	Facebook	FB 151.7 0.43
									BaxterIntl	BAX 73.80 0.73	Facebook	FB 151.7 0.43

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I'm ~~not~~ confident about my family's future.

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MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

24356.74 ▲ 181.92, or 0.75%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 23.47 20.73
 P/E estimate * 16.04 18.18
 Dividend yield 2.20 2.33
 All-time high 26616.71, 01/26/18

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
	Open	High	hilo	Low	Settle	Chg	interest	
Copper-High (CMX) -25,000 lbs.; \$ per lb.								
July	2.9095	2.9145	2.8110	2.8140	-0.0920	4,175		
Sept	2.9350	2.9405	2.8205	2.8260	-0.0910	138,787		
Gold (CMX) -100 troy oz.; \$ per troy oz.								
July	1253.70	1259.90	1253.60	1257.30	5.70	177		
Aug	1253.50	1262.40	1252.20	1258.80	5.30	321,498		
Oct	1259.10	1267.60	1257.50	1264.20	5.20	19,079		
Dec	1265.00	1273.00	1263.70	1270.00	5.20	118,621		
Feb'19	1277.80	1278.70	1270.50	1275.90	5.20	18,061		
June	1287.70	1287.90	1285.10	1288.10	5.10	4,965		
Palladium (NYM) -50 troy oz.; \$ per troy oz.								
Sept	938.10	947.80	935.70	942.70	4.70	20,003		
Dec	935.90	942.60	934.30	938.50	5.30	1,969		
Platinum (NYM) -50 troy oz.; \$ per troy oz.								
July	838.00	843.10	835.40	837.10	-4.70	435		
Oct	844.70	850.60	836.70	841.40	-4.90	80,110		
Silver (CMX) -5,000 troy oz.; \$ per troy oz.								
July	16.075	16.105	15.895	16.008	0.056	1,465		
Sept	16.060	16.195	15.970	16.097	0.054	160,096		
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.								
Aug	74.63	74.96	72.53	72.94	-1.20	388,978		
Sept	72.24	72.34	70.35	70.63	-0.96	276,526		
Oct	69.53	69.57	... 68.46	68.46	-0.38	211,001		
Dec	68.33	68.37	66.72	67.62	0.18	290,888		
June'19	65.67	65.73	65.33	65.21	0.51	152,312		
Dec	63.38	63.47	63.12	63.03	0.51	201,867		
NY Harbor Diesel (NYM) -42,000 gal.; \$ per gal.								
Aug	2.1868	2.2022	2.1628	2.1787	0.045	123,950		
Sept	2.1933	2.2079	2.1704	2.1835	0.024	83,123		
Gasoline-NY RBOB (NYM) -42,000 gal.; \$ per gal.								
Aug	2.1343	2.1508	2.1131	2.1293	0.017	132,207		
Sept	2.1151	2.1282	2.0940	2.1065	0.0080	92,298		
Natural Gas (NYM) -10,000 MMBtu.; \$ per MMBtu.								
Aug	2.846	2.894	2.822	2.837	-0.033	201,188		
Sept	2.822	2.868	2.812	2.812	-0.034	193,270		
Oct	2.834	2.877	2.811	2.822	-0.034	167,731		

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
	Open	High	hilo	Low	Settle	Chg	interest	
Jan'19	3.073	3.112	3.049	3.059	-0.034	113,672		
March	2.949	2.981	2.924	2.932	-0.031	120,163		
April	2.658	2.683	2.644	2.655	-0.008	122,517		

Agriculture Futures

Corn (CBT) -5,000 bu.; cents per bu.								
July	345.50	348.75	341.50	343.50	.75	4,812		
Dec	366.75	370.00	362.50	364.50	.25	757,106		
Oats (CBT) -5,000 bu.; cents per bu.								
July	248.00	250.00	248.00	258.25	.425	26		
Dec	242.00	245.50	240.00	243.50	.425	3,023		
Soybeans (CBT) -5,000 bu.; cents per bu.								
July	843.50	846.00	834.00	835.50	-.850	2,321		
Nov	863.25	867.00	854.25	855.75	-.850	408,252		
Soybean Meal (CBT) -10,000 tons; \$ per ton.								
July	328.20	330.40	327.80	328.20	.40	3,515		
Dec	326.00	328.00	323.30	323.90	-.150	197,797		
Soybean Oil (CBT) -60,000 lbs.; cents per lb.								
July	28.62	28.62	28.45	28.47	-.15	3,127		
Dec	29.20	29.24	28.98	29.03	-.17	230,448		
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.								
Sept	1165.00	1197.00	1163.50	1186.00	23.50	5,799		
Nov	1152.00	1183.50	1152.00	1169.50	18.00	1,028		
Wheat (CBT) -5,000 bu.; cents per bu.								
July	507.00	508.75	503.25	504.00	12.50	550		
Sept	496.50	508.50	496.50	505.50	14.50	202,758		
Wheat (KC) -5,000 bu.; cents per bu.								
July	472.75	481.75	472.75	482.00	19.75	223		
Sept	489.50	506.00	489.50	503.25	19.25	131,831		
Wheat (MPLS) -5,000 bu.; cents per bu.								
July	540.50	540.50	533.00	533.50	14.00	8		
Sept	538.75	555.25	538.75	547.50	12.25	27,967		
Cattle-Live (CME) -40,000 lbs.; cents per lb.								
Aug	107.375	107.575	106.300	106.375	-.075	127,350		
Oct	110.625	111.15	110.05	110.125	.03	89,509		
Hogs-Lean (CME) -40,000 lbs.; cents per lb.								
July	83.900	83.925	83.000	83.300	-.425	14,678		
Oct	59.900	60.200	59.150	59.550	-.225	75,118		

	Contract	Open	High	hilo	Low	Settle	Chg	Open interest
	Open	High	hilo	Low	Settle	Chg	interest	
July	328.20	330.40	327.80	328.20	.40	3,515		
Dec	326.00	328.00	323.30	323.90	-.150	197,797		
Coffee (ICE-US) -37,500 lbs.; cents per lb.								

THE WALL STREET JOURNAL.

BIGGEST 1,000 STOCKS
WSJ.com/stocks

Stock	Sym	52-Wk % Hi/Lo	Chg	Stock	Sym	52-Wk % Hi/Lo	Chg
BorgWarner	BWA	44.24	0.83	CyrusOne	CONE	61.83	1.97
		D	E			F	F

tl	MGA	58.31	0.63
Fin	MFC	17.92	0.04
oOil	MRO	29.70	0.57

NAFI	100.08	-0.19
NDAQ	90.33	0.19
Grid NGG	57.72	0.86

NI	26.80	0.07
Energy NBL	34.85	0.17
NOM	5.52	0.07

Bottomline	EPAY	53.82	-1.0	DSW	DSW	27.60	1.2	FoxFactory	FOXF	
BovieMedical	BVX	4.99	1.9	DianaShipping	Pfd	DSXpB	25.30	0.4	Freshpet	FRPT
BraemarHts	BHR	11.98	4.7	Differential	Brd's	DFBG	6.89	57.3	Funko	FNKO
Bullish	BUU	20.91	-1.0	Dove	Brands	DVSH	10.00	-2.5	Gillette	GIL

Mutual Funds Life Insurance

BalA p 27.25 +0.13 1
 BondA p 12.56 ... -1
 CapIBA p 60.30 +0.43 -2

Fidelity Advisor I

BANKING & FINANCE

Credit Suisse, U.S. in Pact

Bank agrees to pay \$77 million to settle charges related to hiring of 'princelings'

BY BRIAN BLACKSTONE

ZURICH—Credit Suisse Group AG has become the latest big bank to be ensnared by U.S. authorities over the practice of hiring friends and family of Chinese officials, known as "princelings," to win business.

The Switzerland-based bank agreed to pay \$77 million to settle charges from the Justice Department and Securities and Exchange Commission over the use of "relationship hires" between 2007 and 2013 that helped its Hong Kong subsidiary secure business, in violation of the Foreign Corrupt Practices Act.

The Hong Kong unit "engaged in a corrupt scheme to win business with Chinese state-owned entities by hiring friends and family of Chinese government officials, generating the bank at least \$46 million in profits," Acting Assistant Attorney General John Cronan said in a statement Thursday. Credit Suisse agreed to pay \$47 million to settle the Justice Department charges.

"These 'relationship hires' often lacked necessary technical skills, and offered fewer qualifications and significantly less relevant banking experience than other candidates for the jobs," Mr. Cronan said.

The bank had disclosed that



The bank, now run by Tidjane Thiam, offered to hire about 100 employees at foreign officials' request.

settlement in its 2017 annual report, published last month. It also agreed to cooperate with the Justice Department in any continuing investigations and to improve compliance programs.

The SEC settlement, which hadn't been previously disclosed, totaled \$30 million. Credit Suisse had offered to hire more than 100 employees at the request of foreign officials over a seven-year period, the SEC said.

"No criminal charges were brought, and there is no allegation that any clients, investors or counterparties were harmed by the conduct involved in the settlements," a

Credit Suisse spokeswoman said.

In November 2016, JPMorgan Chase & Co. agreed to pay \$264 million to settle charges with U.S. authorities over its Asian hiring practices, which put a spotlight on the practice of hiring the well-connected children of officials at state-owned firms.

Barclays PLC says it is cooperating with the Justice Department and SEC over its hiring practices in Asia and elsewhere.

HSBC Holdings PLC in 2016 said it was part of a multibank probe by the SEC over its hiring practices of candidates with ties to government offi-

cials or state-owned companies in the Asia-Pacific region.

The Justice Department statement Thursday laid bare some of the tactics used by Credit Suisse to hire princelings. It cited one email in which an executive of a state-owned Chinese firm referred a job candidate to a Credit Suisse banker in Hong Kong. The executive wrote that hiring the individual would "bring [the Hong Kong unit] the big surprise in the near future if [the unit] could...arrange a position in CS team in Beijing."

—Max Colchester and Margot Patrick contributed to this article.

JPMorgan Asks Staff To Move Due to Brexit

BY EMILY GLAZER

JPMorgan Chase & Co. laid out more details of employee relocations across Europe related to Brexit, according to an internal memo reviewed by The Wall Street Journal.

The bank has asked several dozen employees across business lines to consider relocation as it plans to boost its presence in existing European branches, including Paris, Madrid and Milan, according to the Thursday memo.

JPMorgan has said that 300 to 400 employees may be affected by Brexit. But this is the first time it has detailed Brexit-related expansions to those cities.

The several dozen employees—in JPMorgan's corporate and investment bank, asset-and-wealth-management unit and corporate functions—have been asked to consider moving before the March Brexit deadline, according to the memo.

The missive was sent by Daniel Pinto, co-president and head of JPMorgan's corporate and investment bank, and Mary Callahan Erdoes, head of JPMorgan's asset-and-wealth-management unit. Reuters initially reported on the bank's internal memo.

The several dozen employees, primarily some client-facing and risk-management-related roles, will make moves toward the end of 2018 or early 2019, according to the memo and a person familiar with the matter.

"Before asking other em-

ployees to consider relocating, we will wait for further political and regulatory clarity in line with our overall post Brexit strategy," according to the memo. "The timing of these further moves is entirely dependent on whether an agreed transition arrangement is finally confirmed."

The U.K. government is negotiating with the European Union over a transition arrangement related to Brexit. If the U.K. doesn't secure such an arrangement, which would result in an abrupt departure by the U.K., the bank will still be ready for the March deadline by moving everyone it needs to, the person said.

JPMorgan already has banking licenses in Dublin, Frankfurt and Luxembourg. Those will allow it to do business across the EU.

Mr. Pinto and Ms. Erdoes wrote in the memo that the bank is beginning to communicate with potentially affected clients on how it will do business with them after Brexit. Issues involve things like which legal entity a customer will work with to avoid disruption before the March deadline.

The legal entity involved will depend on the type of business a client is doing with the bank, the person familiar with the matter said.

JPMorgan has also started recruiting to add to some "key positions we will need in the long run" across the EU, according to the memo.

Abraaj Founder Suspended From Interpol Foundation

BY SIMON CLARK

The fundraising foundation of international police organization Interpol suspended the embattled founder of Dubai-based private-equity firm Abraaj Group from its board as he faces an arrest warrant.

The warrant for Arif Naqvi was issued in the United Arab Emirates last month for allegedly writing bad checks totaling at least \$48 million.

Abraaj has said that discussions are ongoing "to arrive at a satisfactory solution for all parties."

Mr. Naqvi has been a member of Interpol Foundation's board of trustees since 2014.

"He is suspended until this case is over," Elias Murr, Interpol Foundation's president, said in an interview. Mr. Naqvi is "not guilty until proven," he said. "I hope for the investors and for himself a good end."

Investors have accused Mr. Naqvi's firm of using money in its funds for purposes that weren't sanctioned.

Abraaj has said it did nothing wrong.

The firm attracted billions

of dollars from governments and private investors around the world before it filed for a liquidation proceeding in the Cayman Islands last month. Under pressure from investors and creditors, Abraaj has agreed to sell several parts of its business.

Mr. Murr said he has sent a letter to Mr. Naqvi.

In an emailed response to questions, Mr. Naqvi said he "suggested and requested temporary suspension from the board" when a legal case against him was filed in the U.A.E. "This is the correct and

honorable thing to do. The president of the foundation can accept that at any time he wishes in accordance with his judgment," Mr. Naqvi said.

Interpol helps police forces in 192 countries work together to solve crime. Interpol created the foundation in 2013 to help fund its activities, in addition to money from members.

The Geneva-based Interpol Foundation has raised €50 million (\$58 million) originating from the U.A.E. government.

Mr. Murr, a Lebanese news-

paper owner whose career spans business and politics, said he recently received a letter from Jürgen Stock, Interpol's secretary-general, asking him to contact Mr. Naqvi to ask the Pakistani deal maker to suspend himself from the board of the foundation.

"Interpol has proposed to the president of the foundation that Mr. Naqvi should suspend his membership with the foundation board until the situation is clarified," Interpol spokesman Pietro Calcaterra said in an emailed statement. Interpol "is aware of reports

that an arrest warrant has been issued," he said.

At the foundation, Mr. Naqvi led an initiative to help protect "industries vulnerable to the threat of identity fraud, such as airlines, hotels, passenger shipping companies, banks and financial institutions," according to the foundation's website.

Mr. Murr said the foundation was created to help raise funds for Interpol because its budget is strained. Interpol had budget income of €124.3 million in 2017, according to its website.

Goldman Trader Pursuing New Career

BY MATT WIRZ

A decade after the financial crisis, The Wall Street Journal has checked in on dozens of the bankers, government officials, chief executives, hedge-fund managers and others who left a mark on that period to find out what they are doing now. Today, we spotlight ex-Goldman Sachs trader Fabrice Tourre.

Fabrice Tourre was one of the few on Wall Street prosecuted for building and selling the complex mortgage bonds that blew up when real-estate prices crashed. The former Goldman Sachs Group Inc. trader still spends his days doing obscure bond math, but far from the trading pits.

Mr. Tourre received a Ph.D. in economics from the University of Chicago after the financial crisis and is conducting postdoctoral research at Northwestern University. He has studied how markets price risk in debt securities and was a teaching assistant in a course on asset pricing for Professor George Constantinides at the University of Chicago.

"The reason I picked him up

was because he was the top student when I taught the course the previous year," Prof. Constantinides said. "As a TA, you want to be empathetic and help the students, and he did that very well."

Nicknamed "fabulous Fab" at Goldman, Mr. Tourre was convicted by a federal jury in 2013 for defrauding investors in a derivative tied to sub-prime mortgages called Abacus 2007-AC1. He was ordered to pay about \$825,000.

Goldman settled with the Securities and Exchange Commission for \$550 million in 2010, but Mr. Tourre battled the regulator in a trial that exposed the mix of hubris and doubt felt by many traders before the crisis.

The case uncovered an email by Mr. Tourre, then 27 years old, to a friend asking "what if we created a 'thing,' which had no purpose, which is absolutely conceptual and highly theoretical and nobody knows how to price?" He bragged in another email, "The whole building is about to collapse anytime now...the only potential survivor, the fabulous Fab."

Mr. Tourre declined to comment for this article.



Charles Dharapak/Associated Press



There is a fair amount of concern among investors about the falling value of the yuan, but as yet there is little sign of financial panic.

Dollar and Fed's Role In Malaise

Continued from page B1

tive to risks, prompting them—belatedly—to pay attention.

One sign that the problem is global: Stocks of the big banks rated as globally systemically important are, on average, down more than 20% from their peaks of the past 12 months.

"The happy-go-lucky great synchronized recovery is coming to an end," said Mr. Harnett.

Mr. Harnett thinks investors are starting to put China under pressure and will dig out the playbook from 2015, once again worrying about the level of Chinese debt. Chinese stocks have tumbled more than 20%

from their January high, putting them in a bear market amid talk of economic deceleration and U.S. tariffs due to take effect on Friday.

There is a fair amount of concern among investors about the falling value of the yuan, but as yet there is little sign of financial panic.

A Chinese slowdown typically drags down the price of the commodities heavily used in Chinese construction. Already, copper, which is highly sensitive to the Chinese economy, has nosedived, dropping 12% in the past four weeks for its biggest fall over such a short period since 2015. The knock-on effects on big commodity producers and exporters to China can ripple across emerging markets and into other major exporters such as Australia, too.

A separate but parallel threat comes from banks. The fall in bank stocks has yet to be reflected in weaker bank bonds. If and when

bonds fall, too, it could drag down investment-grade corporate indexes due to the heavy weighting of the bank sector—and hurt the large numbers of investors forced out of government bonds by central-bank bond-buying programs.

Investors losing money on what they regarded as the safest corporate bonds would naturally rein in risk taking, contributing to market weakness, while bank executives are less likely to extend credit when their shares are plummeting. Weak banks can weaken the economy, which in turn weakens banks.

Not all is doom and gloom. Mr. Harnett thinks it is too early to be sure that the dominoes will keep falling and recommends keeping some risk—with the U.S. best placed to withstand a return of global caution, reflected in the outperformance of U.S. banks compared with those elsewhere.

"We're not saying hit the

red button and get max defensive, because it could be that China reflates, the dollar comes down again," he said. "But if the Fed continues to tighten, the dollar continues to strengthen—we think you will see more points of weakness." That means an end to the strategy of buying the dips in stock prices that has worked so well for the past nine years.

Hopefully, Mr. Harnett is right. The European economy may be merely in a soft patch, as the European Central Bank argues. China has had a run of bad economic data, but debt has been more restricted recently and trouble might be avoided if Donald Trump's trade war comes to a quick end.

Bank stocks might merely be reversing their rapid ascent from the end of last year when everyone started to believe in a synchronized global recovery—not sending a signal of much worse to come. Hopefully.

MARKETS

Treasurys Fall a Bit After Fed Minutes

BY ORLA McCAFFREY

U.S. government-bond prices inched lower Thursday after the release of minutes from the Federal Reserve's June meeting.

The yield on the benchmark 10-year U.S. Treasury note settled at 2.840%, compared with 2.833% Tuesday. Yields rise as bond prices fall. U.S. markets were closed Wednesday for the July 4 holiday.

CREDIT MARKETS Yields rose in early trading before reversing direction after the Labor

Department said the number of Americans requesting unemployment benefits increased to 231,000. Economists surveyed by The Wall Street Journal had estimated 225,000 new claims for last week.

Yields edged higher after the Fed minutes signaled officials could raise rates over the next year to a level that no longer aims to spur growth, formally ending postcrisis stimulus. Officials also discussed strategies for managing rates if growth quickens to an untenable pace that induces bubbles and high inflation. Committee members also discussed rising concerns over trade tensions and their potential negative effects on business and investment spending.

Emerging-market instability and political uncertainty in Europe also were flagged as dangers to growth.

Officials "are definitely aware of the risks but aren't necessarily altering the trajectory that they've now embarked upon," said George Goncalves, head of fixed-income strategy at Nomura Securities International.

Overnight, yields climbed after Bloomberg reported Wednesday that some policy makers at the European Central Bank were uncomfortable with investors' bet that rates wouldn't rise until December 2019.

Trade tensions also continued to weigh on investors' sentiment Thursday, with the first round of U.S. tariffs against China expected to take effect early Friday, some analysts said, though several noted those concerns may already have been priced into the bond market.

Increase In Supply Hits Oil

BY AMRITH RAMKUMAR AND NEANDA SALVATERRA

Oil prices fell Thursday after data showed U.S. inventories increased unexpectedly last week.

Light, sweet crude for August delivery declined \$1.20, or 1.6%, to \$72.94 a barrel on the New York Mercantile Exchange.

Prices have stayed near their highest level since 2014 recently, with the prospect of major supply disruptions and figures showing steady demand limiting losses despite trade threats between the U.S. and China. Brent crude, the global benchmark, edged down 85 cents, or 1.1%, to \$77.39 a barrel.

Thursday's Energy Information Administration report showed stockpiles rose 1.2 million barrels during the week ended June 29, compared with the 3.9-million-barrel decrease analysts surveyed by The Wall Street Journal had expected.

The latest inventory report showed a more normal U.S. supply-demand picture after the biggest stockpile reduction since 2016 a week earlier, according to Bob Yawger, director of the futures division at Mizuho Securities U.S.A.

"It's going to suck some of the overbought momentum out of the market," Mr. Yawger said.

Gasoline futures added 1.17 cents, or 0.6%, to \$2.1293 a gallon.

Investors Gobble Up German Bonds

Central banks' policy tightening has done little to dull appetite for safety of bonds

BY JON SINDREU

Even as central banks tighten the taps on monetary policy, hunger for German debt remains undiminished.

Yields on U.S. Treasurys continue to rise, but those on German bonds are falling, dragging funding costs lower across Europe.

Investors are buying bonds amid slowing eurozone growth, a flight to safety from geopolitical risks and as the European Central Bank indicates that it will keep supporting the bond market even as it rolls back the easy-money policies of the past decade, investors said.

On Tuesday, yields on 30-year German government bonds sank below 1% for the first time since April of last year. They have since risen to just above that level. At the start of the year, they were trading at around 1.3%. Bond yields move in the opposite direction as prices.

The biggest moves have been among longer-term bonds, but German debt has rallied across all maturities. Yields on five-year bonds, which briefly turned positive earlier in the year, are now back to below minus-0.3%.

This wasn't supposed to

happen; ever since the Federal Reserve began to nudge up interest rates, pushing yields on U.S. bonds higher, investors have been predicting a sell-off in negative-yielding German debt.

"At the beginning of the year I was absolutely not expecting levels to be hovering where they are today," said Henrietta Pacquement, a fund manager at Wells Fargo Asset Management.

The move has big implications across the eurozone. The fact that German yields are heading lower suggests that borrowing rates in much of the eurozone could stay negative for longer than many investors once expected.

Returns on German debt are seen as risk-free—and therefore tightly linked to where the ECB sets interest rates—so they act as a benchmark for the region, helping determine borrowing costs for governments, corporations and households.

In the U.S., borrowing costs have been moving consistently higher since at least mid-2016 as the Fed signaled that it would start consistently tightening policy.

For some investors, rising German bond yields suggest that the period of global synchronized growth that buoyed confidence at the beginning of the year may be waning. Recent data point to a robust U.S. economy, but indicators in the eurozone have mainly disappointed forecasts.

Sinking

Yield on the German 30-year government bond



Source: Tradeweb

THE WALL STREET JOURNAL.

ment.

"Next year alone, there will be almost €200 billion of ECB cash that will need to find a home, 85% of which is maturing government bonds," said Mike Riddell, fixed-income fund manager at Allianz Global Investors. "So it is hard for us to see eurozone government-bond yields selling off aggressively from here, if anything quite the opposite."

According to HSBC analysts, the premium that investors require to hold long-term instead of shorter-term debt is higher in the eurozone than in the U.S., suggesting that there is still some room for long-term yields to sink further.

Also, the gulf between rising U.S. interest rates and negative rates in Europe and Japan means that a common technique of using currency forwards to hedge foreign-exchange risk is very costly for foreign investors who buy Treasurys. But it provides an extra return for those buying in Europe, bolstering demand.

Bonds may also be benefiting from haven demand, as the U.S. and China spar over trade and political risk has risen in Italy and Germany.

"You've got increased saber rattling and that's a global risk factor with direct impact to Europe, which has more domestic issues," said Mr. Myerberg.

—Tom Fairless contributed to this article.



A Ford plant in Kentucky. The auto maker's shares rose on hopes for international car sales.

U.S. consumer-price inflation excluding food and energy has edged up to near the Fed's 2% target. In the eurozone, this measure of inflation has remained subdued, flattening at 1.4% for June.

That will make the ECB less eager to withdraw stimulus, some investors say.

"The Fed is the only central bank with a willingness to normalize policy right now," said Ryan Myerberg, fund manager at Janus Henderson Investors.

Last month, ECB President Mario Draghi confirmed that the central bank's massive program of bond buying would end this December. But he also pledged to leave rates at their current minus-0.4% level

through at least next summer.

Derivatives markets show that market expectations of a rate increase have now been pushed back from September 2019 to December 2019.

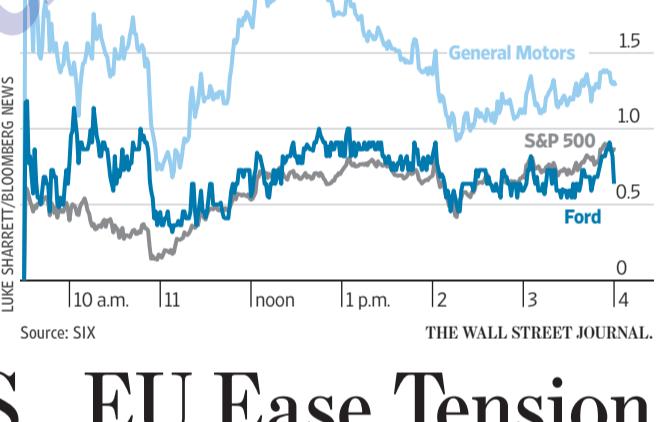
Eurozone bonds rallied in response, suggesting that investors no longer see the end of bond buying as heralding rate rises.

ECB officials also have highlighted that they will continue to reinvest the proceeds of the €4.5 trillion (\$5.24 trillion) worth of assets they have amassed. Reuters reported last week that the ECB will concentrate those reinvestments on longer-dated bonds, the maturity that is currently rallying the most.

The ECB declined to com-

Refueled

Shares of car companies rose after indications that the U.S. and German governments were willing to compromise on auto tariffs.



Source: SIX

THE WALL STREET JOURNAL.

Dow Surges 182 Points as U.S., EU Ease Tension

BY GEORGI KANTCHEV AND DANIELLE CHEMTOB

U.S. stocks climbed Thursday ahead of a looming tariff deadline as investors weighed economic data and a potential de-escalation of some trade tensions with Europe.

Concerns about trade have roiled financial markets

for months as the U.S. and

China, the world's two biggest economies, remain locked in a trade dispute. The U.S. is scheduled to impose a first round of tariffs on \$34 billion of Chinese imports Friday, and China is expected to counter with corresponding tariffs on U.S. imports.

"I think probably the further we get into this, the more we'll gauge whether or not people are willing to sit down and negotiate or whether it's going to deteriorate into something that turns much uglier," said Bruce McCain, chief investment strategist at Key Private Bank.

Stocks took solace that trade tensions may be easing in Europe. Shares of car makers rose after a German press report said the U.S. proposed to stop its threats to impose tariffs on cars imported from the European Union if the EU lifts duties on U.S. car imports.

Shares of **General Motors** gained 50 cents, or 1.3%, to \$39.47 and **Ford Motor** rose 6 cents, or 0.6%, to 11.05.

German Chancellor Angela Merkel said Thursday that Berlin was willing to cut import tariffs on cars as a way to end the Europe-U.S. trade standoff. She said any offer to reduce tariffs would have to be made to other auto exporters—not

just the U.S.—to abide by international trade rules.

In economic data released Thursday, private U.S. employers hired fewer-than-expected workers in June, according to payroll processor ADP.

Companies across the country added 177,000 workers last month, below the 185,000 forecast by

economists surveyed by The Wall Street Journal.

Investors also were looking to the Labor Department's monthly employment report Friday. The market may prefer a jobs number that is below expectations, said Doug Cohen, managing director and portfolio manager at Athena Capital.

"I think if we see a modest slowdown in job growth and

even a slight tick up in unemployment, the equity market would probably like that because it increases the odds of the Fed maybe only going one more time this year [in raising rates] rather than two times," he said.

The average hourly earnings figure in Friday's jobs report is another key indicator for Federal Reserve officials as they gauge inflationary pressures.

If wage growth reaches 3%, the "fourth [rate] hike for 2018 will become more baked in the cake," said Mike Mullaney, director of global markets research at Boston Partners.

Economists expect wages to grow 2.8% year over year, according to FactSet.

Meanwhile, minutes from the Federal Reserve's latest meeting revealed growing unease with how trade policy could hold back business investment. The Fed said some businesses have scaled back or shelved plans for new investments amid uncertain trade policy changes.

However, the Fed indicated

1.1%

Increase in tech-heavy Nasdaq Composite Index on Thursday

economists surveyed by The Wall Street Journal.

Investors also were looking to the Labor Department's monthly employment report Friday. The market may prefer a jobs number that is below expectations, said Doug Cohen, managing director and portfolio manager at Athena Capital.

"I think if we see a modest slowdown in job growth and

it could raise rates over the next year to a level that no longer seeks to stimulate growth in response to inflationary pressures. "It underscores the fact that even the Fed itself is seeing conflicting evidence," said Mr. Cohen.

Shares of technology firms in the S&P 500 rebounded, gaining 1.5% after turning markets lower late Tuesday. Chip maker **Microchip Technology** added 1.36, or 2.6%, to 52.36 after its shares suffered Tuesday as a Chinese court barred it from selling a range of products in China.

Some investors are beginning to worry that the trade conflict coupled with a firm dollar could hit technology companies with significant revenue abroad. "In the short run, export-oriented firms, which many of the tech firms are, tend to be disadvantaged by that trend," Mr. McCain said.

The Stoxx Europe 600 rose 0.4%. Early Friday, Japan's Nikkei Stock Average was up 0.9%, while Hong Kong's Hang Seng Index rose 0.5%.

Propane Prices Are Running Hot but Could Soon Cool

BY RYAN DEZEMBER

You may not have noticed it when buying propane for that Fourth of July barbecue, and the cooking fuel's price has risen by more than half over the past year.

Prices of propane have been on a tear over the past three years, more

doubling to

about 95 cents a gallon at the main U.S. trading hub in Mont Belvieu, Texas. That is a far sharper rise than the much-ballyhooed 28% climb in U.S. crude prices over the period, and no contest compared with the generally flat shares of energy producers and natural-gas prices.

Gasoline futures added 1.17 cents, or 0.6%, to \$2.1293 a gallon.

Beyond grilling, propane is used in heating and the manufacturing of chemicals. It is an unheralded bounty of the shale boom. Like natural gas and crude oil, propane has been produced in record volumes by shale drillers.

But the ease with which the liquid fuel is bottled and shipped abroad has enabled producers to sell propane extracted in Ohio and Oklahoma to places like China and Japan. It typically fetches higher prices in those export markets.

The U.S. was a net importer of propane until 2010. In 2013, it overtook Qatar as the world's top exporter. Back home, abundant supplies depressed prices, which made exports even more enticing for

producers and encouraged the building of shipping facilities.

By 2016, the U.S. was selling more propane abroad than the next four largest exporters combined, elbowing aside OPEC members Qatar, Saudi Arabia, Algeria and Nigeria in important Asian markets, such as China, where propane is used in vast quantities to make plastics, which are often sent back to the U.S. in the form of auto parts, computer components and plastic bags.

China's threat to place retaliatory 25% tariffs on U.S. exports, including propane, starting Friday could shake up trade patterns and reduce U.S. prices, though. Chinese traders, the third-biggest foreign buyers of U.S. propane after

those in Japan and Mexico, are likely to turn to cheaper barrels from the Middle East while displaced U.S. shipments are sent to other trade partners, said Debnil Chowdhury of IHS Markit Ltd.

Mr. Chowdhury estimates that a 25% Chinese tariff could reduce U.S. propane prices by 5% to 10% at

MARKETS

Yield Curve Squeezed From Both Sides

Fed rate rises push up short-term yields as tariff fight is weighing on long-term ones

By DANIEL KRUGER

The gap between yields on short- and longer-term Treasurys has narrowed to nearly 11-year lows, a sign investors remain cautious about the outlook for economic growth even as they expect the Federal Reserve to continue raising interest rates.

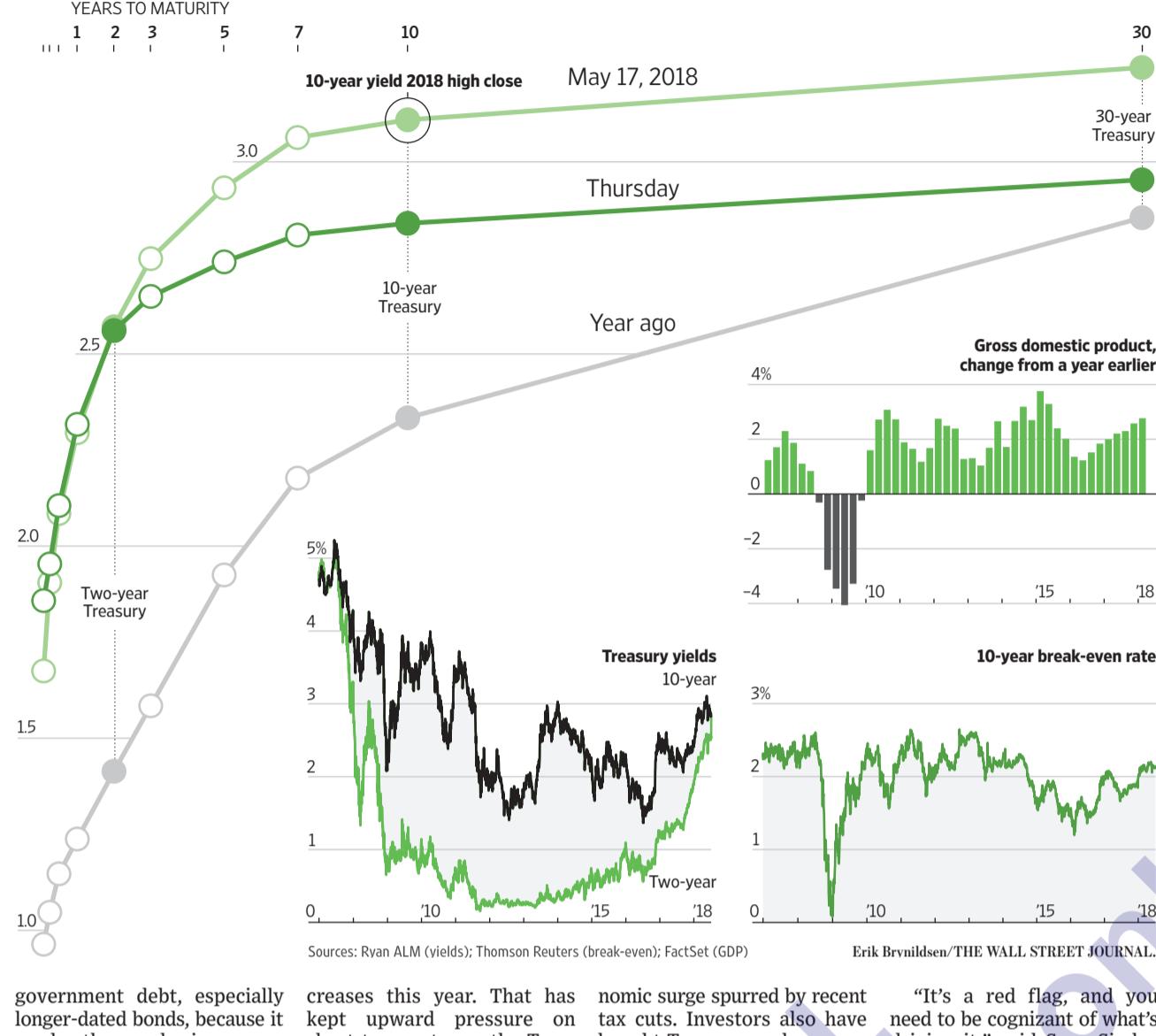
The difference between the yields on two- and 10-year U.S. government notes on Thursday settled at 0.279, its narrowest since August 2007, according to data from Ryan ALM. Two-year yields typically climb along with investor expectations for tighter Fed interest-rate policy, while longer-term yields are more responsive to sentiment about the outlook for growth and inflation.

The dispersion between shorter-term and longer-term rates, known as the yield curve, is a crucial indicator of sentiment about the prospects for economic growth. Investors monitor the curve closely because short-term rates have exceeded longer-term ones before each recession since at least 1975—a phenomenon known as an inverted yield curve.

The flattening has occurred as U.S. economic growth remains steady and few analysts see signs of an imminent slowdown. That leaves many split on what the signal shows now.

Investors will be watching Friday's June jobs report from the Labor Department for signs a tight labor market is producing wage inflation, which could push long-term yields higher and steepen the curve. Low wage growth, in contrast, could drag longer-term yields down, flattening the curve further. Inflation poses a threat to the value of

Treasury yields, by maturity



government debt, especially longer-dated bonds, because it erodes the purchasing power of their fixed payments.

For now, many analysts remain sanguine about the recent curve flattening. Two-year yields have climbed as policy makers have raised rates to normalize monetary policy following extraordinary stimulus undertaken in the wake of the financial crisis. They have signaled the possibility of two more rate in-

creases this year. That has kept upward pressure on short-term rates as the Treasury also is selling more short-term debt to fund tax cuts and government spending.

At the same time, the 10-year yield has retreated from a nearly seven-year high reached in May, weighed down by trade-war fears. The concern is that trade tensions will disrupt global growth, tempering expectations for an eco-

nomic surge spurred by recent tax cuts. Investors also have bought Treasurys, a haven asset as tariff fears have rattled markets around the world.

Some observers contend those circumstances negate the traditional signal sent by a flattening yield curve. Following five of the past six periods in which the yield curve inverted, the economy tipped into recession within a year, according to data from the St. Louis Fed.

"It's a red flag, and you need to be cognizant of what's driving it," said Sean Simko, head of global fixed-income management at SEI Investments. Mr. Simko said his firm has placed trades that benefit from a flatter curve, and he expects it to invert by year-end.

The 10-year yield reached 3.109% in May, propelled from 2.409% at the end of 2017 by a burst of investor optimism that tax cuts would lead to an

acceleration of growth, wages and inflation. With trade tensions dimming those prospects, the 10-year yield probably has peaked for the year, Mr. Simko said.

One reason the curve has flattened is that long-term yields have been held down because capital spending hasn't picked up the way some forecasters expected after the 2017 tax cuts, said Krishna Memani, chief investment officer at OppenheimerFunds Inc.

"A couple more Fed tightenings and we're pretty much there" at a flat yield curve, Mr. Memani said.

Signs of inflation persist, however: The personal-consumption expenditures price index, the Fed's preferred inflation yardstick, rose 2.3% in May from a year earlier, its biggest annual rise since March 2012, the Commerce Department said last week. That beats the Fed's 2% target.

Few observers see a recession on the horizon. The economic expansion likely will end in 2020 as Fed interest-rate increases cool off an overheating economy, according to forecasters surveyed by The Wall Street Journal. The survey was completed in May, before the Trump administration stepped up its tariff campaign.

Yet recent escalations in trade tensions have spurred increased volatility in financial markets, making some investors more anxious.

Doug Peebles, chief investment officer at Alliance Bernstein Fixed Income, said that has made risky assets including stocks and emerging-market bonds less attractive, and he is recommending investors reallocate more funds to the safer assets such as Treasurys.

Rather than serving as a gauge of future economic performance, the yield curve is "probably the most important tool we have in explaining the backdrop for risk-taking" in financial markets, he said.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

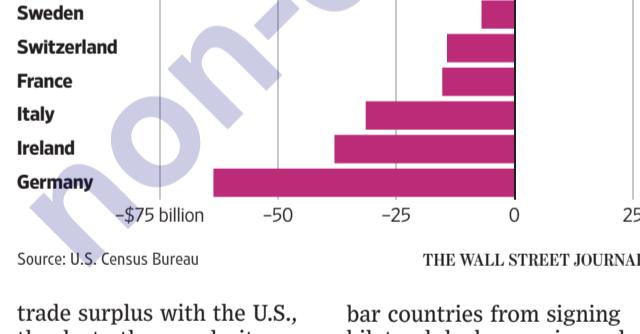
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EU's Tariff Woe Has No Easy Fix

Trade Trouble

U.S. trade balance in goods by European country



trade surplus with the U.S., thanks to the popularity among Americans for car brands like BMW, Mercedes, Audi and Porsche. France runs a surplus, too, but cars are one product it doesn't ship across the Atlantic. This will make a trade deal specifically focused on cars hard to sell in Paris—and, by extension, in Brussels.

Another problem is that the EU is unlikely to deviate from World Trade Organization rules. These explicitly

bar countries from signing bilateral deals covering only specific sectors.

The U.S. and the EU can, within the WTO framework, work on a comprehensive regional trade agreement that includes tariff reductions on cars. This could be a topic of discussion when European Commission President Jean-Claude Juncker visits Washington in late July. But it also would have to involve sensitive sectors like agriculture.

It is hard to imagine a

swift outcome. The EU started negotiating its "cars-for-cheese" trade deal with Japan—likely to come into effect next year—as far back as 2013. It will remove tariffs on Japanese car imports to Europe over a period of seven years.

Alternatively, the EU could cut its tariff on car and component imports—but not for the U.S. alone. Under the WTO's "most-favored nation" principle, every country would normally gain the same right to tariff-free access to the huge European market. Not only could this open Europe up to cheap Chinese car parts, it also would involve giving up a key bargaining chip in other trade talks.

For example, if Japan sees a chance to send its cars to Europe tariff-free, it may cool on the idea of opening its market to Europe's agricultural products. The Japan deal is agreed upon but not formally ratified.

Cutting trans-Atlantic trade tariffs will be much harder than investors seem to assume. —Stephen Wilmot

OVERHEARD

"Turn air into income." A cheeky take on the latest initial coin offering? Actually, it is a pitch to potential clients by one of the biggest users of old-fashioned coins made of metal.

CSC ServiceWorks operates all sort of equipment that can be used by anyone with a roll of quarters or, more recently, a credit or debit card.

These mostly involve laundry machines in apartment buildings and dormitories and those devices that pump air into your tires at gas stations, hence the line about air. The boom in multifamily housing in recent years has likely been good for the company's laundry franchise in particular.

Now the private equity-owned firm is reportedly for sale for a cool price, including debt, of \$3 billion. The company was formed in 2013 with an initial investment of \$1.4 billion.

The owners, who include the **Ontario Teachers' Pension Plan**, are understandably pumped.

Oil's Twitter War Could End Badly

Too bad cars don't run on light tweet crude.

Since the 1970s, oil prices have, in at least the short run, been susceptible to jawboning from producers and, to a lesser extent, the White House. But President Donald Trump's use of Twitter to bend the oil market to his will is at risk of backfiring.

The latest person to point this out was Iran's OPEC Governor Hossein Kazem-pour Ardebili in a statement carried by his country's SHANA news service: "Since when did you start ordering OPEC! Your tweets have driven the prices up by at least \$10/b. Pls stop it, otherwise it will go even higher!" read the transcript.

Mr. Trump's July 4 Twitter demand for the cartel to "REDUCE PRICING NOW!" likely spurred the response. Two earlier tweets were truly counterproductive, though. The first was before the OPEC meeting two weeks ago that nearly caused the Iranians to walk out of an agreement to raise output.

The more damaging one was Mr. Trump's assertion on Saturday after a conversation with Saudi Arabia's King Salman saying that he had "agreed" to raise Saudi output by up to two million barrels a day. He hadn't.

While Iran's regime doesn't have an interest in lower U.S. gasoline prices, he would do well to heed the rest of Mr. Ardebili's warning. Countries within OPEC more favorably disposed to the administration may find it harder to take political risks for him in the future.

"You are actually discrediting them and undermining their sovereignty, we expect you to be more polite," Mr. Ardebili said.

—Spencer Jakab

VMware Has Good Reason to Cover Dell Technologies' Tab

Virtual Machine

VMware's free cash flow per year

\$3 billion

Projection

2007 '09 '11 '13 '15 '17 '19

*Fiscal year changed from December to January close

Sources: FactSet (historical); the company (projection)

plans to list its own shares

on the New York Stock Exchange once the purchases

are completed later this year.

Activist Carl Icahn, a frequent critic of Dell over the

years, doesn't plan to oppose the latest move, The Wall Street Journal reported Tuesday.

The special dividend represents about 87% of VMware's last-reported cash balance and is therefore not an insignificant sum. Additionally, VMware is a fairly acquisitive company, having wrapped up six M&A deals just since Dell's EMC takeover was completed.

VMware Chief Executive Officer Pat Gelsinger said in an earnings call last year that "prudent M&A continues to be a good way for us to grow."

Software valuations have

risen notably since he said that, with the S&P 500 Software and Services Group up 12% this year compared with the Nasdaq's 8% gain. In other words, this may not be the ideal time to clean out the till.

Even so, the benefits to VMware should outweigh the costs. The deal removes the short-term cloud over the company caused by rumors that Dell was instead considering a reverse merger with the software maker. It also suggests that Dell plans to leave the business alone for the longer term. And VMware's business has been doing very well of late, with

revenue growth accelerating and quarterly sales now topping the \$2 billion mark for the first time. A high-profile partnership with Amazon.com's AWS public cloud service struck in late 2016 is contributing to that growth.

VMware's cash flow also is on the rise, which should help replenish its bank account more quickly. Free cash flow is projected to top \$3.3 billion for the fiscal year ending in January, up 12% from the previous year. Maintaining independence from Dell won't come cheap, but freedom is usually worth the price.

—Dan Gallagher

Dell, which owns the majority of VMware's shares,



\$22.8 million beach house sale sets a record in Montauk, N.Y. **M2**

MANSION

The simple hearth of the small farm is the true center of our universe.
—Masanobu Fukuoka

HOMES | MARKETS | PEOPLE | UPKEEP | VALUES | NEIGHBORHOODS | REDOS | SALES | FIXTURES | BROKERS

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Friday, July 6, 2018 | **M1**

Farmhouse Fever Sweeps the City



'RURAL' RETREAT Justin Cohen's 6,900-square-foot home in Dallas, where comparable properties by builder Alford Homes sell for between \$250 and \$300 per square foot of living space.



AGRARIAN ROOTS Kimberly and Peter Bocian's 12,500-square-foot house outside of Atlanta cost \$3.4 million to build and was completed in 2016. Above, left to right, farmhouse-style touches include a ceiling clad in wood; cabinetry in the living room that is lined with chicken wire; a farmhouse sink with gooseneck faucet; and a sliding barn door off the living room.

Even urban homeowners are embracing country touches like barn doors, metal roofs and shiplap ceilings; the rustic style can push up list prices by as much as 30%.

BY CECILIE ROHWEDDER

FAR FROM THE CORNFIELDS, with nary a dairy in sight sits Kimberly and Peter Bocian's 12,500-square-foot house outside of Atlanta. The

kitchen features an old-fashioned farmhouse sink, and living-room cabinets are fronted with chicken wire. Elsewhere are sliding barn doors and ceiling beams made with reclaimed wood.

Mr. Bocian, the retired chief financial officer of the Safeway supermarket chain, paid

\$500,000 for the 3-acre lot in a high-end, gated community and over \$3.4 million for the six-bedroom house, which was completed in 2016.

"We never close these barn doors; they're really just for looks," says Ms. Bocian, a 54-year-

Please turn to page M4

INSIDE

HOUSE CALL | RICK BRAGG

TALES FROM POSSUM TROT'S WOODS

The Pulitzer Prize-winning author, who lives near his mother in Alabama, rescued her stories and her recipes.

Rick Bragg, 58, is a Pulitzer Prize-winning writer and the author of 10 books, including "All Over But the Shoutin,'" "My Southern Journey" and his latest, "The Best Cook in the World: Tales from My Momma's Table" (Knopf). He spoke with Marc Myers.

To keep me from getting underfoot as a toddler, my momma used to sit me down in a wild strawberry patch behind our house. That patch was my babysitter. From there, I'd pick and eat berries, and watch her wash clothes on the back porch.

Momma knew if there was some food handy, I'd sit in place. After she ironed and hung sheets to dry, the wind would make them pop like sails. Those are my earliest memories of my mother, Margaret.

For most of my childhood, we lived at my Grandma Ava's house. It was in what had been Possum Trot, Ala. Possum Trot was once a real place, but it was gone when I came along. Now it's just a sign where two roads meet.

The tiny two-bedroom, Please turn to page M10



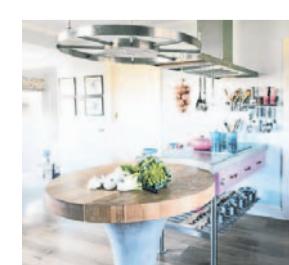
COOKIN' Rick Bragg at his Alabama home. He grew up listening to his relatives' stories about possums, rabbits and bears.



QUIET, PLEASE
Airplane noise hits close to home **M3**



LET'S NEGOTIATE
How a 'bump clause' can smooth a sale **M6**



PRIVATE ISLANDS
Prep spaces with form and function **M10**

MATTHEW COUGHIN FOR THE WALL STREET JOURNAL

MANSION



PRIVATE PROPERTIES | KATHERINE CLARKE

Montauk Beach House Nabs \$22.8 Million



NICOLE FRANZEN (2)

A Montauk, N.Y., waterfront home with a vintage beach look has sold for \$22.8 million.

The home is the most expensive to have sold in Montauk this year, according to a spokesman for Sotheby's International Realty, which represented the seller. He said the deal is further evidence that Montauk is catching up with its posh neighbors Southampton and East Hampton as a destination that can command ultrahigh price tags. Seller's agent Rylan Jacka said a new generation of buyers is flocking to Montauk for its lower-key vibe and surfing.

The property is on Old Montauk Highway and was designed by Robert McKinley, the interior dec-

orator behind the original design of the Surf Lodge, an iconic motel and restaurant in the area. Mr. McKinley revamped the 1960s-era ranch house and updated it into a six-bedroom home with a yoga deck overlooking the ocean, patterned rugs and white, wood-paneled walls. The home totals about 5,000 square feet and sits on 2.2 acres. The master suite spans the entire second floor of the house. Outside, there is a saltwater pool. The sale included the contents of the home, Mr. McKinley said.

The seller is Michael Goodwin, a founder and managing partner of Bluefin Cos., a financial-services firm. He bought the home for \$10.45 million in 2012, records

show. He wasn't available for comment.

The home was never formally listed for sale. Robert Dankner of Prime Manhattan Residential, the agent who represented the buyer, declined to identify his client, saying only that he was a New Yorker who had been shopping for a home in Montauk for some time. "What he wanted didn't exist," Mr. Dankner said. Eventually, Mr. Dankner approached Mr. Goodwin's agent to do the deal.

Mr. Jacka and Dominique Garstin of Sotheby's represented the seller. Mr. Jacka said they'd been in the midst of preparing the listing for sale when "the perfect guy came along."

COLORADO EQUESTRIAN RANCH ASKS \$25 MILLION

A Colorado equestrian ranch with a Ralph Lauren-inspired horse barn is coming on the market for \$25 million.

On 150 acres in Snowmass, Elk Run Ranch is located along a migration route for the area's elk population. The main house is roughly 6,657 square feet with five bedrooms. Seller Lee Williams and her husband, Craig, bought the home for \$5.754 million in 2012 and stripped out the interiors. The couple redid the property with custom log and iron work.

The couple built the horse barn, with four stalls and a riding arena. Ms. Williams said the décor of the barn's living area and office was inspired by Ralph Lauren's All-American style. Ms. Williams said she searched the area's consignment stores, turning a pair of grain sieves into light fixtures.

Other owners in the area include Texas energy billionaire Jeffrey Hildebrand, according to people familiar with the property.

Ms. Williams said that she works as an interior designer, and that she and her husband also run a commercial-construction company that builds grocery stores in Texas. They have lived in and renovated 14 homes during their marriage, she said, adding that they are selling because they are ready to move on to another renovation.

"Craig and I love a project," she said. "We get them perfect and then we get a little bored."

Joshua Saslove and Lindsay Duncan of Douglas Elliman have the listing.



MIKE HEFFERON

DOWNTOWN NEW YORK PENTHOUSE LISTS FOR \$37.5 MILLION

An under-construction penthouse in a turn-of-the-century West Village building that once housed a printing press is slated to go on the market for \$37.5 million, according to developer Brack Capital Real Estate USA.

If it sells for that price, it would be among the priciest homes ever to close below 14th Street in Manhattan, according to listing agent Shlomi Reuveni of Reuveni Real Estate.

In 90 Morton Street, the unit is the largest and most expensive of the building's 35 condominiums. The penthouse is roughly 5,820 square feet with a 2,283-square-foot cantilevered terrace. There are

four bedrooms, 5½ bathrooms and a library. It also has concrete beams and columns, wide-plank oak flooring and deep window sills.

The original structure dates back to 1912. The metal-clad upper floors are in contrast to the lighter brick of the original building. The company also clad the first two floors of the building in limestone.

Amenities include a 64-foot indoor pool, saunas, a fitness center, a children's play room and a common rooftop with an outdoor kitchen. The penthouse is slated for completion in early 2019.

Sales at the building launched in April, according to the developer. Mr. Reuveni said the project is 30%

in contract, including two units priced at \$16 million or above, despite the slow Manhattan market. Prices start at roughly \$5.3 million for a two-bedroom home.

The downturn in the Manhattan apartment market continued through the second quarter, as sales slowed and inventory rose to the highest level in years. Sales dropped by 10.8% compared with the second quarter in 2017, according to a Wall Street Journal analysis of city property records.

A Connecticut compound relists for 40% less. M8



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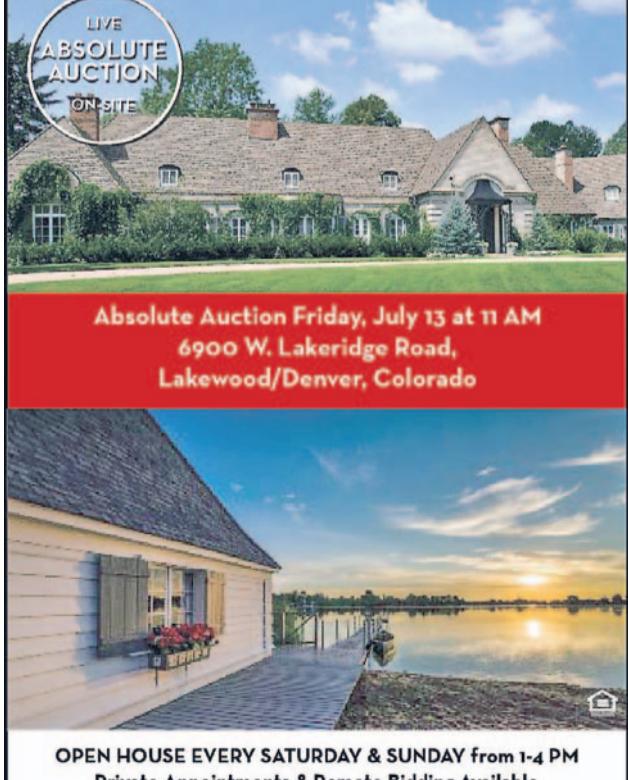
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MANSION

THE MARKET

The Roar of Airplanes—and Angry Neighbors

Complaints continue over Federal Aviation Administration flight paths near some affluent communities

BY KATY MC LAUGHLIN

IN THE long-running battle over airplane noise, new tactics are emerging to fight flight paths over neighborhoods, including some of the most affluent enclaves in the nation.

Residents have formed protest groups, lobbied city and state representatives, gone to court, sold their homes and moved—and even created a high-tech tool for kvetching, enabling them to register thousands of complaints at the click of a button.

The roar of jet engines has never been a desirable neighborhood feature, which is why homes located near major airports and under low-lying flight paths often sell for a discount. But in 2013, the Federal Aviation Administration's \$35.6 billion Next Generation Air Transportation System began implementing changes to flight paths over major metropolitan areas. In some neighborhoods that are relatively far from airports, homeowners say the new flight paths are ruining their backyard birthday parties and destroying their peace of mind.

"It's like a war zone," says Sarah Haefele, who says she dons headphones when in her backyard. The horticulturalist says she paid \$835,000 for her 5,000-square-foot house in Peterson Woods, a neighborhood near the North Branch of the Chicago River, only to find herself under new flight paths out of O'Hare International Airport.

An FAA spokesman disputes the notion that NextGen, a program aimed at improving air travel safety and efficiency in part by concentrating aircraft in narrower pathways, generates more noise overall. NextGen's flight path overhaul will be completed by 2021. "Our noise modeling prior to the launch showed that there would be small increases in some places, small noise decreases in some places, and some places would see no change. We stand by that modeling," he says.

The spokesman says the agency is aware of the complaints, and is working with communities to explore possible solutions.

Impacted residents from wealthy communities such as Roslyn, N.Y., and Georgetown in Washington D.C., are organized, politically active and technologically savvy. Since 2013, dozens of opposition groups have popped up, including the Scottsdale Coalition for Airplane Noise Abatement and Sky Posse Palo Alto. Pressure from angry residents even led to the formation of a bipartisan congres-



PETER GREENWOOD



KATRINA WITTAMP FOR THE WALL STREET JOURNAL

OVERHEAD Sarah Haefele says she paid \$835,000 for her house near the Chicago River, only to find herself under new flight paths.

sional Quiet Skies Caucus, with 43 members, formed in 2014 to address airplane noise issues.

In the spring of last year, Chris McCann, a 51-year-old software engineer and a former U.S. Air Force test pilot, realized there was a new flight path over his home in the affluent enclave of La Jolla, Calif. "We would be watching TV and notice a glass wall in our

house rumbling," he says.

Although he says the planes merely "annoyed" him, Mr. McCann says he felt it was unfair that registering complaints about airplane noise can be a time-consuming and complex process. Saying it is his "patriotic duty" to try to help people impacted by NextGen, Mr. McCann developed "the Airnoise Button." The custom web

software is activated by pressing what looks like a handheld clicker. The system automatically identifies the nearest aircraft, and registers a complaint with the appropriate agency.

Thus far, 200 people around the U.S. have used the button to register over 297,000 complaints, Mr. McCann says. He charges \$24 for the button and \$5 a month for the service. Mr. McCann says the fees cover his costs of operation. He rolled out a free, web-based service last week that allows users to register 15 complaints per month.

Mr. McCann's customers include Jana Goldenberg, who says her Airnoise button helped her file 3,328 complaints with the Port Authority of New York and New Jersey. Ms. Goldenberg, who is the co-chairwoman of Plane Sense 4 L.I., a group with 2,000 members devoted to pressing for changes to NextGen, sold her home of 24 years in Roslyn, N.Y., two months ago because of the noise, she says.

The effect on property values can be difficult to determine. While luxury home values decrease proportionally more than cheaper homes where there is airplane

rumble, the noise itself has to be louder than merely noticeable, says Randall Bell, a real-estate damage economist at Landmark Research Group, Dana Point, Calif.

Further muddling the picture, home prices have shot up in a number of the complaining communities since 2012.

Some real-estate agents fear that the uproar over airplane noise could be the real problem, and wish residents could be more quiet themselves. Carmen V. Rodriguez, a broker with Coldwell Banker Residential Brokerage in Chicago, says buyers started to question listings in the Hollywood-North Park area when they saw the "Quiet the Skies" lawn signs, part of a campaign to raise awareness by the activist group FAIR.

"It is FAIR's perception that some real-estate agents are down-playing" the noise problem, says John Kane, FAIR's chairman. A spokeswoman for the National Association of Realtors says the group is "not aware of any evidence" that real-estate agents withhold information about properties, which is also required by law in some states.



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MANSION

Farm Style In the Big City

Continued from page M1
old human resources consultant. "I thought they'd bring more of that warm country, farmhouse feel."

These days, it seems like you can take the house out of the country, but you can't take the country out of the house. Inspired, in part, by the television show "Fixer Upper," in which hosts Chip and Joanna Gaines promoted casual farmhouse chic, a growing number of homeowners are seeking designs that emphasize comfort over the sleek minimalism of recent years. Home builders say farm-style elements reflect Americans' interest in their heritage and a nostalgic longing for the authenticity and craftsmanship of times past.

"Urban farmhouse is a safe choice that appeals to a wide audience," says Lisa Gabrielson, an interior designer in Johns Creek, Ga., who designed the Bocians' house and says 90% of her new projects have farmhouse flair.

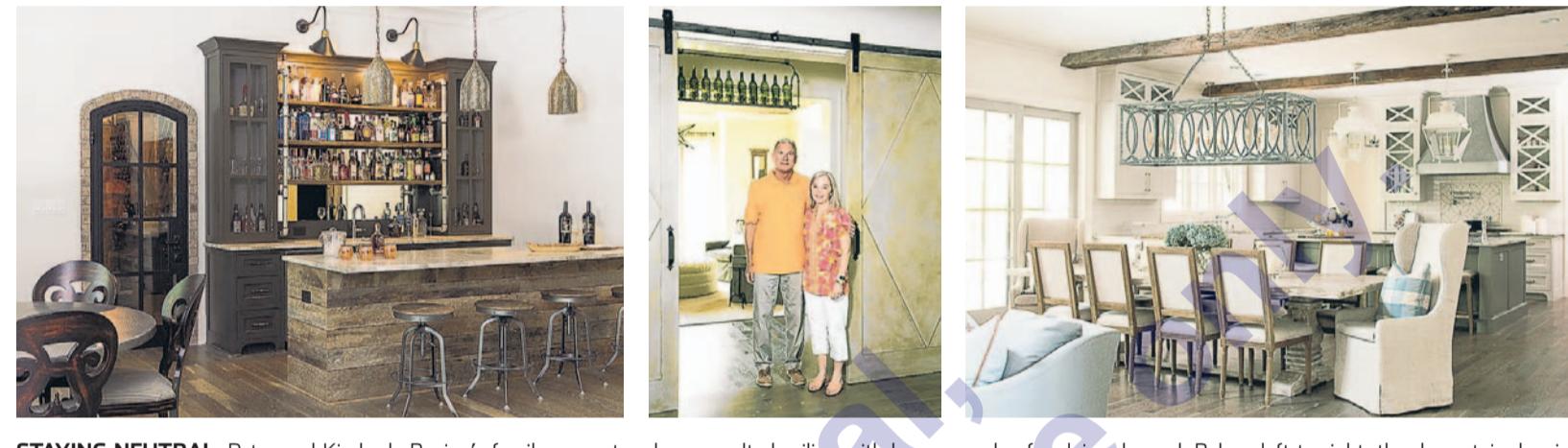
Critics who say the look is becoming passe can complain until the cows come home. For now, farmhouse- or Craftsman-inspired homes sell for significantly more than other styles, according to RealEstate.com, a website owned by online real-estate firm Zillow. Including words like barn doors, exposed beams or free-standing tubs in a property listing can push up house prices by as much as 30%, its research found. A description that includes "farmhouse sink," for instance, creates a 26% premium for an entry-level home and a 16% premium for a high-end house, says Aaron Terrazas, Zillow's economic research director.

Home builders large and small are fueling farmhouse fever. Atlanta-based Pulte Group uses it for many of its model homes. One, in its Blackrock development outside Las Vegas, comes with board-and-batten siding, wood beams and barn lighting. In San Antonio, the model home of a new master-planned community built by a local firm, Imagine Homes, features shiplap, stone walls and a desk that looks like a butcher block.

Toll Brothers, based in Horsham, Pa., recently introduced modern farmhouse exteriors at several of its Virginia communities. It also



DEBORAH WHITLAW LLEWELYN FOR THE WALL STREET JOURNAL (4)



STAYING NEUTRAL Peter and Kimberly Bocian's family room, top, has a vaulted ceiling with beams made of reclaimed wood. Below, left to right, the downstairs bar is also made of reclaimed wood. The Bocians, standing in front of a sliding barn door. A rustic chandelier hangs between wood beams in the dining area.



MIXED MEDIA Justin Cohen and Blair Sirockman at home in the Preston Hollow neighborhood of Dallas. Above left, a bathroom and office with wood details. Above right, flooring in a herringbone pattern and Shaker-style cabinetry. The decor is a blend of Mr. Cohen's modern tastes with Ms. Sirockman's traditional style.



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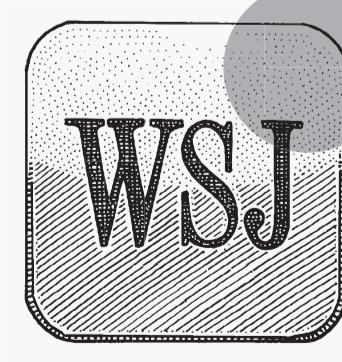
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MANSION



INDUSTRIAL TOUCHES Ted and Nicole Abramson bought a ranch house in Minneapolis for \$270,000 and spent another \$620,000 rebuilding it in a modern farmhouse aesthetic. Above, from left to right, a sunroom with cast-iron stove; the couple with their daughters Sawyer and Quinn; and the exterior of the 3,100-square-foot property. Below, the open-plan kitchen and family room.



offers "urban farmhouse" as an design option for a new development, Eisenhower Square in Alexandria, Va.

"A good 70% of homes we are building right now are urban farmhouses," says Greg Alford, owner of Alford Homes, a luxury home-building company in Dallas.

His company built a home for Justin Cohen, the owner of Kelli's Gift Shop Suppliers, a Carrollton, Texas-based wholesale supplier of specialty gift stores. His 6,900-square-foot home in the Preston Hollow neighborhood of Dallas is a compromise between his own modern taste and the more traditional style favored by his fiancée, Blair Sirockman. The five-bedroom property has white brick and clean lines on the outside, and farm-style details such as exposed beams, shiplap ceilings and Shaker-style cabinets on the inside.

A painter bleached the reclaimed wood on the range hood then stained it in a gray hue for a weathered look. Beams in the living room, create contrast and different ceiling heights.

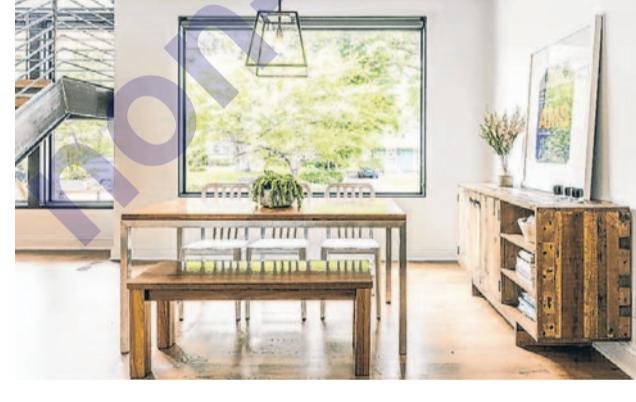
"It definitely adds more character and breaks things up," says Mr. Cohen, 35, who declined to say how much he paid for the house. Mr. Alford, the builder, says comparable homes sell for a range of \$250 to \$300 per square foot of living space.

Ted and Nicole Abramson's five-bedroom house in Minneapolis features the mix of urban and rural on its exterior. The 3,100-square-foot property consists of three parts: one with vertical clapboard siding and a slanted roof and one with a minimalist facade and a single-gabled, metal roof reminiscent of a small Midwestern farmhouse. Both are connected by a modern, steel paneled section with a flat roof.

"We wanted to create a home that blended an agrarian farmhouse vernacular with an urban townhome," says architect David Strand. The idea, he says, was to "make something current and relevant, yet make it



WOODSY A vanity with mirrors mounted on barn-door hardware, above, and a sideboard made with reclaimed wood, below.



more approachable." Around one third of Mr. Strand's projects have facets of a farmhouse.

Mr. Abramson, a 36-year-old senior vice president with CBRE, a commercial real-estate services and investment firm, and his wife, Nicole, 35, bought a 1950s ranch house for \$270,000 in 2009. Several years later, they razed it to its foundation and spent \$620,000 rebuilding it, a job that was completed in 2016. The inside of the house, where the Abramsons live with daughters Sawyer, 3, and Quinn, 2 months, plus their dog Rafa, now combines modern industrial and farmhouse design. While the stairs are factory-style metal, the ceiling in the main living space is made of light-brown wood. There are walls clad in shiplap, a farmhouse sink with a goose-neck faucet and a bathroom mirror on rustic barn-door rollers that slides sideways to reveal a window.

Says Ms. Abramson, a 35-year-old marketing consul-

tant: "Shiplap adds that rustic feel without pulling you too far from modern design."

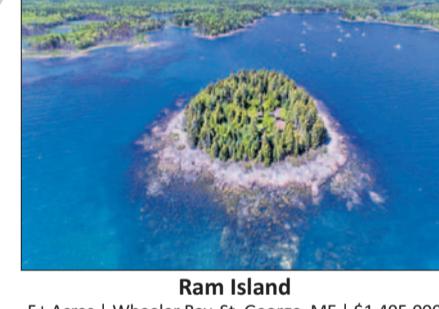
The farmhouse trend is driving demand for reclaimed wood. "Something a lot of people don't realize is that reclaimed wood is very tricky to find," says Cherami Thomas, owner of Urban Farmhouse Designs, an Oklahoma City company that sells furniture made of repurposed wood, most of it from the flooring of old railroad cars.

Ms. Thomas and her husband, Jason, started the business from their garage five years ago but now have 100 employees and recently expanded to Dallas. The trend is now "blowing up," she says, and will likely be around for a good 10 years.

Others fear the farmhouse look will fade. "I do worry about market saturation...it's starting to be commonplace," says Ms. Gabrielson, the interior designer. The next big trend, she predicts, could be "California cool," with bleached floors and warm, light-brown accents.

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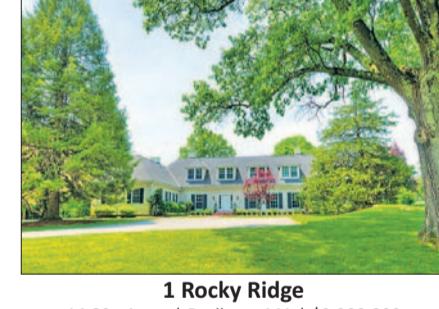
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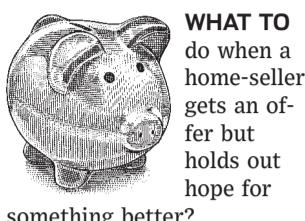
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MANSION

JUMBO JUNGLE | ROBYN A. FRIEDMAN

SEALING THE DEALING WITH A 'BUMP'

This negotiation strategy can help coax sellers to accept an offer with contingencies by allowing them to continue marketing a property



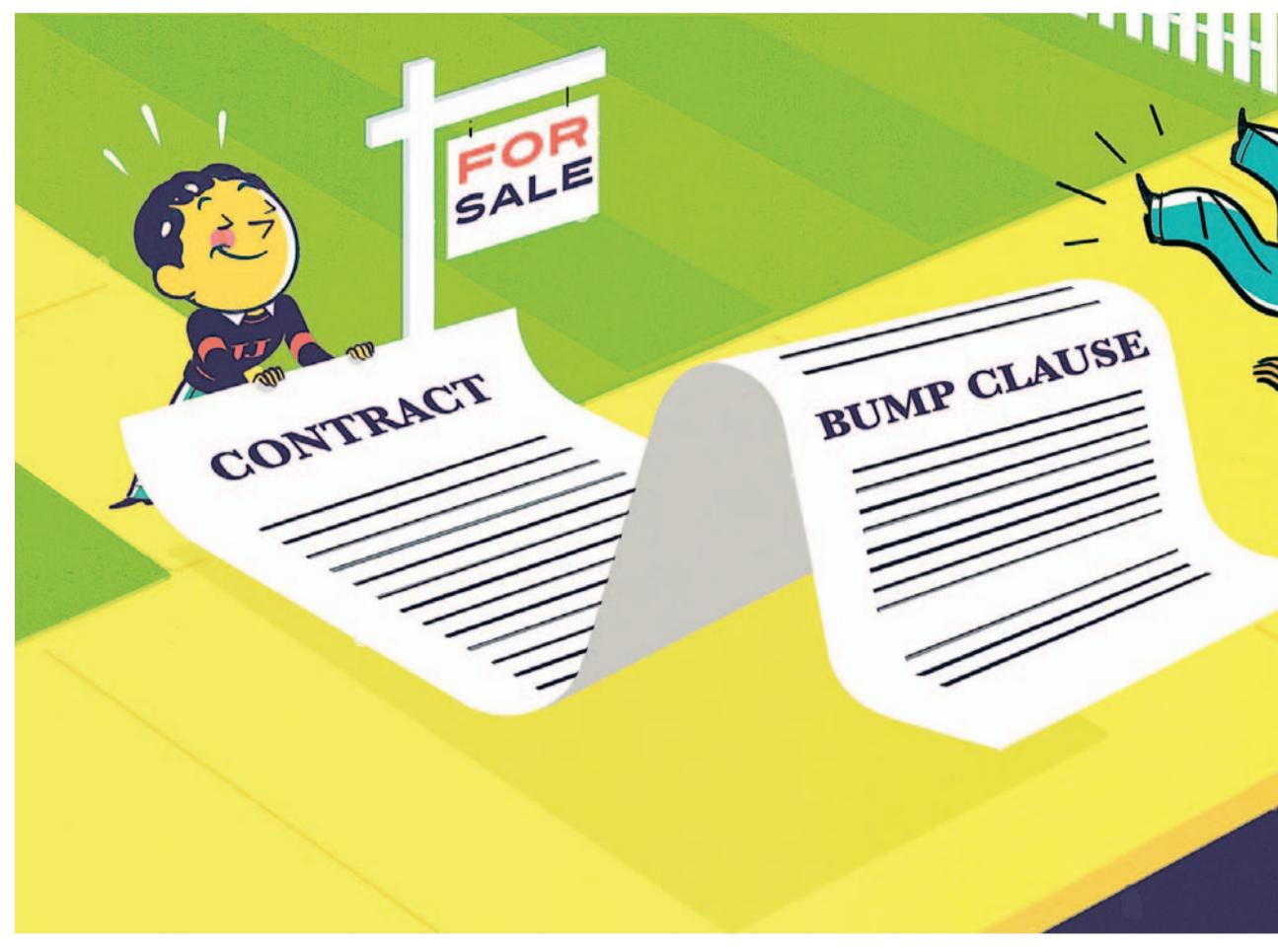
WHAT TO
do when a home-seller gets an offer but holds out hope for something better?

Enter the bump clause. A bump clause lets sellers enter into a contract with a buyer while still continuing to market the property. If the sellers get a better deal, they can "bump" the original buyer.

It's most commonly used when a buyer's offer has some contingency, usually that they need to sell their current home first. It can help coax the sellers into contract by offering them the ability to seek alternate buyers who don't have a home-sale contingency or who are offering higher prices.

The clause tends to become more popular in markets that are "transitional," where once-hot home sales are cooling but sellers haven't yet adjusted their expectations. The tactic can be "a savvy technique" to help the sellers feel they could still get a better offer, says David Reiss, a Brooklyn Law School professor who specializes in real estate.

If the sellers do get another written offer they want to take, they must notify the original buyer. The buyer then typically has a few days to tell the seller they've sold their house, or that they've decided to waive the contingency. If not, the original contract terminates. The original buyer gets back the money they put down, and the sellers enter into contract with



second offer is at least as strong as the first, which means looking deeper than price and contingencies. The new buyers may have poor credit, for example, and be less likely to obtain a mortgage. "It's a bird in the hand," says Mr. Reiss. "If they walk away and are

The clause is more popular in transitional markets, where once-hot home sales are cooling but sellers haven't yet adjusted their expectations.

stuck negotiating with a second offer that's weak, they could end up with nothing."

For buyers:

- **Don't make a hasty decision.** Buyers who receive notice that there is a secondary offer may have only a few days to agree to waive a home-sale contingency, or face losing the deal. Unless they're confident that their own home will sell, buyers should be careful about waiving the contingency. They risk losing the money they put down on the contract if they can't proceed with the purchase.
- **Use it as leverage.** Since the house is already under contract, a seller can use the clause as a negotiating tactic with any other buyers that show interest. The seller can try to get the other buyers to outbid the current price or negotiate a contract without contingencies.
- **Don't get greedy.** If the seller receives a second offer, he may be tempted to "bump" the first buyer and sell to the second. But sellers should make sure the

Here are some things to consider with bump clauses.

For sellers:

- **Use it as leverage.** Since the house is already under contract, a seller can use the clause as a negotiating tactic with any other buyers that show interest. The seller can try to get the other buyers to outbid the current price or negotiate a contract without contingencies.
- **Pick an experienced negotiator.** Find someone who is familiar with bump clauses. An agent needs to not only be familiar with the mechanics of how the clause works but also be able to establish a rapport with the listing agent and allay the seller's fear of accepting the contingency.

the new buyer.

The sellers can only keep marketing the property until the buyers satisfy or waive the contingency. So once the buyers notify the seller they've sold their existing home, the seller's right to market the property ends.

Rebekah Carver, a real-estate broker with Douglas Elliman Real Estate in Brooklyn, N.Y., says Brooklyn has been a hot market for a long time, and bump clauses haven't been common. But now she's representing buyers on a deal where the seller had resisted signing a contract

with a home-sale contingency, even though the property had been on the market for about six months. Ms. Carver offered the bump clause to try to put the seller's mind at ease.

In general, the bump clause can "give the seller some sense of security and comfort," says Ms. Carver. The bump clause can be proposed by either the buyer's or seller's side, but is often offered by the buyer's agent as a way to get the seller to accept a contingency.

Robin Sheridan, a real-estate broker with Realogics

Sotheby's International Realty in Seattle, says that when she is representing a seller facing a home-sale contingency, Ms. Sheridan often does her own due diligence. "I want to be certain the other property is one that will sell quickly," she says. "I vet the buyers via their lender and ensure all their ducks are in a row to navigate the two nearly consecutive transactions. Knowing the bump clause is a possibility is comforting to a seller, but most of my clients remain firmly committed to the contract in hand."



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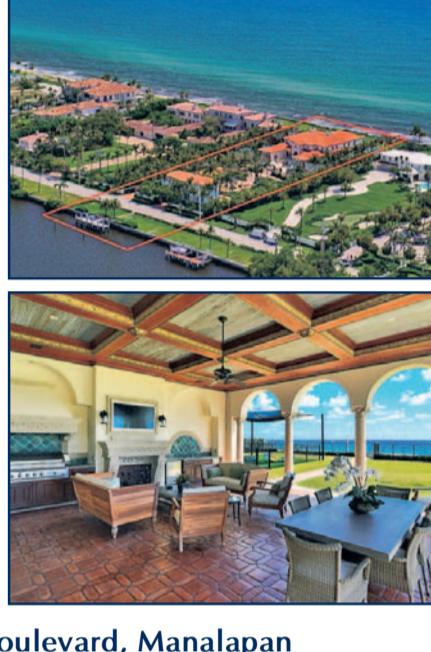
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MANSION

PRIVATE PROPERTIES

Connecticut Equestrian Compound Cut 40%

A Connecticut equestrian compound owned by the wife of late railway executive Hunter Harrison is returning to the market for \$33 million, or 40% off its original asking price.

Known as Double H Farm, the approximately 87-acre property first came on the market in 2014 for \$55 million. The home was taken off the market last October, according to listing agents Ingrid Hess and Krissy Blake of Sotheby's International Realty.

Located about an hour from New York City in Ridgefield, Conn., the compound sits on a former dairy farm and comprises three family homes, including one dating back to the 1700s. There is also a pool and tennis court, two barns, a 3½-acre Grand Prix jumping field, outdoor and indoor riding rings, and grass paddocks.

The barns have radiant-heated aisles, and there is an equine treadmill. Ms. Hess said the property is "like a Four Seasons spa for horses."

The over 12,000-square-foot main house has five bedrooms. There is also a media room, a seven-car garage, a wine cellar and a golf room with a putting green and a golf simulator. Mr. Harrison would access the golf room via a hidden stairway in the master bedroom, Ms. Hess said. She added that the property has development potential, should a new owner wish to build additional structures.

Mr. Harrison, who was known for turning around the fates of struggling railroad companies, died in December 2017 at 73.

The listing agents said that the home was Mr. Harrison's passion and that his wife, Jeannie Harrison,



STEVE ROSSI (2)



is spending more time at her other homes across the country. Ms. Harrison wasn't available for comment.

The Connecticut luxury home market has slowed over the past year. The median price for a luxury home in Fairfield County—categorized as the top 10% of sales—dropped by 6.9% year-over-year in the first quarter of 2018, according to data from appraisal firm Miller Samuel.

—Katherine Clarke

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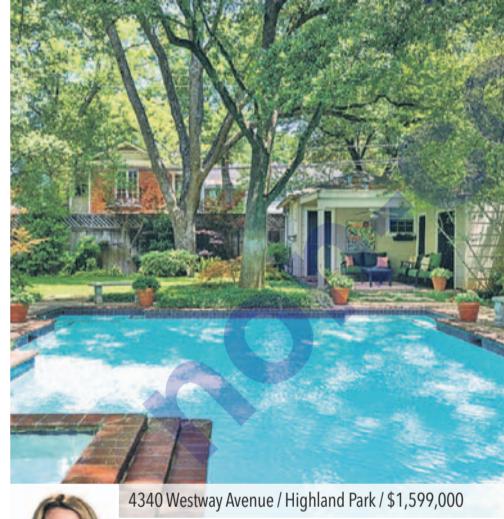


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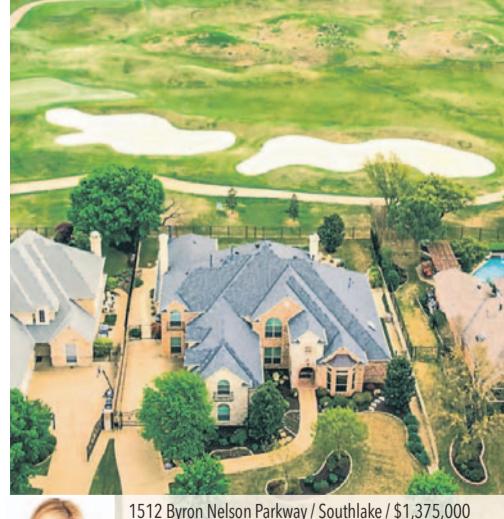
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FROM MY PERSPECTIVE

The Ones That Do It Right

One of the many terrific things about being a business in North Texas is the many other businesses that just do it right.

Southwest Airlines is at the top of most lists — first as the little engine that could and now as an undisputed industry leader. The Love Field-based company has long lines of loyal customers who “luv” that airline.



And then there is the Dallas Cowboys, on and off the football field. As a brand, it has endured for decades while expanding in enviable fashion, led by owner Jerry Jones, his daughter Charlotte Jones Anderson — the company's executive vice president and chief brand officer — and more of the best minds in the business. If you haven't visited the Cowboys' latest venture, The Star, in Frisco — not only the team's world headquarters but also an entertainment district of its own — I urge you to see what the buzz is about.

Carl Sewell has built an auto-dealership empire around the smart idea of building “customers for life,” which should be a goal for every business. Just one of Carl's famous 10 commandments? “When the customer asks, the answer is always yes.”

With its fascinating niche products and unique employee-centric point of view, The Container Store routinely tops lists of best places to work in North Texas.

Developers and investors Tim Headington and Bill Hutchinson, of the Headington Companies and Dunhill Partners, respectively, are making significant strides in developing downtown Dallas and the Design District — which is attracting all kinds of residences, retail and restaurants. And businessman Mike Hoque, with his Hoque Global, has ambitious expansion plans beyond his many downtown restaurants that could further cement Dallas' rank as a world-class city. Harlan Crow is another unique case: His transformational development of the Old Parkland hospital and its grounds as a premier office-space campus is among the finest I have ever seen.

These companies are special in their own ways — distinctive examples that deserve our admiration. But what they have in common is a dedication to values, customers and employees — a great reason to appreciate them all, and to swell with pride when saying they are based in North Texas.

ROBBIE BRIGGS, president and CEO
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MANSION

ELEMENTS

YOUR OWN PRIVATE ISLAND

Having a free-standing counter in the kitchen is still popular with many homeowners, but home cooks demand good looks and functionality

KITCHEN ISLANDS, like some geographical islands, can be fraught zones, dividing spaces and sometimes homeowners over what to do with them. Are they places for homework or for kitchen-related tasks only?

"The kitchen island has be-



A ROLLING PARTY

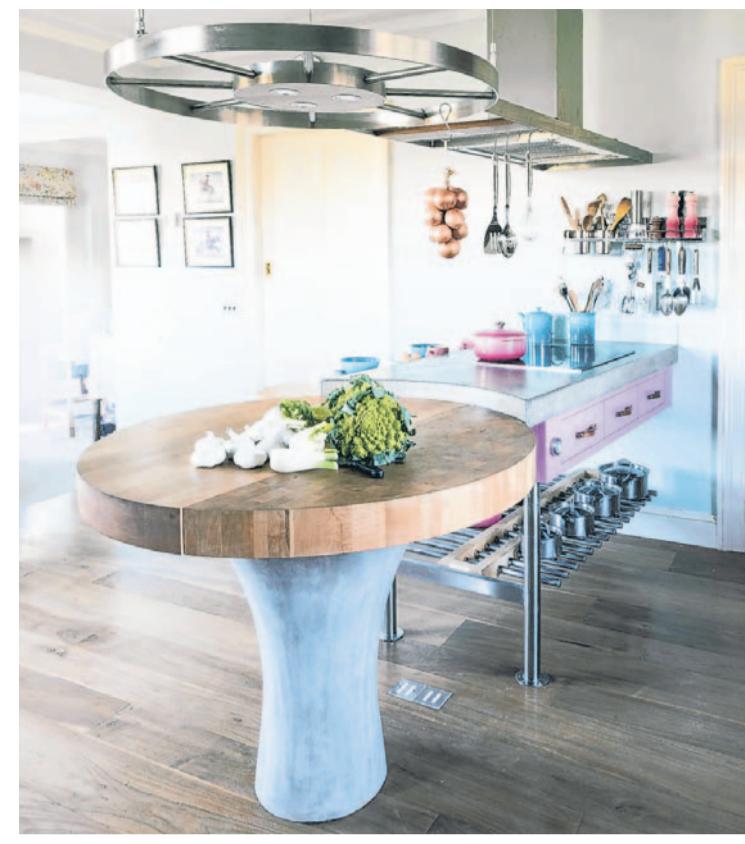
Desai Chia Architecture in New York City created an island that is a custom trolley. It is designed to give owners flexibility in use. Individual storage carts on wheels can be parked under the stainless-steel table, then deployed to various corners of the room as minibuffets or drink stations during parties. The stainless-steel table can be moved as well. The trolleys, which can store dishes, are made of stained white oak and have locking casters so they can be fixed in place, says architect Katherine Chia.

Price: About \$20,000

come the main gathering place, not just in the kitchen, but the entire home," says Veronika Miller, CEO of Modenus Media and a kitchen designer.

These islands have unusual design and functionality.

—Karen Bruno



ALEXA, LOWER THE COUNTER!

The rounded table-like end section of a custom island by English kitchen designer Johnny Grey goes up and down with the push of a button, and can be rigged to respond to voice commands. With a hand-cast, concrete stem and a butcher-block counter, it becomes a place to serve drinks when raised, or to chop food while sitting down when lowered. The peninsula part of the island is a slim 4 feet wide, making all corners accessible and easy to clean.

Price: About \$16,000, excluding the overhead rack and appliances.

HIGH STYLE

A zigzag-shape island from Belgium kitchen manufacturer Obumex has light-reflecting bands of solid copper or brass, brushed oak cabinetry and a black lava-stone countertop. French interior designer Bruno Moinard said he intended the piece to be part of a room's décor. "Copper connects brushed woods with alternating grains that highlight the unorthodox island form," he said.

Price: \$34,000, excluding appliances



CABINET OF CURIOSITIES

This solid mahogany museum-cabinet island from London-based Retrouvius Reclamation & Design was made by a leading Victorian cabinet maker, originally for showing collections. Today, the piece still houses a collection—in this case the London owners' antique snuff boxes—but it has been retrofitted for kitchen amenities, including a dishwasher. A mirror is added to the back of the interior "as a way to bring a reflective surface into the room in an unexpected way," said Retrouvius owner Nicholas Hughes. The counter is made of salvaged iroko wood from high schools.

Price: Retrofitted unit costs about \$6,600



Tales of Home In Alabama

Continued from page M1

wood-frame house was about 10 minutes from Jacksonville, where we went to the doctor and dentist. Our bathroom was out back.

Momma was almost 6 feet tall and blonde, like a Viking shield-maiden. She slept on a couch in the living room while my grandmother lived in one room and I lived in the other with my brothers.

My father, Charles, had been a Marine in the Korean War. Daddy was haunted by the war, but he was more haunted by liquor. When he was sober, he was bored. When drunk, he was mean. Either way, he was rough. So rough that when I was 6, momma gathered us up and left him. He was fine with that. I saw my father maybe two dozen times my whole childhood. Eventually, he drank himself to death.

My brother Sam was three years older than me, and Mark was three years younger. We fought a lot. Sam was incredibly strong. Mark was just mean. I'd always rather fight Sam. After he pinned you, it was over. Mark would wait days to get even.

Momma was a cook at Red's, a roadside restaurant about a half-hour south of us. For extra income, she took in laundry and ironing, cared for older folks and cooked meals for people. She also picked cotton.

Momma was loving and caring. When Sam did something wrong, he ran. But she could run him down. Before she reached him, though, he'd fling himself to his knees and start praying. Momma would walk away disgusted. "How can you beat a child when he's trying to get right with God?" she'd say aloud.

I learned to tell a story listening to my many relatives. They'd invent stories from the woods. All their stories involved possums and rabbits and bears.

We didn't have anything in common with some kid in lederhosen running from a troll. But we knew what a possum and a bear looked like. There was always a lesson in those stories.

My mother was a great story-



STORYTELLER Rick Bragg in his home office, above, and visiting his mother, Margaret, below. Below left, from left to right: his grandmother, Ava Bundrum, his brother, Sam, Rick Bragg, and his cousin Jeffrey Fair, in Florida in 1965.



teller. Her ability hinged on timing and plenty of heart. She also understood irony. You have to hear what you tell, she'd say.

She never wrote down her recipes. Many of them date back before the Civil War. She cooked using what she witnessed. She cooked for ghosts and had their memories at her elbow.

I never helped my mother cook in our kitchen. My brothers and I were too nasty to be allowed in there. We were usually covered in red dust and swamp slime from playing outside. My mother also didn't like an audience in the kitchen. She'd sing country songs she had learned from her parents' record collection.

Several years ago, I decided to

ask her to tell me as many stories about our family as she could remember. I also asked her to share her recipes. That was hard, because she didn't talk in terms of tablespoons, cups and pounds.

I learned there's a difference between a dab and a dob. "A handful" and "a good handful" are different, too. And "just some" has its

own meaning. All of which had to be translated.

Through the process, I learned that her cooking, like her stories, was about patience and knowing instinctively when something is done.

Today, I live near my momma in Calhoun County. My house is a red-cedar cabin on the land where my grandfather used to make moonshine.

I wanted to care for momma after she had a bout with cancer. I bought her 40 acres with a redbrick house on a hill. She's 81 now, and someone is always looking after her.

The thing I treasure most of hers is a grocery list she gave me. I've bought her groceries for the past four years. The list includes rag bologna, fatback, collard greens, turnips and "a decent tomato." At the very end, she wrote, "Get me some candy. And God bless you."

I keep that list in my desk drawer at home. I don't even like to think of a world without my momma in it.

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