

THE WALL STREET JOURNAL.

DOW JONES | News Corp *****

WEDNESDAY, JULY 11, 2018 ~ VOL. CCLXXII NO. 8

WSJ.com

★★★★ \$4.00

DJIA 24919.66 ▲ 143.07 0.6% NASDAQ 7759.20 ▲ 0.04% STOXX 600 386.25 ▲ 0.4% 10-YR. TREAS. ▼ 4/32, yield 2.873% OIL \$74.11 ▲ \$0.26 GOLD \$1,253.80 ▲ \$4.30 EURO \$1.1745 YEN 111.00

What's News

Business & Finance

Corporate earnings are poised to extend a run of double-digit growth for the second quarter, providing balm for the stock market. **B1**

◆ **U.S. stocks rose** as investors looked ahead to earnings season. The Dow added 143.07 points to 24919.66. **B13**

◆ **Morgan Stanley elevated** top trading executive Pick, who is seen as a favorite to eventually succeed Gorman as the firm's CEO. **B1**

◆ **Pfizer said** it will defer some recent drug-price increases, reversing course after Trump criticized the pharmaceutical company. **B1**

◆ **Tesla will build** a factory in Shanghai, a move likely to boost its sales in China, the world's largest car market. **B1**

◆ **WPP said** former CEO Sorrell has jeopardized his right to share awards valued at around \$26.5 million. **B1**

◆ **The EU is expected** to find that Alphabet's Google illegally abused the dominance of its Android operating system and levy a hefty fine. **B4**

◆ **Xiaomi shares rose** 13%, as the prospect of rapid inclusion in key indexes helped make up for a tepid debut. **B13**

◆ **PepsiCo's beverage** sales in North America fell, but the company's snack business helped it post a slight gain in revenue. **B3**

◆ **Several major stockholders** of an affiliate of Dell have misgivings about a bid to buy them out. **B8**

◆ **The SEC charged** the former chief executive of fintech company Heartland with insider trading. **B12**

World-Wide

◆ **The White House said** it would assess 10% tariffs on a further \$200 billion in Chinese goods, deepening the dispute with Beijing, while sending a message to other trading partners that the U.S. won't back away from trade fights. **A1**

◆ **Trump again criticized** allies over their military spending as he kicked off a European trip that begins with a NATO summit. **A6**

◆ **Kavanaugh launched** his courtship of the senators who will determine whether he ascends to the Supreme Court, the first salvo of the summer's fiercest political battle. **A1, A4**

◆ **Divers freed** the last of 12 boys and their soccer coach from a flooded cave in northern Thailand, capping a daring rescue mission. **A1**

◆ **A federal judge ordered** the Trump administration to quicken its efforts to reunite migrant toddlers and infants with their parents. **A3**

◆ **Most of the funding** for an Affordable Care Act outreach program is being cut by the administration. **A3**

◆ **Trump pardoned** two ranchers convicted in 2012 of arson on federal lands where they had grazing rights for their cattle. **A3**

◆ **China allowed** the widow of Nobel Peace Prize laureate Liu Xiaobo to leave for Germany, nearly a year after his death. **A16**

◆ **Republican officials** were finalizing arrangements to bring the party's 2020 convention to Charlotte, N.C. **A5**

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The last four Thai Navy SEALs emerge from a cave in Thailand Tuesday after finishing a mission to rescue 12 trapped boys and their coach.

Daring Rescue Ends With All Alive

MAE SAI, Thailand—Divers freed the last of 12 young soccer players and their coach from a dark, flooded cave in northern Thailand on Tuesday, capping a daring international rescue mission watched around the world.

By Jake Maxwell
Watts, Phred Dvorak
and Wilawan
Watcharasakwet

The effort united a diverse team of global experts in the fields of emergency rescue and cave diving for one of the most challenging operations of its kind ever performed.

Thai Navy SEALs said they guided the last group of four boys and their coach to safety from the depths of Tham Lu-

ang cave after more than two weeks underground, joining the other eight boys who were rescued on Sunday and Monday.

News of the evacuation echoed across the globe—with President Donald Trump calling it “a beautiful moment”—and drew cheers from hundreds of local residents and reporters near the site.

“We have been praying at so many temples for this,” said Songkran Somboonchote, a friend of the team’s coach who closely followed live television broadcasts of the rescue.

The operation’s success provides a lift for a ruling military junta that has long been criticized for repeatedly putting off elections following a 2014 coup. Thai authorities quickly welcomed a broad range of

“We have been
praying at so
many temples
for this.”

Songkran Somboonchote,
friend of rescued coach

help from all corners.

The cast of volunteers included divers from the Australian Federal Police, British divers who have carried out multiple European rescues, U.S. Air Force survival specialists, oil company engineers and rock-climbing experts from southern Thailand. They were joined by scores of spelunkers

who flocked to Mae Sai within days of the news that the soccer team was trapped by floods.

Among the complications in guiding out the 12 members of the Wild Boars soccer team through the twisting paths of a semi-submerged cave to the entrance more than 2 miles away was that none had scuba dived before and many couldn’t swim. They were removed one-by-one in staggered seven-hour journeys along a rope and with oxygen tanks and face masks, braving strong currents and squeezing through flooded spaces as low as 2 feet high.

“This cave...is so unpredictable that nobody dives in here. Period,” said Ben Reymenants,

a cave diver who participated

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China To Face New U.S. Tariffs

Levies planned for additional \$200 billion in goods as tit-for-tat trade fight escalates

By BOB DAVIS

WASHINGTON—The White House said it would assess 10% tariffs on a further \$200 billion in Chinese goods, deepening the dispute with Beijing, while sending a message to other trading partners that the U.S. won’t back away from trade fights.

The new round of tariffs—hitting products from fish to luggage—comes on top of two others and is bound to be met with threats of retaliation from Beijing, though U.S. Trade Representative Robert Lighthizer said he was open to talks with China about a resolution of the dispute.

“As in the past, the United States is willing to engage in efforts that could lead to a resolution of our concerns about China’s unfair trade practices and to China opening its market to U.S. goods and services,” he said in a statement.

Officials in both nations say there are currently no negotiations scheduled. Previous discussions between Treasury Secretary Steven Mnuchin and Chinese economic envoy Liu He didn’t come close to resolving the dispute.

The early reaction from Beijing was scornful. “The U.S. approach undermines the process of globalization and undermines the trade order,” said Li Cheng-gang, assistant minister of commerce, at a Beijing conference.

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◆ **Trump pressures allies** ahead of NATO summit.....A6

Kavanaugh Woos Senators as Battle Kicks Off



JUDGE BRETT KAVANAUGH, the president’s Supreme Court pick, arrived Tuesday for a meeting with Senate Majority Leader Mitch McConnell.

BY KRISTINA PETERSON
AND PETER NICHOLAS

Judge Brett Kavanaugh launched his courtship Tuesday of the senators who will determine whether he ascends to the Supreme Court, the first salvo of the summer’s fiercest political battle.

In their opening move, Republicans touted Judge Kavanaugh’s academic credentials and long record of decisions, while Democrats flagged concerns about how he could tilt the court to the right on health care, abortion and other polarizing issues.

Judge Kavanaugh walked up the steps of the U.S. Capitol next to Vice President Mike Pence before starting a marathon series of meetings with

individual senators that will stretch over several weeks.

Republicans have 51 seats in the 100-member Senate, but with Sen. John McCain (R., Ariz.) fighting brain cancer in Arizona, they are currently operating with 50 lawmakers to the Democrats’ 49. A simple majority is required to confirm the nominee, with the vice president able to break a tie. A handful of Democrats from states that supported President Donald Trump, a Republican, in 2016 are considered possible “yes” votes.

“Obviously, we want to have all Republicans on board because we’re going to need all Republicans on board,” Sen. John Thune of South Dakota, a member of Senate GOP leadership, said on Tuesday.

Judge Kavanaugh’s first stop, after being introduced by Mr. Trump at a White House ceremony Monday night to succeed retiring Justice Anthony Kennedy, was at the office of Majority Leader Mitch McConnell (R., Ky.), who already has shepherded one Supreme Court justice and more than 20 appeals court judges through the Senate since Mr. Trump took office.

Meanwhile, Sen. Chuck Schumer of New York, the chamber’s Democratic leader, and other Democrats warned that key positions supported by many in the party were at risk with Judge Kavanaugh’s

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◆ **Seven senators to watch in fight over nominee.....A4**

Your Steak
Will Be Served
—In 17 Years

* * *
Spanish rancher
calls long-lived
steers the tastiest

By OLIVER GRIFFIN

JIMÉNEZ DE JAMUZ, Spain—There are cows that eat only grass and roam free. There are Kobe cattle, whose muscles are massaged for months to tenderize the meat they eventually produce.

And then there are José Gordon’s oxen.

An animal lucky enough to be part of the restaurateur/rancher’s herd in northwestern Spain gets to laze about in mountain pastures redolent of thyme and other fragrant herbs. It is stroked with metal brushes. It might even get a pedicure.

Above all, unlike normal

Technology Spells End Of Roughneck Boom

Artificial intelligence and automation replace oil industry’s lucrative, blue-collar jobs

By CHRISTOPHER M. MATTHEWS

After 20 years in the oil-and-gas industry, Eric Neece was used to its booms and busts. He wasn’t surprised when he was laid off by GE Oil & Gas in Conroe, Texas, in 2015 after oil prices plummeted. He figured his job would come back when prices crept back up.

He was almost right. The work came back. But Mr. Neece’s former job as a well logger—measuring well conditions thousands of feet underground—was gone. Those duties are increasingly being handled by automation.

Technology has already transformed labor needs in most of the world’s manufacturing. It’s now upending the

energy business, foretelling the end for one of the last sectors in America where blue-collar workers could hold jobs paying six-figure salaries.

“Our industry has had a lot of people making \$150,000 out in the field,” said Kathryn Humphrey, who spent two decades at BP PLC before retiring from the company’s digital oil field program in 2013.

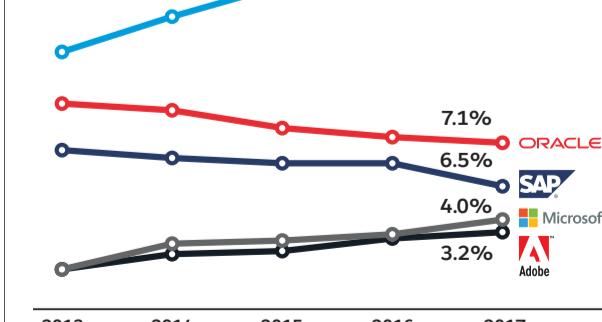
Those days are going away, she said.

For Mr. Neece, the changes could reduce the number of jobs he used to do by more than 25%, analysts said. Automated control systems can send commands to underground tools that capture data on a well’s geologic formations, flow rate and other variations.

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Salesforce. #1 CRM.

Ranked #1 for CRM Applications based on IDC 2017 Market Share Revenue Worldwide.



Source: IDC, Worldwide Semiannual Software Tracker, April 2018.

salesforce

salesforce.com/number1CRM

CRM Applications market includes the following IDC-defined functional markets: Sales, Customer Service, Contact Center, and Marketing Applications. © 2018 salesforce.com, Inc. All rights reserved. salesforce.com is a registered trademark of salesforce.com, Inc., as are other names and marks.

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U.S. NEWS

Reunions of Migrant Kids Going Slowly

Federal judge tells the Trump administration to move faster after it misses a deadline

A federal judge on Tuesday ordered the Trump administration to quicken its efforts to reunite migrant toddlers and infants with their parents, af-

By Sadie Gurman,
Shayndi Raice
and Arian Campo-
Flores

ter the government said it wouldn't meet an order that the judge called "firm deadlines, not aspirational goals."

Federal agencies said that by Tuesday they would be able to reunite adults with only 38 out of the 102 children under age 5 in the government's care. The administration separated the children and has been holding some since the spring, from their parents after the families crossed the border to enter the U.S., many illegally.

Department of Homeland Security officials said Tuesday that they would use monitoring tools including ankle bracelets to ensure that they maintained

contact with the released parents of young children.

Judge Dana Sabraw said the government should have been able to reconnect 63 eligible young migrant children with their families by day's end. He told the American Civil Liberties Union to keep tabs on the government's efforts and suggest punishment if attorneys believe officials are out of compliance.

Under a June court order, the judge told the administration to reunite the 2,000 to 3,000 detained children with their families following weeks of separation, with an early July deadline specifically for the youngest children.

Some of the remaining reunions of young children couldn't take place because the children's parents have criminal records, communicable diseases or have been deemed otherwise unfit, the government said. The judge ordered regular progress reports from the government and set another hearing for Friday.

The Justice Department had argued that a federal law designed to avoid putting children in the custody of human traffickers had slowed the process of reunifying families.



Ever Reyes Mejia held his 3-year-old son after being reunited at an ICE facility in Grand Rapids, Mich., on Tuesday.

Judge Sabraw told the government to rely on a more streamlined method to reunite separated families.

Advocates and agencies caring for the children described a last-ditch effort by the government to get the infants and toddlers reconnected with parents or adult sponsors. Travel arrangements presented hurdles. Information about where reunifications were happening was hard to come by.

The Tuesday deadline came after weeks of uncertainty over how the government would reunite the families. President Donald Trump signed an executive order in

June stopping his own administration's family separations under its "zero-tolerance" immigration policy.

On Monday, a judge in Los Angeles declined to consider changing a longstanding federal-court settlement that bars prolonged detention of immigrant children with their families. Scott Stewart, a Justice Department attorney, said he believed that court order, combined with the one ordering the children to be reunited by the end of the month, presented parents with a choice: Remain in custody after being reunited or agree to release the kids to authorities to be

placed with a sponsor.

Meanwhile, reunions were happening. Near downtown Grand Rapids, Mich., a car pulled up to a half-open garage in the back of an Immigration and Customs Enforcement facility, and two 3-year-old boys and a 4-year-old girl were quickly ushered out of the car to be reunited with their fathers. The children stayed inside the facility with their parents for about two hours.

One of the fathers, Ever Reyes Mejia, was reunited with his 3-year-old son after three months of separation, said his attorney, Abril Valdes, an immigrant-rights lawyer for the

ACLU in Michigan. Mr. Mejia claimed asylum after entering the U.S. through a legal point of entry in McAllen, Texas, his lawyer said. They were detained together at a facility until one night, when agents separated them, the lawyer said. Mr. Mejia declined to comment.

Ms. Valdes said the father was crying, hugging and holding his son. She said the son had been so traumatized that he had stopped speaking.

Mr. Mejia, being tracked by an ankle bracelet, is staying in Michigan for now with his son and will face a hearing in Detroit later this month.

Job Security Is a New Perk of Factory Employment

BY ERIC MORATH

A yearslong decline in the number of layoffs is providing a renewed level of job security to factory workers, who had seen their ranks thin since the late 1970s.

In the 12 months ended in May, the manufacturing sector accounted for 6.6% of all involuntary discharges in the U.S., according to the Labor Department data released Tuesday. That is down from 9.9% during the last economic expansion between 2001 and 2007.

The declining share of layoffs for the sector underscores a turnaround for manufacturing. During the last expansion, factories shed more than two million jobs, even as all other employers added workers.

Then, two million more manufacturing jobs were lost during the recession. But since 2010, the sector has added more than one million jobs.

Manufacturers say that in a tight labor market—the U.S. unemployment rate was 4% in June—they are motivated to hold on to existing workers.



The high-tech nature of many factory jobs makes employers hesitant about letting workers go.

"We've become much more careful about letting people go," said David Nicholson, chief executive of PVS Chemicals Inc., a Detroit manufac-

turer with 850 employees. "Most manufacturing jobs today are technology jobs. It takes a long time to train someone for that role, so

you're reluctant to let them go for what could be a short-term slowdown."

Manufacturing layoffs fell sharply from more than

broader involuntary discharges trending at near-record lows. Overall, 1.5 million private-sector workers were let go in May, the Labor Department said. That is just above a record-low level of layoffs recorded in late 2016.

Another proxy for layoffs—weekly applications for jobless benefits—have been at the lowest levels since the 1970s for more than three years, and continue to edge down.

The low overall level of layoffs is related to the stable but not spectacular rate of job growth since the recession ended in 2009, said Josh Wright, chief economist at ICIMS Inc., a recruiting software company.

"The upside of a cautious expansion may be less need to reverse course," he said. "Measure twice, cut once."

Manufacturing employment peaked in the late 1970s at nearly 20 million. The sector fell below 12 million by 2009, but has added jobs since.

—David Harrison contributed to this article.

Trump Grants Pardons To Oregon Ranchers

BY VIVIAN SALAMA
AND JIM CARLTON

WASHINGTON—President Donald Trump pardoned a pair of ranchers convicted of arson on federal lands where they had grazing rights for their cattle, a case that aggravated long-simmering tensions over land use in the Western U.S.

In a statement Tuesday, Mr. Trump said that "justice is overdue" for Oregon ranchers Dwight Hammond Jr., 76 years old, and son Steven Hammond, 49, adding that the Obama administration "filed an overzealous appeal that resulted in the Hammonds being sentenced to five years in prison."

An state jury convicted the Hammonds of arson on public lands in 2012. The Hammonds said they set the fires as preventive burns to protect their property, a tactic sometimes used in fighting wildfires. The government argued they set the fires in one instance to conceal illegal deer hunting.

At their sentencing, they argued that the five-year mandatory minimum prison term under federal law was unconstitutional. The trial court agreed and imposed sentences well below what the law required based on the jury's verdicts. The Ninth Circuit Court of Appeals overturned the sentences, reasoning that "given the seriousness of arson, a five-

year sentence is not grossly disproportionate to the offense."

Supporters of the Hammonds reacted with jubilation Tuesday. "It is justice that is long overdue," said Ramona Hage Morrison, 54, a Sparks, Nev., ranching consultant.

Ms. Morrison said she and many other supporters of the Hammonds first began lobbying the White House for the pardons over a year ago.

Critics said the pardons could embolden antigovernment extremists. "President Trump is telling anti-public land zealots there are no consequences for undermining every American's birthright to our shared public lands and national parks," officials from the Western Values Project, an environmental group in Whitefish, Mont., said in a statement.

In 2016, outrage over the imprisonment of the ranchers helped spark a takeover of the Malheur National Wildlife Refuge in Harney County, Ore. Led by antigovernment activist Ammon Bundy, a group of ranchers and other activists held the refuge for 41 days.

The takeover ended after state and federal agents stopped a convoy containing Mr. Bundy and some of his followers. A federal jury later acquitted Mr. Bundy and six of his followers, although others were convicted of various charges related to the takeover.

Funds for ACA Outreach Are Slashed

BY STEPHANIE ARMOUR

Most of the funding for an Affordable Care Act outreach program is being cut by the Trump administration, a move announced late Tuesday that touched off an angry response from Democrats who called it another attempt to sabotage the health law.

The program, which provides money to outreach groups urging people to sign up for plans on the ACA exchanges, will get \$10 million in federal funding for the 2019 open enrollment period, according to the Centers for Medicare and Medicaid Services, which oversees implementation of the ACA. That is down from \$36 million in 2018 and almost \$63 million in 2017.

Groups applying for funds will also be encouraged to provide enrollment assistance for the new plans that don't comply with the ACA, a further weakening of administration support for the Obama-era health law.

The administration argues that organizations getting the funding have often failed to reach enrollment goals. Democrats and advocates of the ACA, however, say the cuts are an attempt by the administration to gut a program that is essential to ensuring robust sign-ups during open enrollment, which begins in November.

"This decision reflects CMS' commitment to put federal dollars for the federally-facili-



Federal officials say exchanges are now more familiar to Americans.

tated Exchanges to their most cost effective use in order to better support consumers through the enrollment process," said CMS Administrator Seema Verma in a statement.

The drop in funding for the outreach groups known as "navigators" illustrates the Trump administration's continuing push to roll back support of the health law after Republicans in Congress failed to repeal the ACA.

brought by Republican state attorneys general.

"There shouldn't be anything controversial about helping people get the information they need to ensure they have affordable, comprehensive coverage, but the Trump Administration's health care sabotage clearly has no limits," Sen. Patty Murray (D., Wash.) said Tuesday in a statement.

Outreach groups enrolled less than 1% of the consumers who signed up on the federal exchanges during the 2018 open enrollment period, CMS said in a statement. During 2016-17, 17 of those navigators enrolled fewer than 100 people at an average cost of \$5,000 per enrollee. In addition,

nearly 80% of navigators failed to reach their enrollment goal.

CMS officials also said the need for navigators has waned because the exchanges have grown in visibility and become more familiar for Americans seeking health insurance.

About 12 million people signed up during the most recent open enrollment period, for coverage beginning in 2018. Enrollment has remained largely stable despite the efforts to curb the ACA. About 10.6 million of those people were signed up and paying premiums in February 2018, compared with 10.3 million who were signed up and paying premiums during the same time last year.

CMS said money will go toward grantees such as chambers of commerce, small businesses, trade associations and faith-based organizations. Typically the federal funds have been directed to community and state-based outreach groups.

"We call on members of Congress to provide a fast remedy to this situation and require funding for a robust, community-based enrollment assistance effort," said Frederick Isasi, executive director of Families USA, a nonprofit focused on health care.

Navigators are trained to help people signing up for health plans on the exchanges, and may assist with completing enrollment and application forms.

U.S. NEWS

Nominee's Past Provides Fuel for Debate

By JESS BRAVIN
AND BRENT KENDALL

WASHINGTON—The confirmation battle over Supreme Court nominee Brett Kavanaugh likely will look backward as much as forward. It will examine not only what his 12-year record on a federal appeals court suggests about his future votes, but also whether his enlistment in the political wars of the Bill Clinton and George Bush eras marks him as a partisan operative or an energetic patriot.

Senate Minority Leader Chuck Schumer (D., N.Y.), who years ago fought to keep Judge Kavanaugh from the U.S. Court of Appeals for the District of Columbia Circuit, drew a straight line from the 1990s to the present in floor remarks Tuesday.

"His judicial philosophy appears to spring from his history. Judge Kavanaugh was embedded in the partisan fights of the past few decades: the notorious Starr report, the Florida recount, President Bush's secrecy and privilege claims once in of-

and the Kremlin deny, Democrats signaled they would be looking to make an issue out of a law review article Judge Kavanaugh wrote in 2009. In it, he argued Congress should pass a law that would temporarily defer civil suits and criminal probes involving a president while in office.

The judge's supporters noted that he wasn't expressing a legal view that a president couldn't be investigated or indicted under current law—a legal question that remains unsettled—but instead that it wasn't a good idea as a policy matter.

"Like civil suits, criminal investigations take the President's focus away from his or her responsibilities to the people," the judge wrote in the Minnesota Law Review article.

The judge acknowledged his views were something of an about-face, given his integral role in the Whitewater investigation. "Looking back to the late 1990s," the piece says, "the nation certainly would have been better off if President Clinton could have focused on Osama bin Laden without being distracted by the Paula Jones sexual harassment case and its criminal investigation offshoots."

When it comes to Judge Kavanaugh's judicial record, many of the opinions that Democrats criticize are ones the GOP cites as evidence of the wisdom of President Donald Trump's pick.

Those opinions include an array of cases where Judge Kavanaugh, voicing concern about the constitutional separation of powers, has sought to limit the federal bureaucracy. Those include efforts by government agencies to use authority under longstanding laws to address new challenges in the face of congressional inaction.

That happened last year, when he dissented from the D.C. Circuit's decision to uphold Obama-era net neutrality rules by the Federal Communications Commission that required internet service providers to treat all online traffic equally. While the court's majority believed the FCC had the power to impose the rules, Judge Kavanaugh said Congress had never explicitly allowed it, despite years of debate.

—Jacob Gershman

contributed to this article.



High court nominee Brett Kavanaugh, center, spoke Tuesday with Sen. Mitch McConnell, left, Vice President Mike Pence, right.

Court Fight: Seven Senators to Watch

BY SIOBHAN HUGHES,
NATALIE ANDREWS
AND KRISTINA PETERSON

Senate Republicans have begun mapping out their strategy for getting President Donald Trump's Supreme Court nominee Brett Kavanaugh confirmed. With GOP Sen. John McCain expected to remain in Arizona where he is battling cancer, Republicans can't afford a single defector if Democrats stay unified against the nominee. The calculation becomes easier for Republicans if some Democrats, most likely centrists from red states, join in support. The following senators are expected to be pivotal.

Susan Collins (R., Maine)

Ms. Collins has a track record of bucking Mr. Trump when she disagrees with his nominees or policies, making her a potential force in the Supreme Court fight. Ms. Collins has said she is looking at whether a nominee respects precedent, and, in particular,

has emphasized that she views as settled law the 1973 Roe v. Wade ruling that recognizes abortion as a woman's constitutional right. But she has also said she won't apply an ideological test to a nominee. Ms. Collins said Tuesday that Mr. Kavanaugh has "impressive credentials and extensive experience" and she planned to conduct a "careful, thorough vetting" of the nominee.

Joe Donnelly (D., Ind.)

Mr. Donnelly, one of the three Democrats to vote for Justice Neil Gorsuch last year, is considered one of the most vulnerable Senate Democrats running for re-election this fall. In a statement Monday night, Mr. Donnelly said he would "carefully review and consider the record and qualifications of Judge Brett Kavanaugh."

Heidi Heitkamp (D., N.D.)

Ms. Heitkamp is under pressure from Republicans because she is running for re-election in a state that Mr. Trump won

by almost 36 points. As one of three Democrats who voted for Justice Gorsuch, Ms. Heitkamp has already been courted by Mr. Trump. Ms. Heitkamp said Monday evening that she plans to "fully vet" the nominee and won't "just take a partisan stance."

Joe Manchin (D., W.Va.)

Mr. Manchin is facing a tough re-election this fall in West Virginia, a state Mr. Trump won by 42 points. Along with supporting Justice Gorsuch's nomination, he also has backed several Trump administration cabinet nominees. Mr. Manchin said Tuesday that he liked Mr. Kavanaugh's name—but needed to do a "deep dive" into his record before he could make a decision.

Claire McCaskill (D., Mo.)

Ms. McCaskill is running for her third term in a state the president won by 19 points. To win, Ms. McCaskill is trying to appeal to Missouri's voters as an independent operator who

gets along with Republicans in a divided Washington. After the nominee was announced, Ms. McCaskill said she is looking forward to "thoroughly examining Judge Kavanaugh's record in the coming weeks."

Lisa Murkowski (R., Alaska)

Ms. Murkowski defied intense pressure from her party last year when she opposed the Affordable Care Act repeal along with Maine's Ms. Collins. But Mr. Trump easily won Alaska in 2016. Ms. Murkowski said Tuesday that she had "a lot of work to do" in reviewing Judge Kavanaugh's record.

Rand Paul (R., Ky.)

Mr. Paul is a regular thorn in the side of his Republican colleagues, who have become accustomed to Mr. Paul holding up their broader agenda in a bid to advance his libertarian principles. The senator tweeted that he planned to meet and review Mr. Kavanaugh's record "with an open mind."

Judge Kavanaugh dissented from the decision to uphold net neutrality rules.

fice, and ideological judicial nomination fights throughout the Bush Era," Mr. Schumer said.

But Republicans said Mr. Clinton's affair with a White House intern—which Judge Kavanaugh helped document in the report by Whitewater prosecutor Kenneth Starr that prompted Mr. Clinton's impeachment—was a serious transgression.

"A lot of that stuff is pretty stale now," a White House aide said Tuesday. "If we're fighting about whether there were weapons of mass destruction in Iraq in 2003, I think we're going to win."

There are some newer, more timely issues.

With special counsel Robert Mueller's looming investigation of whether the Trump campaign colluded with Russia, which both the White House



Brett Kavanaugh in 1996 with Kenneth Starr, who was independent counsel on the Whitewater investigation.



Mr. Kavanaugh, with President George W. Bush, after being sworn in on the U.S. Court of Appeals for the D.C. Circuit in 2006.

to do" in reviewing Judge Kavanaugh's record.

White House officials believe that Judge Kavanaugh will be crucial in making the sale to senators. They believe his record and persuasive skills will win over lawmakers who might be wavering.

"It's a marketing campaign, and we've got a great product," one White House official said Tuesday.

Around noon Tuesday, Judge Kavanaugh met with Sen. Chuck Grassley (R., Iowa), the chairman of the Senate Judiciary Committee, which will hold his nomination hearing later this summer.

Republicans have said they

hope to confirm Judge Kavanaugh in a time frame comparable to Mr. Trump's first pick, Justice Neil Gorsuch, who was confirmed in 66 days last year. The White House's aim is to win confirmation in time for Judge Kavanaugh when it joins in late September to review petitions for the new term.

But lawmakers said Judge Kavanaugh's long paper record may take longer for them to review. He served for the last 12 years on the appeals court, and before that was involved in controversial political work, including writing much of independent counsel Kenneth Starr's report that prompted

Path to the Cusp Of Supreme Court

1965 Brett Kavanaugh is born in Washington, D.C. His father headed a cosmetics trade association, and his mother was a Maryland state judge. He later attends Georgetown Preparatory School, overlapping with future Supreme Court Justice Neil Gorsuch.

1987 Graduates from Yale College.

1990-91 Clerks for appeals-court justices Alex Kozinski and Walter Stapleton, both appointed by President Ronald Reagan.

1992 Works as an attorney in the office of the solicitor general of the U.S., Kenneth Starr.

1993 Serves as a clerk for Supreme Court Justice Anthony Kennedy, whom he will eventually be nominated to succeed, working alongside future Justice Gorsuch.

1994 Joins team of Mr. Starr, then independent counsel, on the Whitewater investigation.

1996 In Heller v. D.C., Judge Ka-

vanaugh dissents in court's ruling upholding a D.C. law banning the sale of semiautomatic rifles in the city. In *Seven-Sky v. Holder*, Judge Kavanaugh dissents from the panel's decision upholding the constitutionality of the Affordable Care Act.

1997 Becomes a partner at law firm Kirkland & Ellis.

2001 Joins the office of the White House counsel, under future Attorney General Alberto Gonzales. Among his tasks is helping to select judicial nominees who had been carefully vetted for their commitment to the conservative legal agenda.

2003 Named staff secretary to President George W. Bush.

2003, 2005: Democrats block his nomination to the U.S. Court of Appeals for the District of Columbia Circuit, painting him as an ideological warrior rather than impartial jurist.

2006 Nominated by Mr. Bush a third time to the U.S. Court of Appeals for the D.C. Circuit and confirmed on a 57-36 vote. In his 12 years on the bench, he has become an increasingly prominent conservative voice, especially as older conservative judges have retired.

2011 In *Heller v. D.C.*, Judge Ka-

avanaugh dissents in court's ruling upholding a D.C. law banning the sale of semiautomatic rifles in the city. In *Seven-Sky v. Holder*, Judge Kavanaugh dissents from the panel's decision upholding the constitutionality of the Affordable Care Act.

2012 The appeals court, in an opinion by Judge Kavanaugh, tossed out a military tribunal's conviction of Salim Hamdan, a former driver for Osama bin Laden.

2014 In his dissent in *White Stallion Energy Center v. Environmental Protection Agency*, Judge Kavanaugh sided with members of the energy industry who challenged a regulation that required oil- and gas-fired power plants to reduce emissions of mercury and other pollutants.

2016 In *PHH Corp. v. Consumer Financial Protection Bureau*, Judge Kavanaugh, writing for the three-judge panel, sided with a mortgage lender challenging a \$109 million order issued against it by the CFPB.

2018 Nominated by President Donald Trump to the Supreme Court.

Source: U.S. Court of Appeals for the District of Columbia, WSJ research

ter the Justice Department said last month that it won't defend major provisions in the law, including the bans on insurers denying coverage and charging higher rates to people with pre-existing health conditions.

"That's just very, very concerning to me," Mr. Manchin said.

Looking to build coalitions outside Congress, the White House has been calling faith-based groups, local politicians and activists to try to build momentum for Judge Kavanaugh's nomination.

—Siobhan Hughes and Natalie Andrews contributed to this article.

U.S. NEWS

GOP Deal Close On Charlotte for 2020 Convention

BY MICHAEL C. BENDER
AND VALERIE BAUERLEIN

WASHINGTON—Republican officials were finalizing details on a deal to bring the party's 2020 convention to Charlotte, N.C., making a Southern city in a battleground state the site for President Donald Trump's expected nomination for a second term, people familiar with the selection process said Tuesday.

Party officials are also discussing the selection of a convention chairman, with David Bossie and Ronald Kaufman among the top

when the party nominated Barack Obama for the second time.

The Charlotte city council has scheduled a meeting for Monday to approve the deal, according to a person familiar with the decision. The vote is expected to prompt debate among the Democrats who control the council, the person said. A spokesman for the city didn't return a call seeking comment.

The Republican National Committee is scheduled to vote on the recommendation at its quarterly meeting this month in Austin, Texas. Mr. Kaufman, who is chairman of the party's site-selection committee, said in a statement released by the RNC that no official decision had been made.

"We are still in negotiations and talks continue with more than one city," Mr. Kaufman said. "Several steps remain before a city is selected."

Republican officials also discussed holding the convention in Kansas City and Nashville, one person said.

Mr. Trump has also privately expressed interest in holding the convention in Las Vegas, one of six U.S. cities with a Trump-branded hotel, people said. But the president's advisers were concerned about nominating the president, who has been accused of having affairs with a pornography performer and a Playboy model, in a town often referred to as "Sin City." The White House denies the affairs took place.

Trump advisers also cautioned that the Republican convention wouldn't dominate the spotlight in Las Vegas, which is visited by more than 40 million people every year.

Republicans familiar with the site-selection process said party officials have moved away from Las Vegas as the convention site and settled on North Carolina's most populous city as the top choice. Charlotte, one of the nation's pre-eminent financial centers, hosted the Democratic convention in 2012,

The North Carolina city is edging out Kansas City, Las Vegas and Nashville.

choices, according to people familiar with those talks. That decision rests with Republican National Committee Chairwoman Ronna Romney McDaniel.

Mr. Bossie was deputy campaign manager for Mr. Trump in 2016, and Mr. Kaufman is the party's national committeeman from Massachusetts. The two longtime Republican activists didn't return calls seeking comment on their potential selection.

Republicans familiar with the site-selection process said party officials have moved away from Las Vegas as the convention site and settled on North Carolina's most populous city as the top choice. Charlotte, one of the nation's pre-eminent financial centers, hosted the Democratic convention in 2012,



A new lobbying firm said Tuesday that former national security adviser Michael Flynn was joining, a claim his lawyers later denied.

Flynn Lawyers Deny New Job

BY JULIE BYKOWICZ

Hours after a new lobbying firm said it was joining with former national security adviser Michael Flynn, attorneys for the embattled Mr. Flynn said the deal was off and the notice had been released as a result of a "misunderstanding" among the participants in Stonington Global LLC.

"General Flynn has not joined Stonington and did not personally issue any public statement," Mr. Flynn's attorneys Robert Kelner and Stephen Anthony said in a statement Tuesday. "He was aware that a statement was being drafted, but he did not intend that it be issued at this time."

Mr. Flynn is awaiting sentencing for lying to federal investigators. His December guilty plea grew out of special counsel Robert Mueller's investigation into Russian interference in the 2016 U.S. presidential election. He agreed to cooperate with prosecutors and

faces up to six months in jail. Nick Muzin and Joey Allaham told The Wall Street Journal on Tuesday that they had started their firm with Mr. Flynn. They also launched a Stonington website and promotional video Tuesday.

"We cannot comment on General Flynn's considerations about the timing of the announcement, but we have faith in his patriotism and long history of service to our country," Messrs. Muzin and Allaham said after Mr. Flynn's lawyers issued their statement. "We look forward to working together."

Mr. Flynn was back in court Tuesday for the first time since his guilty plea, as U.S. District Judge Emmet Sullivan asked for an update on where the legal teams stand on his sentencing. The judge didn't set a sentencing date. He is scheduled to receive an update on the case from prosecutors and Mr. Flynn's lawyers by Aug. 24.

Stonington Global will provide consulting and lobbying

services for U.S. and foreign clients, Messrs. Muzin and Allaham said in a statement. The firm also will "help private investors and sovereign wealth funds develop and execute investment strategies." Mr. Flynn was to serve as its director of global strategy.

The firm hasn't announced any clients.

Neither man knew Mr. Flynn, they said, but Mr. Allaham approached him about joining the firm because "his experience speaks for itself."

"I said to him, your life should not be stopped," Mr. Allaham said. "He has experience all over the world. He can do a lot for us. We are very lucky to get a man like that."

Messrs. Muzin and Allaham declined to comment on Mr. Flynn's legal issues but said they are confident he would be a valuable and ethical member of their firm.

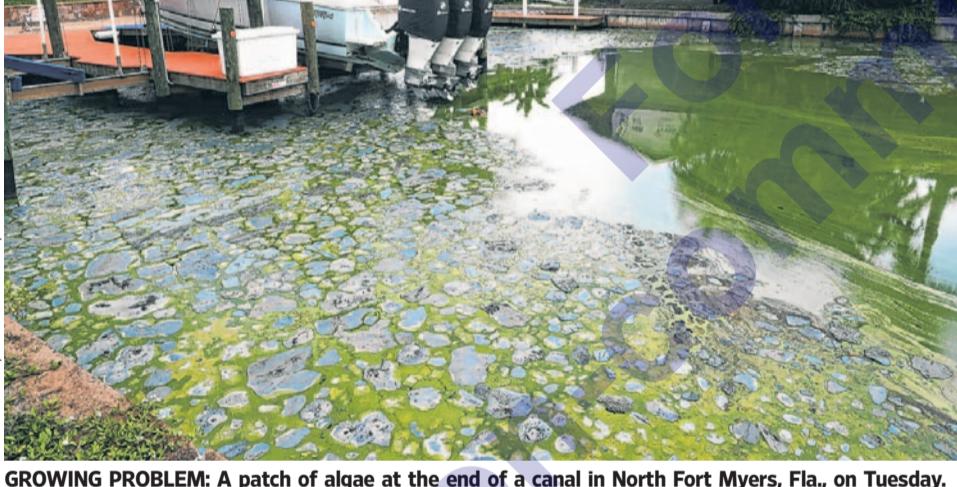
A retired Army lieutenant general, Mr. Flynn was an intelligence officer who took over

the Pentagon's military-intelligence operation. While serving as director of the Defense Intelligence Agency under then-President Barack Obama, he fell out with his superiors as he pushed for a harder line on the U.S. approach to Afghanistan and an evolving al Qaeda threat. He was forced into early retirement in 2014 and later began working with President Donald Trump on the campaign trial.

After his election, Mr. Trump named Mr. Flynn national security adviser. He served in the job just 23 days before being forced out by Mr. Trump, who said Mr. Flynn had lied to Vice President Mike Pence about the topics he discussed with Moscow's ambassador a month before the inauguration. Mr. Flynn had assured Mr. Pence that he didn't discuss the Obama administration's sanctions on Russia for interfering in the election.

Mr. Flynn pleaded guilty in December to lying about those conversations in interviews with federal investigators.

Algae Plague Florida Waterways



GROWING PROBLEM: A patch of algae at the end of a canal in North Fort Myers, Fla., on Tuesday. Blue-green algae have been flowing through canals in the state.

U.S. WATCH

WASHINGTON

Lawmakers Press Alphabet on Privacy

Lawmakers requested answers from Alphabet Inc. on Tuesday about privacy questions surrounding its Gmail service.

A letter from Senate Commerce Committee Chairman John Thune (R, S.D.) and two subcommittee chairmen asked Larry Page, Alphabet's CEO, to explain the practice of allowing third-party app developers to scan email. The practice was revealed in The Wall Street Journal.

"Ensuring the privacy and security of our users' data is of the utmost importance," a spokeswoman for Alphabet's Google said. "We look forward to answering the committee's questions."

Concerns include revelations that Facebook Inc. user data was shared with Cambridge Analytica, a firm that had ties to the Trump presidential campaign. Tuesday, the U.K.'s privacy watchdog said it intends to fine Facebook £500,000 (\$663,000).

"As we have said before, we should have done more to investigate claims about Cambridge Analytica," said Facebook Chief Privacy Officer Erin Egan. A Cambridge Analytica spokesman has said the company didn't use Facebook data collected by a professor during the presidential election.

—John D. McKinnon and Douglas MacMillan

NORTH DAKOTA

Tornado Hits City, Injures 28 People

More than two dozen people were hurt, at least three critically, when a tornado whipped through a northwestern North Dakota city overnight, overturning recreational vehicles, officials said Tuesday.

The storm moved through Watford City shortly after midnight, hitting an RV park the hardest, according to sheriff's officials. About 20 of the 28 people injured were staying at the Prairie View RV Park where high winds overturned some campers and damaged mobile homes.

—Associated Press

WISCONSIN

Milwaukee Settles Stop-and-Frisk Suit

Milwaukee officials agreed to pay \$3.4 million to settle a lawsuit alleging its police department had officers target black and Latino residents without probable cause through a "stop-and-frisk" policy.

The Milwaukee Common Council approved the settlement Tuesday and Mayor Tom Barrett is expected to sign it.

The American Civil Liberties Union of Wisconsin sued the department last year on behalf of

a half-dozen people who said they were stopped once or multiple times since 2010.

—Associated Press

WASHINGTON

Senate Panel Backs VA Nominee Wilkie

A Senate panel voted Tuesday to approve President Donald Trump's nominee to lead Veterans Affairs.

The Senate Veterans Affairs Committee agreed on voice vote to back Robert Wilkie, a Pentagon undersecretary. Sen. Bernie Sanders (I, Vt.) cast a "no" vote.

Mr. Trump selected Mr. Wilkie for the post in May after ousting former VA Secretary David Shulkin.

—Associated Press

MASSACHUSETTS

Stranded Dolphins Rescued in Cape Cod

Nine stranded dolphins were rescued and released back into the ocean at Herring Cove Beach in Provincetown on Tuesday afternoon.

The International Fund for Animal Welfare, which conducted the rescue, said 12 Atlantic white-sided dolphins were found stranded in a marshy area in Wellfleet earlier in the day. Three of them died.

—Associated Press

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WORLD NEWS

Trump Pressures Allies Ahead of Summit

As he heads to NATO gathering, president pushes leaders on military spending, trade

By REBECCA BALLHAUS

President Donald Trump leveled fresh criticism against allies over their military spending as he kicked off a seven-day tour through Europe that begins with a NATO gathering and ends with a summit with President Vladimir Putin aimed at resetting U.S. relations with Moscow.

The trip will showcase two foreign-policy thrusts of the administration: Mr. Trump's contention that the U.S. has been unfairly treated by its European allies on trade and security, and his interest in improving relations with Russia, despite Moscow's efforts to divide the West and meddle in elections in the U.S. and across Europe.

It also comes on the heels of a similar one-two combination last month that European allies and some U.S. officials say they are loath to repeat: a contentious meeting in Quebec with members of the Group of Seven, including the major European powers, followed by a Singapore summit between Mr. Trump and North Korean leader Kim Jong Un.

"The European Union makes



President Donald Trump and his wife, Melania Trump, arrived in Brussels on Tuesday.

it impossible for our farmers and workers and companies to do business in Europe (U.S. has a \$151 Billion trade deficit), and then they want us to happily defend them through NATO, and nicely pay for it. Just doesn't work!" Mr. Trump tweeted Tuesday as Air Force One made its descent into a World Cup-gripped Belgium.

The European Union had earlier Tuesday issued a stark rebuke to Mr. Trump's recent criticisms, warning the U.S.

against undermining the trans-Atlantic alliance a day before the North Atlantic Treaty Organization summit. "Money is important, but genuine solidarity is even more important," European Council President Donald Tusk said. "America, appreciate your allies, after all you don't have that many."

Europeans say Mr. Trump's understanding of trans-Atlantic economic relations is based on an incomplete and dis-

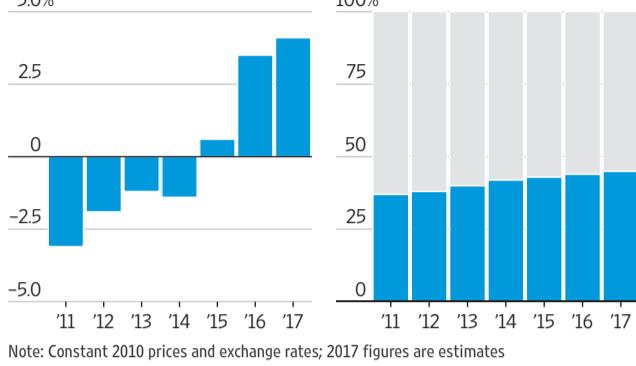
torted use of the data. They complain his assertion that Europe has a \$151 billion trade surplus with the U.S. counts only goods, ignoring, among other things, his own government's estimate of a \$51 billion surplus in services.

The two-day NATO summit opens Wednesday in Brussels, where Mr. Trump is expected to hold a single bilateral meeting, with NATO Secretary-General Jens Stoltenberg. On Thursday afternoon, he will

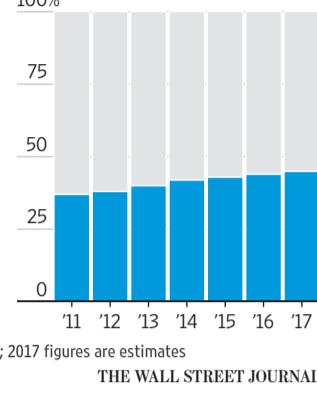
Arming Slowly

European military spending is rising, but remains small compared with that of the U.S.

NATO Europe defense spending, change from previous year



NATO Europe spending as a share of U.S. spending



Note: Constant 2010 prices and exchange rates; 2017 figures are estimates

Source: NATO

THE WALL STREET JOURNAL.

travel to London for meetings with U.K. Prime Minister Theresa May and an audience with Queen Elizabeth II, before heading to Scotland to prepare for Monday's summit in Helsinki with Mr. Putin.

Within the Trump administration, officials are divided over how to approach the NATO summit. Since his inauguration, Mr. Trump has criticized NATO allies for not meeting their defense-spending commitments.

Some U.S. officials, including national security adviser John Bolton, are pushing for Mr. Trump to continue to ramp up pressure on allies, at

the risk of straining relationships amid a brewing trade fight. The EU last month began imposing duties on a range of American products in retaliation for separate U.S. curbs imposed on steel and aluminum.

Others in the administration are eager to see unity ahead of the summit with Mr. Putin, which has sparked concerns in Europe and at home that Mr. Trump might make concessions to improve relations with Moscow. U.S. officials have said Mr. Trump will press Mr. Putin, a leader he has often praised, to change Russia's international behavior.

Cabinet Clash First Test for Brexit Strategy

By STEPHEN FIDLER

LONDON—More than two years after Britain voted in a referendum to leave the European Union, Prime Minister Theresa May has finally come off the fence over the future relationship she foresees with the bloc.

The reaction—the resignations of two prominent cabinet ministers and a handful of junior ministers

ANALYSIS that have plunged her fragile government into turmoil—helps to explain why she waited so long.

The cabinet clash reflects a conflict over the EU that has divided the ruling Conservative Party for three decades. Far from settling matters, the 2016 referendum merely continued the split between those who want to preserve as much as possible of the current economic relationship with the bloc and those who want a decisive break. The opposition Labour Party is similarly divided.

Mrs. May's Brexit proposal, agreed to by the cabinet on Friday, hugs the EU fairly close. It would keep the U.K.

inside the EU's single market for goods, including food products, and include a complicated and untested arrangement to avoid the need for new customs checks on the borders between the U.K. and the EU.

Mrs. May's choice appears to have been influenced by the gathering anxieties of big manufacturers—publicly voiced by companies like Airbus SE, Jaguar Land Rover and Honda Motor Co. Ltd.

They and others are worried that their sensitive just-in-time supply chains will be seriously disrupted if new controls are erected at the U.K.-EU border.

Like most battle plans, Mrs. May's Brexit proposal is unlikely to survive its first engagement with the opponent. On its face, it is an attractive economic proposition for the bloc, allowing for unfettered trade in goods—with which the EU runs a big surplus with the U.K.—and accepting that trade in services, where the U.K. has a surplus with the EU, will suffer.

But it breaches the EU's declared red lines: that no country gets to choose between the parts of the single market it likes and the parts it doesn't.



Prime Minister Theresa May's proposal for leaving the European Union would keep the U.K. inside the bloc's single market for goods.

Brussels has a fundamental objection to U.K. plans to remain inside some of the EU's single market while insisting it has the right to regulate itself: It would give British lawmakers and judges authority over what products can circulate inside the EU.

Yet, Brussels is packed with lawyers and the EU's much vaunted legal order that glues its 28 states together is an elastic concept that is sometimes stretched for political expedience—though that is usually done for the sake of a member state rather than one planning to leave.

But even if the U.K. proposal were to be accepted by the EU, it is questionable whether it would lay the concerns of big manufacturers to rest.

Under the plan, the British Parliament would have oversight of incorporating EU rules into U.K. law "with the ability not to do so, recognizing this would have consequences."

This raises the prospect that at any time the legislature in

London could decide not to put a new EU law onto the U.K. statute book, a step that would likely lead to the suspension of the U.K.'s special membership of the EU's single market.

For Brexit supporters, such a commitment would put a gun to the head of the British Parliament. Yet if the U.K. Parliament merely rubber stamps EU legislation, the single market would over time become more onerous to the British as the EU legislates more rules and regulations without the U.K. sitting at the table.

This appears to be an inherently unstable arrangement that is unlikely to convince manufacturers that their pan-European supply chains would remain intact over the long term enough for them to make large further investments in the U.K.

More likely in any case is that the EU rejects the U.K. proposal, forcing Mrs. May's government back to the drawing board to think about what further concessions it could make.

Mrs. May may well ride out this week's resignations. But before March 29, when Britain is due to leave the EU, she is likely to confront even tougher tests.

Czech Leader, Communists Agree to Share Power

By DREW HINSHAW

PRAGUE—Czech Prime Minister Andrej Babis signed a power-sharing agreement that would win parliamentary approval for his minority government by bringing the Communist Party closer to power than it has been since 1989.

The agreement, which has inspired recent protests in Prague, clears the way for a lasting government by Mr. Babis, a billionaire whose self-started, antiestablishment ANO party won 30% of the vote in October's election.

According to terms, the Communists agreed to "tolerate" Mr. Babis's government, giving him the votes he needs to survive a no-confidence motion scheduled for Wednesday.

In return, Mr. Babis agreed to tax the compensation the Czech state gives churches that had property seized during the 41 years of Communist rule in Czechoslovakia.

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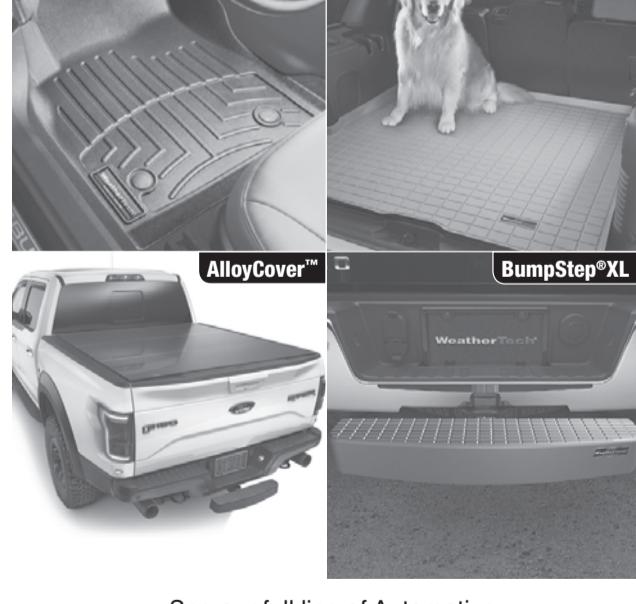
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WORLD NEWS

Thai Boys All Rescued From Cave

Continued from Page One
in the rescue effort. "It's a good test for your nerves."

To calm them, the boys were given antianxiety medicines for the journey, said Thai Prime Minister Prayuth Chan-ocha, and dark glasses to protect their eyes when they emerged from the stark underground darkness. Despite their ordeal, the first eight boys freed appeared in good spirits, doctors said, and had joked with the prime minister at a nearby hospital on Monday.

Soccer stars Lionel Messi from Argentina and Ronaldo Luís Nazário de Lima of Brazil sent messages of support, while World Cup officials offered to take the boys to the tournament's final on Sunday.

That is unlikely because the boys will be required to stay in a hospital in the nearby city of Chiang Rai for a week of recovery. They are being held in quarantine to prevent the spread of any possible infection, officials said. Two of them show signs of pneumonia. Families are permitted to view the boys through a glass screen.

"We will allow them to watch [the World Cup] on television," said Jedsada Chokdamrongkuk, a senior official at Thailand's health ministry.

Medical officials said the boys must forgo some of the favorite dishes they requested, including a spicy dish of pork stir-fried with chili and basil and bread with chocolate spread. Instead, they are being fed a carefully controlled diet of more easily digestible foods. (Doctors relented and gave them a small bit of chocolate bread.)

The Wild Boars team, a close-knit group from the Mae Sai area ranging in age between 11 and 16, ventured into the 6-mile long cave system on the afternoon of June 23 with their 25-year-old coach after a regular weekend practice match. Leaving their bicycles and bags near the entrance, they shrugged off warnings that the cave was prone to flooding during the rainy season, which typically runs from June to November.

Video footage of the boys' bike ride to the cave showed that it was initially dry. But



Clockwise from top: A helicopter transported rescued boys on Tuesday from the caves; onlookers observed the mission; equipment was removed following the rescue.



SOE ZETA TUN/REUTERS

Race Begins for Movie, Book Rights To Rescue Tale

Now that it is out of the cave, the Thai soccer team may be heading to the big screen.

At least one Hollywood producer is already in Thailand scouting the movie rights to the story of the boys trapped in a flooded cave and the har-

rowing rescue mission that saved them.

Michael Scott, a co-founder of Pure Flix Entertainment, said Tuesday he was in northern Thailand near the cave. Pure Flix has begun talking to actors, writers and investors about partnering on a movie about the ordeal, said David A.R. White, the production company's co-founder.

The Pure Flix team is pursuing "life rights" of those involved, which would give the company

license to dramatize the story.

"You get their stories, and then it's a matter of making sure the writer can tell the story in a dramatic and inspirational way," said Mr. White, whose company specializes in faith-based stories.

The story is likely headed into other formats, including TV and books. Discovery Inc. has ordered a one-hour documentary special that will debut Friday, the Hollywood-focused website

Deadline reported.

"In the hands of a good writer there are layers to this story that we don't yet know," said Jamie Raab, publisher of Celadon Books, a division of Macmillan.

Some have doubts, however. "It's a great story but I'm not sure I'd want to read 300 pages about it," said Binky Urban, an agent at ICM Partners. "It seems more like a magazine story."

—Erich Schwartzel

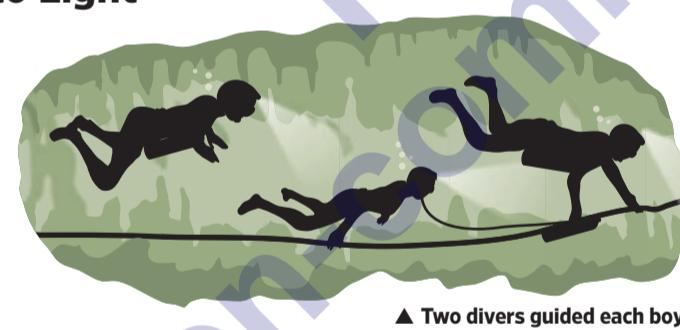
old Saman Gunan, died last week when he ran out of air while placing extra gas tanks inside the cave.

Diving in some caves, including Tham Luang, requires clambering up rock formations with heavy gas cylinders and scuba gear. Walls and rocks in narrow passages limit movement and can damage sensitive equipment. Visibility can be limited to mere inches, requiring divers to feel their way forward through the murky water.

Rawin Mart, a laundromat owner in a town around 20 miles from the cave, offered to take the Thai Navy SEALs' mud-covered clothing home to wash at night, sometimes working until 3 a.m. to get it done. "I wanted to help in whatever way I can," she said. "I have a son too."

Seven Hours to Light

Over three days, a core group of 18 divers guided the 12 boys and their soccer coach out of the partially submerged cave.



▲ Two divers guided each boy. The lead diver carried an oxygen tank attached to the boy's full-face mask. A guide rope ran the length of the path.

Tham Luang cave, overhead view

500 feet

100 meters

Main entrance

Rescuers' base camp

Complex continues

Cross section

Person to scale

Cross sections

Views looking into the cave

10 feet

3 meters

Person to scale

Cross section

Person to scale

Cross

IN DEPTH

Ranch Lets Steers Live Full Lives

Continued from Page One

steers that spend a few months in a feedlot and then go to market, those in Mr. Gordon's herd are allowed to live for years, even close to their life spans of nearly two decades, before being turned into steaks for his restaurant.

The slow-food movement was never quite like this. Mr. Gordon's methods, he admits, are "a type of madness."

Mr. Gordon, proprietor of Bodega El Capricho in Spain's Castille-Leon region, believes he knows when an animal has finally reached peak condition and is ready for the abattoir. It's a matter of instinct, he says.

His cattle meander in a pasture well above sea level,

where he says the grass is a little drier and cleaner. He keeps them far from busy roads, immersing them in natural beauty to prevent stress. "They have eyes too," he says.

Every day, a veterinarian visits the herd, currently 155 head and ranging in age from two to 21 years. The vet isn't there to administer drugs. Mr. Gordon says chemicals in drugs can damage meat.

On a recent day, one huge steer languished in the ranch's infirmary with an herb pack applied to an aching knee.

The king of Mr. Gordon's herd is 16-year-old Divino, a majestic animal of 3,700 pounds, nearly triple the weight at which most beef cattle go to market. Mr. Gordon has nicknamed him *El gran jefe*—the big boss—for his haughty manner.

The cattle hail from ancient breeds originating in the Iberian peninsula such as Barrosa and Rubia Gallega. Some have horns stretching to great spans, while others' horns curl

close to their heads.

Their girth means many stagger as they get to their feet. Specialists administer bovine pedicures to some—at a cost of \$150 a hoof—so their great weight doesn't damage their feet. Sometimes they are shod, like horses.

Mr. Gordon says he doesn't treat his giant animals like pets. Yet on a recent day, as he walked among the herd with a metal brush, they came up to him, demanding attention.

A couple bumped him with their noses like a cat rubbing against its owner's hand. He gently admonished a few that he couldn't spend the day brushing them. "No hay mas," he said—"There's no more."

He admits to a pang of grief when he sends animals he has raised for so long to slaughter.

His steaks are aged about 180 days. The legs get up to four years of curing as he turns them into a type of dried meat called *cecin*.

"It takes 20 years to be able to enjoy this product,"



José Gordon brushes an ox on his ranch in northwestern Spain.

Mr. Gordon says, referring to the *cecin* he plans to produce from Divino. "It is something that is very exclusive in the world because it's crazy."

A steer like Divino will have cost more than \$30,000 to raise. Mr. Gordon says he breaks even on most animals, charging €120 a kilo (about \$63.50 a pound) for a premium *chuleta* steak.

To Luis Lanzant, a diner

from Madrid, the meat was "nothing like I've ever tasted before," he says. "Impeccable."

Meat from longer-lived cattle is popular with some diners elsewhere, too. "You can really taste the grass and the maturity of the animal," says Pash Peters, head chef at Bellita restaurant in Bristol, U.K., which serves some steaks from eight-year-old cattle.

The practicalities are an-

other matter. David Alvis, managing director of a U.K. cattle-raising group called Stabiliser Cattle Co., likens Mr. Gordon's operation to producing Ferraris.

"Maintaining an animal for many, many years purely to enhance the eating quality of the meat has a massive cost associated with it," Mr. Alvis says. "Although he is taking these animals to very high weights, the time span means the daily gain is very low. It's a highly inefficient process of producing meat."

Mr. Gordon admits he loses money with some of the animals he keeps longest. "Those that are 15 or 16, for example, it's impossible to make a profit," he says. "There have been some that have lost €6,000 to €7,000."

"It's better not to think about it," Mr. Gordon says. "I believe that what I do is mystical, magical. It goes beyond profitability. This is my work and my world. I would never change it."

Henry Hopkins used to drive to a group of wells every morning, prioritized by instinct, and check if pump jacks and other equipment were working.

These days, Mr. Hopkins gets his marching orders from a computer algorithm that maps his route every morning, telling him which wells need maintenance or repairs based on sensors installed in the wells. He pops on augmented-reality glasses when he arrives at a wellhead and sends a real-time feed of what he sees to BP technicians at an office in Denver, who can transmit instructions and data into his field of vision to show him how to perform complicated tasks.

The more virtual way of working has allowed BP to reduce its head count in the Wyoming field to around 100. A 47,000-square-foot command hub it built a decade ago, envisioned to house 300 workers monitoring wells, is up for sale.

"We've gotten very lean in our business," said Shawn Holzhauser, a vice president in the company's U.S. operations, saying it is more likely to use temporary workers for some tasks. "We need resources that aren't permanent to the company."

The company's production unit for the contiguous U.S. has cut its noncontractor workforce 40%, largely through technology updates, and has cut lease operating expenses 48% since 2014, the company estimates.

In Wamsutter, with a population of about 500 people that fluctuates depending on drilling activity, BP built the town's park, health clinic and day-care center. The cafeteria in the command hub used to be the town's best dining option. It is now closed, and funding has dried up for other civic projects, residents said.

"It was going to be the greatest thing on earth," said Bobbie Amos, who works in the town library. "Everything was going to run in Wamsutter, but now here we are."

Few BP workers live in Wamsutter anymore, instead commuting from larger towns nearby, residents said. Emma Waldner, 74, who has lived in Wamsutter since she was 10, said many of the rental units she owns around town are empty. She said she is concerned that further pullbacks will lead the middle school to close. "If we don't have a school, we don't have a town," she said.

Brian Pugh, BP's chief operating officer for U.S. onshore production, said he and his team are digital evangelists—convincing skeptical employees with decades of experience that the new way, dubbed "intelligent operations," is better.

The executive led town halls to hear concerns and quell fears from employees. "Obviously when you start talking technology and analytics, people get nervous," Mr. Pugh said.

Employee Ian Gallagher said morale suffered at BP when the layoffs began, but that those who have remained have embraced the changes.

He started in a Colorado oil field nine years ago for BP, climbing radio towers for repairs. He had attended a few semesters of college but didn't graduate. In 2014, he saw the company starting to change around him and decided to teach himself Python and other common programming languages. Now, he works out of a BP office in Durango, Colo., designing wireless monitoring prototypes for BP compressors. "The way I've dealt with it is to learn as much as I can and adapt," he said.



Top, BP site manager Henry Hopkins uses augmented-reality goggles in Wyoming. Left, drones are used by BP to check oil holding tanks. Below, Eric Neece's job in Texas measuring well conditions was overtaken by technology.



DAVID BONNER FOR THE WALL STREET JOURNAL



Halliburton is using new automation and artificial intelligence tools, said James West, an analyst at investment bank Evercore ISI.

A Halliburton spokeswoman declined to comment.

Rural impact

Mr. Ingham, the economist, said he believes technological changes will create new jobs in the oil industry to replace the ones it renders obsolete. But analysts say those who lose work due to automation are seldom the same people employed in newly created jobs.

The changes may also have more of an impact on rural communities, which are less likely to have workers with skills for tech-driven jobs, according to a study funded by the Massachusetts Institute of Technology.

In Duncan, about 1,500 laid-off workers left town permanently, Mr. Deal said.

Pete Calhoun, 44, started at Halliburton painting the company's well-known red fracking trucks in 2006 and was working on the factory floor assembling high-pressure valves when he was laid off in 2016. With new technology coming in, it "seemed like there were a lot of people who didn't need to be there," he said.

He left the business and now works as a nurse in a long-term care facility in the Duncan area, where he makes \$24 an hour, more than the \$18 an hour he made at Halliburton. He didn't have a college degree before working at Halliburton, and he did 14 months of course work to earn his nursing degree. He said the security of his new career was worth the time and money he spent to go back to school.

In Wamsutter, Wyo., BP has about 2,000 wells. Site manager

NICK COLE FOR THE WALL STREET JOURNAL (2)

smaller shale producers including Chevron Corp., Devon Energy Corp., Baker Hughes and EOG Resources Inc. are recruiting computer scientists.

At Devon's WellCon center—short for well construction—in Oklahoma City, a small team of engineers and scientists monitor every well the company is drilling and fracking in the U.S.

From several screens, Kyle Haustveit, a 28-year-old completions engineer—he has a bachelor's in petroleum engineering—watches the company's "Showboat" development, where five rigs are drilling 24 wells in a complex project in Kingfisher County, Okla., that will tap multiple layers of rock simultaneously.

One screen displays the progress as a 2-mile-long horizontal well is drilled 10,000 feet underground. A graph tracks the budgetary impacts in real time using customized software. If the drill bit goes outside the sweet spot where the company believes oil and gas to be—an area sometimes no more than 10 feet across—dollar signs tick up and a call is made to workers in the field to adjust equipment.

Another screen tracks four fracking crews working within a square mile. Mr. Haustveit is collecting data on how the sand, water and chemicals the crews pump to release oil and gas from the rock affect the pressure on the other wells. He will feed it, along with microseismic and acoustic data captured by fiber-optic cables, into a program that will use machine learning to determine the best way to produce oil.

"I grew up in a small town in North Dakota, so I thought all oil and gas happened in the field," Mr. Haustveit said. "I didn't have a clue that this is what it would be like."

Major oil companies and

The center was manned by about 80 people monitoring 40 rigs before the 2014 oil bust. Today, roughly a dozen people monitor the company's 21 active rigs. Tony Vaughn, Devon's chief operating officer, said the transition was difficult but has improved the company's operational efficiency. "It required a lot of people with an old-school mind-set to leave the company, frankly," he said.

Devon has around 3,100 employees, down from 5,500 in December 2014. The company laid off 300 workers in April.

Devon estimates its drilling and construction costs per well are down 40% since 2014, and it has improved its initial production rates, a key metric in determining how much oil a well will produce, by 450% since 2012.

The company has invested more than \$100 million in technologies ranging from fiber-optic cables to augmented reality. Some of the most significant re-

turns have come from centralizing and organizing data. The company had to scan millions of pieces of paper just to get a handle on what it had. Now, everyone has access to real-time drilling software companywide.

In Duncan, Okla., Halliburton had 3,000 workers at the end of 2014 but laid off around 2,000 when oil prices dropped, according to Chris Deal, president of Duncan's chamber of commerce.

The town of about 23,000 people, known as "the buckle of the oil belt," has had an economy centered on oil and gas since 1919, when Erle P. Halliburton invented a revolutionary method of oil well cementing here and established the oil field service company.

The company's biggest business in Duncan—manufacturing and repairing fracking equipment—has come back, but employment has crept up to only 1,300, said Mr. Deal. Instead,

Shrinking Workforce

U.S. oil production is at an all-time high even though employment is down from the 2014 peak.

Oil production

10 million barrels a day

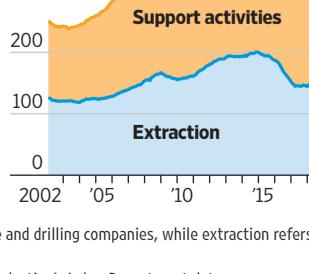


*Support activities include employees of service and drilling companies, while extraction refers to operating and producing companies.

Sources: Energy Information Administration (production); Labor Department data via Ingham Economic Reporting (employment)

Oil and gas employment*

500 thousand



*Support activities include employees of service and drilling companies, while extraction refers to operating and producing companies.

Sources: Energy Information Administration (production); Labor Department data via Ingham Economic Reporting (employment)

Hauling iron'

With diminished prospects, he left the business. He now repairs wind turbines for GE Renewable Energy. He took a pay cut from his oil job, but he likes the stability of his new career. He said he would encourage his children to study technology and become specialists. "My dad was a roughneck on the rig and then moved up the ladder," he said. "You can't just start out swinging and hauling iron anymore."

Baker Hughes, a GE company that is the successor to GE Oil & Gas, said it is focusing on recruiting high-tech workers, increasingly from Silicon Valley. "You need to combine talent from the tech industry with oil and gas expertise," said Binu Mathew, who was hired from Oracle Corp. in 2013 and heads the company's newly created digital products division.

Major oil companies and

GREATER NEW YORK

City Reins In Short-Term Rentals

Inspectors increasingly are targeting more one- and two-family homes for violations

BY JOSH BARBANEL

Bruce and Sabrina Hecker, both schoolteachers, thought they did everything right when they put a couple of rooms up for short-term rentals in their narrow but ornate townhouse in a historic district in Manhattan's Washington Heights.

But in April, a team of inspectors from the Mayor's Office of Special Enforcement swept in and determined that their rentals were illegal. They were issued four separate summonses with potential penalties of more than \$8,000.

One \$2,500 violation called for a hotel-style fire-alarm system. At least 192 other owners of one- or two-family homes have received notice of this violation since 2015, according to a review of city summonses by The Wall Street Journal.

"They are using a sledgehammer here," Mr. Hecker said of the city's approach.

For a decade, New York City officials have carried out a campaign to close what they call illegal hotels in apartment buildings listed on Airbnb and other home-sharing sites. The often-stated goal was to free up affordable apartments for New Yorkers. But as the city has provided more funding to go after these apartment owners, it also has expanded its enforcement effort against



City inspectors issued four notices of violations for Bruce Hecker's 16½-foot-wide house on W. 162nd St. in Washington Heights.

many one- and two-family homes far from the luxury hotels in Midtown Manhattan.

This enforcement effort has surprised many local elected officials who have supported several state laws since 2010 that targeted illegal use and advertising of Airbnb-style short-term rentals only in larger buildings with three or more apartments. Some said they were unaware of the city's position that most short-term rentals in one- and

two-family houses were barred by longstanding language in the city's administrative code, rather than state law.

The chairman of the New York City Council's housing committee, Robert Cornegy Jr., is calling for a moratorium on enforcement on short-term rentals by individual homeowners, while the issue is studied and rules are changed. Mr. Cornegy, a Democrat who represents Bedford Stuyvesant and

Crown Heights, said the city's campaign has targeted long-established bed-and-breakfasts in his district and he wanted to make sure "there was not disproportionate enforcement in communities of color."

The Journal's analysis found that the city issued no fire-alarm violations in 2014, but the number has risen steadily through 2017, when there were 83 summonses. At the current pace, the city is on

track to issue 35% more summonses this year than in 2017. Violations in one- or two-family homes for not having fire exits on each floor as required for hotels and transient housing rose each year between 2015 and 2017, as did the number of homes missing sprinkler systems required for short-term housing.

Asked about the figures, the mayor's enforcement office

Please turn to page A8B

NYPD: Murders Rising in 2018

BY KATIE HONAN

Murders and rapes have increased in New York City so far this year, even as overall crime continues to fall to historic lows, the New York Police Department said Tuesday.

The city recorded 147 murders between Jan. 1 and June 30, an 8% rise from the same period in 2017, police data show. In 2017 there were 136 murders through June and 292 for the entire year—the lowest per capita murder rate since the 1950s.

"We were all quite sober about the fact that trying to repeat what happened in 2017 would be very, very difficult," Mayor Bill de Blasio said Tuesday at a news conference.

For the first half of the year, rapes increased by 33%, with 903 reported. The city recorded 678 rapes during the same pe-



The city recorded 147 murders between Jan. 1 and June 30, an 8% increase from the same period in 2017, NYPD data show.

riod last year, the NYPD said.

Police officials attributed the rise to victims feeling more comfortable reporting rape. Reports of domestic rape, which historically was one of the most underreported categories, were up 45%, said the NYPD's Chief of Department Terence Monahan.

Overall, major-crime numbers hit another historic low during the first six months of 2018, officials said. These statistics measure murder, rape, robbery, felony assault, burglary, grand larceny and grand larceny auto. Between Jan. 1 and July 1 of 2017, the city recorded a total of 46,468 crimes. For the same period this year, the NYPD recorded 45,525 crimes, a 2% reduction.

Murders are still down significantly since the NYPD began tracking crimes using its Com-

Stat program in 1994. There were 335 murders in 2016, 352 in 2015, and more than 2,200 in 1990.

"Big picture: we are the safest big city in America, and we continue with a whole host of efforts to get safer," Mr. de Blasio said. But officials acknowledged work is still needed to curb some of the most violent crime.

Councilwoman Diana Ayala, who represents parts of the Bronx, said the city's crime reduction still hadn't hit some neighborhoods in the five boroughs. The Bronx was currently leading the city in murders, with 51—up 20, or 64%, from last year's statistics. "It hasn't been reduced enough in com-

munities of color," she said.

NYPD Commissioner James O'Neill said the department's "top priority" was working to stop the murder spikes. "Our mission will always be to relentlessly pursue the relatively small percentage of criminals responsible for the majority of the violence in our city," he said.

City Public-Housing Agreement Draws Judge's Skepticism

BY CORINNE RAMEY

A federal judge Tuesday sharply questioned whether a new settlement and federal monitor could fix the longtime disinvestment, disrepair, and deceptive practices plaguing New York City's public-housing authority.

"New York City public housing is in crisis," U.S. District Judge William Pauley III said in federal court in Manhattan. "In my view, there is no case of greater public importance before this court."

Judge Pauley is tasked with approving a settlement between

the New York City Housing Authority and the U.S. attorney's office for the Southern District of New York about health and safety issues in public housing. Under the agreement, known as a consent decree, the city has agreed to invest \$2.2 billion in the authority, known as NYCHA, over a decade.

The authority has agreed to a federal monitor who would oversee changes and repairs. A separate settlement involving mold in authority apartments also is before Judge Pauley and includes the supervision of an overseer called a special master.

Among those in the court-

room on Tuesday were Manhattan U.S. Attorney Geoffrey Berman and numerous NYCHA tenants, as the questioning laid

New York City public housing is in crisis,' U.S. District Judge Pauley III said.

bare the numerous issues facing the authority, which houses 1 in 14 New York City residents.

During the hearing, Judge

Pauley asked whether some goals outlined in the settlement, such as making authority apartments free of mold and lead paint, are realistic. He asked whether the federal monitor, who would be tasked with hiring consultants and staff, would add layers of additional management without notable results.

"I'd like the government to explain how a monitor will address the underlying systemic problem," Judge Pauley said. "It seems to contemplate an enormous new bureaucracy, and at what cost?"

When the judge suggested

the monitor and his or her staffers could cost tens of millions of dollars annually, a lawyer for the government declined to name a figure. The monitor "is not your ordinary monitor," said Assistant U.S. Attorney Robert Yalen, and amounts to a reorganization of the housing authority.

In the proposed settlement, housing officials admitted making false statements to federal authorities about compliance with lead-paint regulations. Earlier this month, the authority said it needs \$31.8 billion to fix the decaying housing stock.

Tenants who attended the

Officials Investigate Killing At Rikers

BY ZOLAN KANNO-YOUNGS AND CORINNE RAMEY

New York City investigators are examining the circumstances surrounding the choking death of one inmate at the hands of another at a Rikers Island jail, law-enforcement officials said Tuesday.

The Department of Investigation is reviewing whether jail staff followed protocol before and after the attack Monday, the officials said. The killing of an inmate by another prisoner was the first such death in a decade.

Investigators also are looking at how long it took staff to provide aid to the victim, the officials said.

The killing occurred at the Anna M. Kross Center, in an area that houses male inmates who have exhibited mental-health issues but haven't been diagnosed with a serious disorder.

A correction officer who already was in the room intervened when the attacker placed a fellow inmate in a chokehold, a City Hall official said. Two other correction officers ran into the room and then intervened, the official said.

When the two inmates were separated, the victim, who hasn't been identified, was conscious, and staff helped him, while calling for medical assistance, the City Hall official said. After the victim collapsed, staff performed CPR. The victim died before emergency medical workers arrived. The time between the initial call for medical assistance and the emergency crew's arrival was roughly five minutes, the official said.

"We believe our staff followed protocol and commend their attempts to save his life," Department of Correction spokesman Peter Thorne said.

A Department of Correction official identified the suspect as Artemio Rosa, who had been arrested in June on charges of felony assault and criminal mischief. It wasn't known if he had a lawyer.

City Hall spokeswoman Natalie Grybauskas said an investigation into the killing was under way. "This loss of life is a tragedy, and serious violence of this nature is incredibly troubling," she said.

City officials said the killing wasn't gang-related.

The last time an inmate in New York City jails was killed by another prisoner was in 2008. In 2012, an inmate was killed by a correction officer.



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GREATER NEW YORK

METRO MONEY | By Anne Kadet

'Odd Couple' Puts Feathers in Others' Caps



Need a pheasant feather for your cap, peacock plumes for your Indian wedding or 5 pounds of turkey feathers for your disco cannon? Try Dersh Feather & Trading Corp., a Manhattan business that is celebrating its 100-year anniversary by doing nothing.

"I think we should have a party. Get some kosher food in here!" said 72-year-old co-owner Jon Coles, when I asked about marking the milestone. His partner, 71-year-old Jay Dersh, considered the idea and shrugged. "I dunno," he said.

It was a typical exchange between the lively Mr. Coles, who handles feather sales, and the soft-spoken Mr. Dersh, who imports feathers sourced from poultry farms in China, peacock farms in India and ostrich ranches in South Africa.

The two say their odd partnership works. Mr. Dersh is an Orthodox Jew, while Mr. Coles is Roman Catholic. "He takes his holidays, I take mine, and we stay open," Mr. Coles says.

It also helps that Mr. Dersh arrives and leaves early while Mr. Coles arrives and stays late. "Believe it or not, some people get off work at 6, and then they need some feathers," Mr. Coles says.

The operation—a fourth-floor showroom in Manhattan's Garment district—is just the two partners and a part-time seamstress, but the three have created quite a jumble. It's floor-to-ceiling feathers, with boas hanging high, and towering racks stuffed with 200-odd bins labeled "Raw Ostrich #2" and "Black Ostrich Asst."

Last week, while Mr. Dersh hunched over his computer, peering at the screen through his spectacles, Mr. Coles gave a whirlwind tour of the showroom. The low-tech operation features a



CATHERINE CHENG FOR THE WALL STREET JOURNAL (2)

Dersh Feather & Trading co-owners Jay Dersh, left, and Jon Coles are framed by feathers at their business in Manhattan's Garment District.



scale, a steamer and several pre-World War II Singer sewing machines. "Because they don't break," Mr. Coles says.

They scribble orders on notebook paper and stow them

in a three-ring binder with sample feathers taped to the page. There is no inventory system. "It's all in my head," Mr. Dersh says. "That's why we make so many mistakes."

They have a Facebook page, created by a friend, but it lists an old address and was last updated in 2016. And while their two rivals in the city both sell feathers online, Dersh Feather hasn't bothered. "Because we're old and tired," Mr. Dersh says.

Dersh Feather was founded in 1918 in New York City by Mr. Dersh's grandfather, and has operated out of several locations over the years. It catered to the millinery trade and faltered when hats fell out of fashion in the '60s and '70s.

After Mr. Dersh graduated from Brooklyn College, he taught school and then went to work for the phone company. But in 1980, a mania for feather-banded cowboy hats

swept the nation. Mr. Dersh's father couldn't keep up with the demand: "Come work for me," he begged.

The trend died soon after, but it was too late. Mr. Dersh was hooked on feathers.

Mr. Coles, also a New York City native, spent several decades working for a rival feather business until it closed in 2010. He planned to retire, but when his wife fell ill with cancer, they agreed that he'd be better off working. With the blessing of his wife, who later died, he bought half of Mr. Dersh's business that same year.

These days, no segment accounts for more than 20% of sales. They supply feathers to toy makers, fashion designers, drag queens and bur-

lesque dancers. Sometimes a big Broadway show will call for lots of plumage. "The Producers," that was a good feather show," Mr. Coles says.

Prices vary by species. A pound of premium ostrich feathers—that's roughly 70 27-inch plumes—costs about \$600. A pound of turkey feathers goes for \$100.

Other types sell by the feather. A 60-inch pheasant tail might cost \$25. Peacock plumes cost 40 cents to a dollar, depending on length.

The partners charge a 20-60% markup over wholesale, depending how difficult the feathers are to source and the labor involved.

"When we buy feathers, we throw out 15%. Our customers have higher standards than our suppliers do," Mr. Dersh says.

Lynne Mackey of Manhattan's Lynne Mackey Studio, which makes custom theatrical millinery, likes to visit the showroom and pick out individual feathers for, say, the \$3,000 beaded headdress she recently created for a Las Vegas revue. "Jon is a fun man," she says of Mr. Coles. "He's always got a lot of jokes, and some of them are actually funny." She wonders what she will do when they retire. "They have no one in training," she laments.

Mr. Dersh, who lives in Brooklyn with his wife, says five of his six children tried working in the business, but none of them stuck. Last year, Mr. Coles, who also lives in Brooklyn, convinced one of his three daughters to give it a whirl, but she left to become a yoga instructor.

While Mr. Dersh says he is ready to retire, Mr. Coles plans on another five years, minimum. "Assuming I have my health, I will come in every day," he says. "I still have clothing to wear out!"

anne.kadet@wsj.com

GREATER NEW YORK WATCH

IN THE COURTS

Buffalo Billion Case Goes to the Jury

A New York jury is set to begin deliberations Wednesday in the trial of a former president of the State University of New York's Polytechnic Institute and three developers.

U.S. District Judge Valerie Caproni read instructions on the law to jurors late Tuesday after two days of closing arguments in a trial that stemmed from an ambitious upstate New York redevelopment plan known as the Buffalo Billion.

A lawyer for Buffalo-area developer Louis Ciminielli read excerpts of the government's star witness to jurors to try to prove that his client acted honorably and legally.

Prosecutors say Mr. Ciminielli conspired in 2013 with Alain Kaloyeros, then-head of the Polytechnic Institute, to rig bidding for projects in Buffalo worth hundreds of millions of dollars.

Mr. Kaloyeros and two developers also pleaded not guilty.

—Associated Press

STATEN ISLAND

Van Fatally Strikes Gunman and Crashes

A gunman shooting at a minivan carrying members of a rival faction was hit and killed by the van before it crashed into a house on Staten Island, authorities said.

Another person was seriously injured, and four people were in custody after the chaos unfolded around noon on Tuesday in the borough's St. George neighborhood, police said.

The shooting and crash occurred as a confrontation outside the Richmond County courthouse carried around the block, said court spokesman Lucian Chalfen.

Court officers gave chase but took cover when they saw the gunman shooting at the van, he said, noting that the gunman was killed by the van.

The court officers apprehended the van's four occupants after ordering them out at gunpoint, Mr. Chalfen added.

—Associated Press

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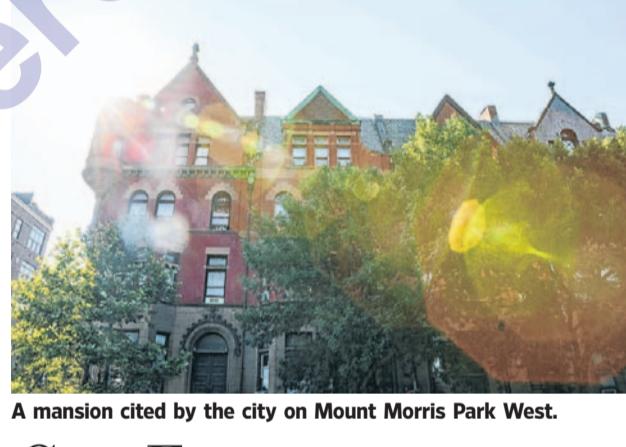
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SARAH BLESENER FOR THE WALL STREET JOURNAL

A mansion cited by the city on Mount Morris Park West.

City Fines More Short Rentals

Continued from page A8A
said that 20% of all notices of violations issued since 2016 have been to one- and two-family homes, mostly in response to complaints—a total of about 1,399 violations for roughly 257 homes. It said that since June 2015 the budget for the enforcement office has risen sixfold to \$6.45 million and the staff has grown to 48 from 11.

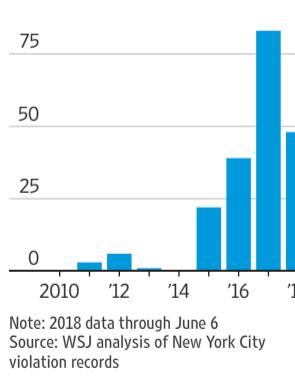
Christian Klossner, executive director of the Mayor's Office of Special Enforcement, said the use of one- and two-family homes for transient housing is expanding, prompting more complaints and enforcement.

The city standard is strict: it is illegal to rent out an entire one-family house or an entire unit in a two-family house for less than 30 days, according to the enforcement office. The only legal option, according to the office, is to share an entire home with up to two short-term "boarders," and the owner must be present in the house. Locks on interior doors that divide a house also make the rental illegal, city officials said.

In a restored 1888 Victorian one-family house in central Harlem, an inspection team showed up with a search warrant in March and found that the house had been converted into seven furnished rooms with "key locking devices." The owner, Dimitri Katsarelis said some locks cited in bed-

Ticket Blitz

One-to-two family homes cited for not having commercial alarm systems



Note: 2018 data through June 6
Source: WSJ analysis of New York City violation records

THE WALL STREET JOURNAL.

rooms were original to the house. He said he never rented to more than two or three short-term tenants at a time.

Many hosts blame the hotel industry and unions for complaints. The industry disputes this. Austin Shafran, a senior vice president at Metropolitan Public Strategies, said that ShareBetter, an industry-union-funded coalition he helps run, hasn't complained and doesn't object to short-term rentals in small buildings.

At the same time, ShareBetter has spent more than \$1 million this year to press a campaign to require Airbnb and its competitors to turn over listing information to the government.

Mr. Shafran said that among housing advocates, tenant organizations and local officials who have been pushing for greater transparency "the focus has solely been on large commercial operators who turn affordable housing into investor units."

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—Associated Press

LIFE & ARTS

WORK & FAMILY | By Sue Shellenbarger

Alexa! Tell My Child to Behave!

Children as young as 1 are using voice-activated technology, but some parents worry they're picking up rude habits

PARENTS, YOUR CHILD may have a new secret friend: your smart speaker.

Drawn by the devices' voice-activated interfaces and warm, playful tone, children as young as 1 are interacting with Amazon's Alexa, Google's Assistant or Apple's Siri long before they can type or swipe, new research shows.

This is new territory for families. For the first time, children who are too young to distinguish fantasy from reality are engaging with devices powered by artificial intelligence. Many see smart speakers as magical, imbue them with human traits and boss them around like a Marine drill sergeant, according to several new studies in the past year.

Hunter Walk, a San Francisco venture capitalist, worried that his family's Amazon Echo "is turning our daughter into a raging asshole," he wrote in a blog post in 2016, because of the 4-year-old's tendency to boss it around. He has since set rules around how to talk to the device and said he hasn't noticed any rude behavior by his daughter, who is now 6.

"I still have concerns," Mr. Walk says. "Cognitively, I'm not sure a kid gets why you can boss Alexa around but not a person."

He has a point. Children do blur the boundaries between smart speakers and humans, with varying effects based on their stage of development. Here is a rundown.

Ages 0 to 3

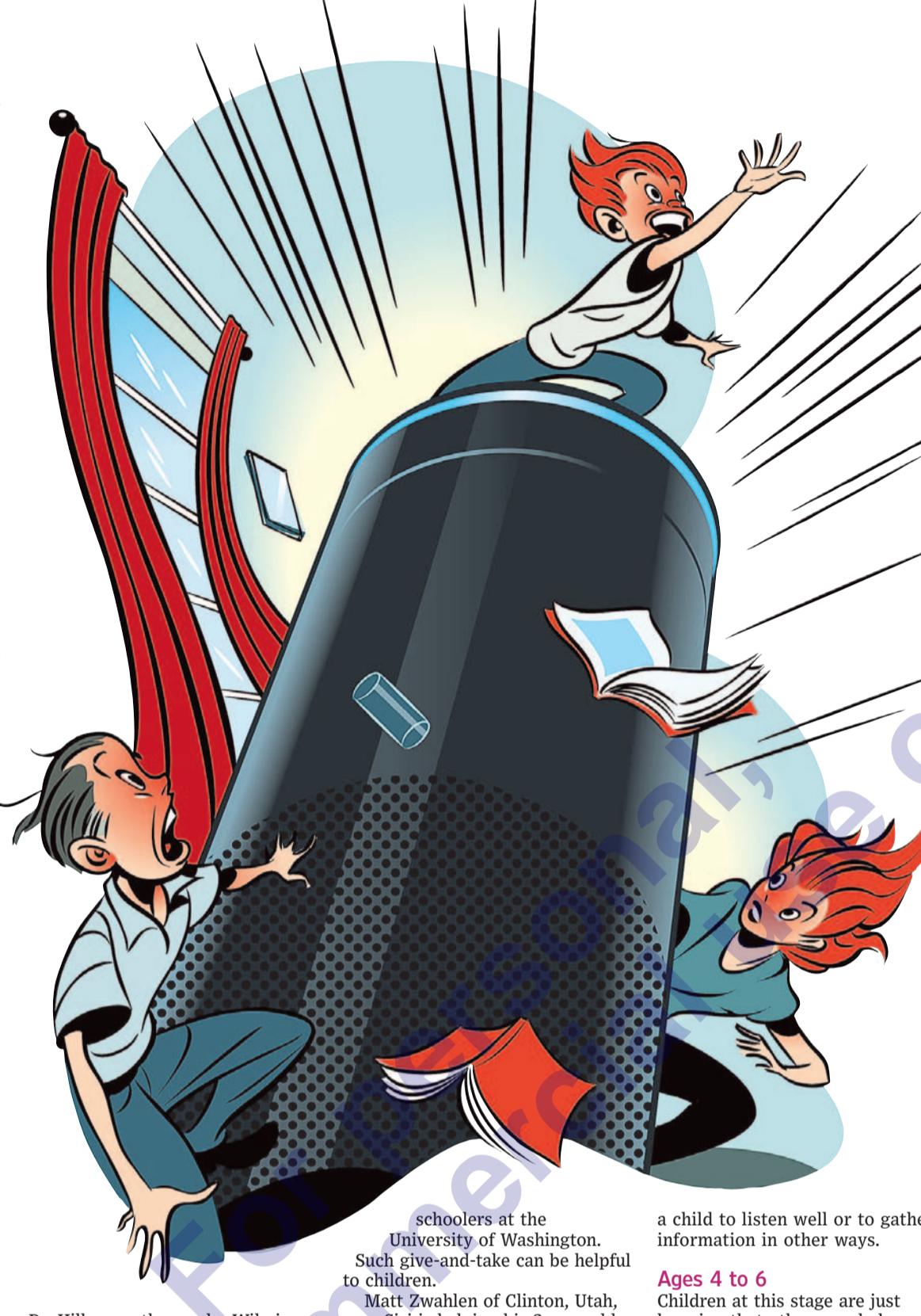
Parents are often apprehensive when they see their 1-year-olds interacting with smart speakers, citing concerns about the impact on their social skills, according to a 2018 study of 75 households at Carnegie Mellon University.

One mother was annoyed that her preschooler had learned to order Alexa to skip songs her parents liked. The child also claimed she understood Alexa better than other family members did.

"It's kind of creepy," the mother told researchers. "It's totally weird that my daughter is friends with a tower that sits on my counter."

Other parents see benefits. Jesse Freedman of Brooklyn says his 14-month-old daughter Shayla likes dancing to songs on their Echo Dot so much that he has been able to reduce her TV time.

Children under 4 typically can't distinguish fantasy from reality. "Could Alexa be a small woman inside a machine? To a 3-year-old, absolutely, she could," says David Hill, chairman of the American Academy of Pediatrics council on communications and media. Parents can help children learn to test their perceptions, asking, "Have you ever seen anybody who was small enough to fit in there?" says



Dr. Hill, an author and a Wilmington, N.C., pediatrician.

Children as young as 3 tend to see voice assistants as friendly and trustworthy, according to a 2017 study of 26 children at the MIT Media Lab in Cambridge, Mass. Although the devices typically have a hard time understanding them, young children still work hard at communicating, repeating themselves again and again if necessary, says a 2018 study of 14 pre-

schoolers at the University of Washington. Such give-and-take can be helpful to children.

Matt Zwahlen of Clinton, Utah, says Siri is helping his 3-year-old son Connor, who has had some speech delays, improve his diction. "If Connor gets frustrated because Siri can't understand him, I say, 'Buddy, let's slow it down a little,'" Mr. Zwahlen says.

However, some psychologists worry that children who personify smart speakers will prefer their company over humans'. Also, being fed a string of facts in response to questions doesn't teach

a child to listen well or to gather information in other ways.

Ages 4 to 6

Children at this stage are just learning that other people have thoughts and feelings separate from their own. They are also practicing the conversational give-and-take that marks healthy relationships. Talking to smart speakers could complicate that process because children attribute thoughts and feelings to interactive devices but regard them as less-than-human, according to a 2013 review of 37 studies at the University of Washington.

Ella Alkire, 8, knows the voice platform that powers her family's Amazon Echo Dot "is just a machine," she says. But her 6-year-old sister Sophia has a more complicated view, seeing Alexa as a combination of human and machine: "I think it's a robot, but she has her head in the clouds, and her body is like, here," referring to the physical device, Sophia says.

Like most children, Sophia's most common request of Alexa is to play music, says her father, Bryan, of Portage, Mich. When the Echo plays the wrong song, Sophia sometimes takes it personally, gets angry and yells, "Alexa isn't doing what I told her," says Mr. Alkire, an at-home dad and blogger.

The Carnegie Mellon study confirms that some children order smart speakers around like servants. One grandmother told researchers she corrected her grandson for telling Alexa it was stupid, instructing him, "That's not nice."

That bossy behavior is more likely to spill over in interactions with peers than with parents, says Solace Shen, co-author of several studies on social robots and a researcher at Robinhood Markets Inc., a Menlo Park, Calif., investment platform.

Dr. Hill of the American Academy of Pediatrics adds, "If they practice rudeness at home with something they perceive to be their servant, then what is to keep them from being equally rude to the cleaning staff at school" or anyone in a service role.

Amazon recently offered new parental controls for its Echo speakers, as well as praise for children who remember to say "please."

Ages 7 to 10

Most children can distinguish reality from fantasy by this stage and know smart speakers can't eat, sleep or think. The most common requests by children in this age bracket include homework help, music, weather reports and calling people, with such usage peaking from ages 11 to 14 then tapering off, says a 2018 survey of 1,980 children by the British market-research firm Childwise.

Still, 93% of 8- and 9-year-olds, and 80% of 14- and 15-year-olds, say they would confide in a virtual voice assistant about a personal problem too embarrassing to bring up with parents or friends, according to unpublished data from a 2015 study of 60 children by Dr. Shen.

The No. 1 reason, she says: They know the device won't be critical or judgmental.

Regardless of how old their children are, parents should educate themselves about security concerns, check their devices' privacy settings and review voice recordings from time to time.

MARK MATCHO

FASHION

A PREPPY DESIGNER CONFRONTS STREETWEAR

BY RAY A. SMITH

MENSWEAR DESIGNER Todd Snyder is mixing things up. His fashion show Wednesday night will once again feature clothes inspired by the American classics his father and grandfather wore. But Mr. Snyder also plans to throw in some '80s-era LL Cool J style.

Models will wear Kangol hats, similar to the ones the rapper wore back then, to top off their modern "Americana" clothes. The collaboration reflects Mr. Snyder's approach to streetwear's current dominance over menswear, when streetwear isn't his look. It's a conundrum facing many American and European designers of traditional menswear at a time when tricked-out sneakers, logo-ed hoodies, and ripped jeans are all the rage.

The Kangol hats are "kind of a wink at the [streetwear] trend," Mr. Snyder said a few days before his runway show, which will close New York Fashion Week: Men's. "That's how I look at the business. How do I touch on it? I don't want to change my entire brand aesthetic."

Mr. Snyder's aesthetic has been informed not only by his relatives but also his work experience. He got his start at Badowers, a men's specialty store in Des Moines,

Iowa, while attending Iowa State University. Mr. Snyder, who grew up about 30 miles north of Des Moines, followed that with stints at Ralph Lauren and Gap. Then he moved to J.Crew, where he played a big role in popularizing the men's line and rose to senior vice president of menswear. He left in 2008 and launched his own label three years later.

Being from Iowa gave him "a realistic approach" to fashion, Mr. Snyder says, and made him "a lot more pragmatic in design." The designer said his business, which American Eagle Outfitters bought in 2015, is strong despite his not getting as much buzz these days as streetwear-focused brands. His clothes are sold in the label's flagship beside New York's Madison Square Park, online and through retailers including Mr. Porter and Nordstrom.

Mr. Snyder—along with other designers such as Michael Bastian—offered modern takes on preppy American staples like Oxford shirts, chinos, crewneck sweaters and trenchcoats. Although popular for a number of years, the look began to seem dated by 2015. At that point, styles that mixed tailored and sporty items, such as suits and sneakers, or sport coats and jogging pants,

Designer Todd Snyder, left, overseeing preparations for his latest runway show.



where he fits in.

"I try not to jump on bandwagons," he said. "It's important for designers to stay true to who they are." Mr. Snyder, who is 50 years old and lives in New York, said he realizes he can't afford to design in a bubble. "I'm still influenced by what's going on," he said. "I don't ignore it." He has experimented with "slightly" changing his brand's aesthetic. "My quick rule of thumb is to change approximately 30% of my collection to follow a trend, but never 100%," he says. "I'm not going to overhaul the entire brand."

He cited the Kangol collaboration and one with revered Hawaiian shirt brand Reyn Spooner that will also debut at Wednesday's show. Recently, he has worked with New Era baseball caps, which are favored by streetwear fans. His six-year collaboration with Champion, the athletic-apparel brand, has evolved, resulting in a hoodie with a big logo down the sleeve that became Champion's best-selling style last fall.

"I may not be selling as many suits as I used to but I am definitely selling a lot more sweatshirts," Mr. Snyder said. The designer emphasized that he is seeking "balance" in his collec-

Please turn to page A10

entered the scene, presaging the explosion of streetwear. Mr. Snyder's collections were in step with the mix of sporty and tailored. But now, streetwear has taken over menswear entirely. Streetwear and skate-wear brand Supreme took home the top menswear award from the Council of Fashion Designers of America last

month. Virgil Abloh, the streetwear-influenced designer behind the label Off-White, was a nominee for the prize. Mr. Snyder didn't make the cut of five nominees, after being nominated the previous two years. Meanwhile, Louis Vuitton this year named Mr. Abloh its men's artistic director. So Mr. Snyder is figuring out

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MY RIDE | By A.J. Baime

An Austin A40 Brings Back Life in India

Veeraindar Goli of Raleigh, N.C., 64, a physician and professor emeritus at Duke University School of Medicine, on his family's 1950 Austin A40, as told to A.J. Baime.

I was born not long after India gained independence from Britain. In the 1950s, India was building a lot of roads, highways and dams, and my father was an engineer who built dams. In 1958, we lived in Delhi and he bought a 1948 Austin A40.

At the time, there were many British cars in India, and Austins were popular.

I grew up with that car. In those days, if a car broke,



Veeraindar Goli (standing in back) bought the 1950 Austin A40. From left: his sister Rajitha Johnson-Goli, mother Susheela Goli, father Chellam Goli, and brother Devaindar Goli.

jungle to the next town.

Later, my father taught me and my siblings to drive in this car.

We sold the car in the mid-1970s and, in the late 1970s, our family began to emigrate to the U.S. We eventually settled in Raleigh, with my parents down the street from me and my family.

A few years ago, I had the idea to buy an Austin for my father's 90th birthday. I wanted it to be just like the car we had in India. It took three years to find this car. I searched the U.S., Australia and India, ultimately finding

this car in the U.K. I bought it for \$5,000, and it arrived in April. Ironically, the cargo ship was named Delhi Highway.

The car is a 1950 model but it is virtually identical to our 1948 Austin: right-hand drive, the same color paint and interior. The car is in good shape. The seats are comfortable, the body does not have too many dents, and the original engine works fine. I believe this

car is probably one of the only right-hand drive 1950 Austin A40s in North Carolina.

My father is now 93, and my mother 90. When I presented the car to them this spring, it was just awesome. My mother could not stop laughing because so many stories crowded her mind.

I am still restoring the Austin. Not only does it bring us happy memories, it is an important symbol of our heritage.

Contact A.J. Baime at Facebook.com/ajbaime.

Fashion's Maverick

Continued from page A9
tions. That means nodding to current styles to show that the label isn't fusty or hide-bound. At the same time, Mr. Snyder has to reassure loyal customers, whose aesthetic he describes as "modern gentleman," that he's not abandoning the stylish classics they expect from him. Those customers range between 35 and 55 years old, he believes.

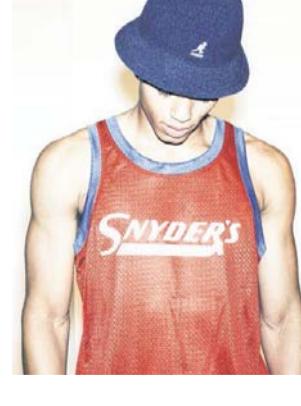
"I have to stay true to who my customer is," Mr. Snyder said. What's more, plenty of men find streetwear intimidating or just not for them. "I think customers are a little freaked out when they walk into a department store and see a very forward streetwear collection," he said. "It's very polarizing in a way. Definitely what's happening today, not everybody can pull it off."

Now that the market is flooded with streetwear, Mr. Snyder senses early adopters of fashion are itching to move on. "I've been in the business for a very long time, I've seen a lot of trends come and go," he said. "I'm scared for the brands that are all about streetwear. In a couple of years, [streetwear] is going to be over. What do you do two years from now when it shifts?"

The designer sees signs that Americana style may replace streetwear as a trend. Recent collections from buzzy labels Balmain, Calvin Klein and Vetements emphasized American casual and collegiate looks. He believes



Looks, above, for Mr. Snyder's fashion show, where he stuck to his modern preppy aesthetic but added touches such as Kangol hats, below, that nod to the influence of more casual streetwear.



has been more of a commerce thing as opposed to a personal thing," he said. The Todd Snyder Instagram account typically promotes products, with only occasional glimpses into the designer's personal life or interests. The account recently posted a picture of the divorced father's two daughters, when the older one graduated from high school.

Badowers, where Mr. Snyder worked, carries his line. "It's amazing, a dream come true," he said. The designer appreciates how the store has managed to stay in the game despite sweeping changes in men's fashion. "They made it through the gauntlet of menswear dying in the '90s, when nobody was wearing suits all of a sudden because of Casual Friday," he said. "I'm proud that...they're still around and...that they carry my collection."

SPORTS

FRANCE 1, BELGIUM 0

France Advances to the Cup Final

Samuel Umtiti's 51st-minute header gave Les Bleus a 1-0 victory over Belgium and a spot in Sunday's title game

BY JOSHUA ROBINSON

St. Petersburg, Russia
BY THE TIME the World Cup semifinals roll around, the time for surprises is over. Upsets and minors may animate the party phase—the three-week, 48-match group stage—but at the business of the tournament, there is nothing but fierce competence.

So between Belgium and France, there was never going to be an undeserving World Cup finalist. At least until one of them, by a thin, necessarily brilliant margin, found a way through. That margin turned out to be named Samuel Umtiti.

Umtiti's 51st minute header gave France a 1-0 victory and booked its place in a third World Cup final in two decades. It will now meet the winner of Wednesday's clash between England and Croatia. But there is something different about this French run that has usually escaped Les Bleus in the best times and the worst: a new sense of calm.

Because France isn't a country of middle grounds—especially not when it comes to soccer. The highs have been so giddily high as to include a World Cup triumph on home soil and a Zinédine Zidane master class to reach the 2006 final. The lows have been so low that there were also group stage exits in 2002 and 2010 and a Zinédine Zidane moment of madness with a head butt in that 2006 final.

This version of the team, so stacked with young talent, could have broken either way. It was easy to imagine the likes of 19-year-old Kylian Mbappé, Paul Pogba and Antoine Griezmann setting the whole tournament ablaze and turning into a permanent attacking show. And it was just as possible to picture Les Bleus falling apart under their unpopular manager Didier Deschamps.

So when Umtiti, a defender surged past Belgium's Marouane Fellaini to nod home Griezmann's corner kick, it was the mark of something else entirely. Even more when France proceeded to keep cool, defend with the utmost ex-



France's Antoine Griezmann celebrates after the final whistle of Tuesday's World Cup semifinal against Belgium.

pertise and protect its lead for more than 40 minutes.

"Everything ended up in the right place," Deschamps said. "The older players control the team. The younger players bring a little bit of craziness. Some of them are young but they're already very mature."

At the final whistle, the France bench erupted onto the field and the players broke into dance. The red-clad Belgians hardly knew what to make of it. They stood around the center circle, not sinking to the ground in defeat, but

seemingly lost in confusion. They stared at each other—how had this happened?

Les Bleus were a team they knew intimately. These players were their teammates back home.

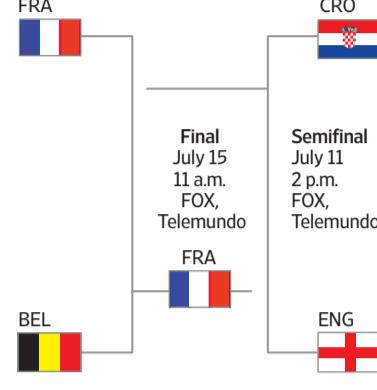
Not only did most of them speak a common language, but 14 of the 22 starters on Tuesday night also played in the English Premier League, with Manchester United, Chelsea and Tottenham Hotspur represented in both blue and red jerseys. And yet, this France was unrecognizable from the French sides they had grown

up watching at previous World Cups. Sure, there were the flair players—Mbappé's playground skills were ample reminder that he is a game-changer—but Deschamps' men are a primarily counterattacking concern. The bend without breaking and break out without slowing.

"We'll have to continue doing this to win this competition," Mbappé said. "I don't think we should hide anymore: we're in a final and we have to announce our ambition."

Even so, there had been little to

World Cup Bracket



Note: all times are Eastern
Source: FIFA
THE WALL STREET JOURNAL.

separate the sides the entire evening in St. Petersburg. Fun was not a word the two sets of supporters might have used. But there is nothing quite as taut or gripping as a late-stage, heavyweight matchup.

The tension on the field of the Zenit Arena in the opening 45 minutes made it almost easy to ignore the fact that the first half produced zero goals. It took world-class saves at both ends of the field to keep that way—a full-stretch airborne parry by France's Hugo Lloris, and a one-on-one block by Belgium's Thibaut Courtois. Lloris's save at 0-0, in particular, was a turning point in the match, much like his full-stretch dive when France had a 1-0 lead against Uruguay in the quarterfinals.

His performance, combined with some stellar defending from France's back line meant that Belgium never managed to sneak in behind it or make the most of striker Romelu Lukaku.

"If we play like that, we're very hard to beat," France striker Olivier Giroud said.

Once France took the lead, panic slowly crept into Belgium's game. They weren't overwhelmed by Les Bleus, nor could they find a crack to exploit. This was a new French national team, rarely flashy and uncompromisingly solid. But one thing remained familiar: Les Bleus were World Cup finalists again.

OPINION

Is Trump's Car War a Bluff?

**BUSINESS WORLD**
By Holman W. Jenkins, Jr.

Truly the most challenging assignment in government today will be validating Donald Trump's suspicion that foreign auto companies threaten U.S. national security.

We don't envy Commerce Secretary Wilbur Ross, whose department is tasked with making the case.

Let's see, 56% of U.S. cars are already built in domestic plants, and 78% if you count Canada's and Mexico's highly U.S.-dependent auto industries.

Mr. Trump likes factories. Foreigners are huge contributors to the U.S. manufacturing base, with 17 auto assembly plants here. Mr. Trump likes exports. Germany is the single biggest exporter of cars made in the U.S., shipping abroad 400,000 Mercedes and BMW cars a year.

The U.S. auto industry has been quietly aghast at Mr. Trump's threat of a new trade war by imposing a 25% tax on European cars. Car makers have been pushing back in a low-key, white-papery way calculated not to invite the kind of tweets that Harley-Davidson elicited. Harley made the mistake of sounding as if Mr. Trump was at fault for European retaliation. GM has used only passive verbs to discuss the possible shrinkage of

U.S. output and employment from a trade war.

Parts maker BorgWarner, in an official statement, carefully warned that "our customers could request that we move production of these technologies to another Borg-Warner facility outside of the U.S."

The main U.S. dealer trade group told Automotive News: "The president is rightfully concerned about trade imbalances and manufacturing jobs in the United States," followed by a long "but" clause.

Then there's this: What many of us would regard as a Trump victory, i.e., getting Europe to drop its 10% auto tariff, would not be regarded as such by the U.S. car makers if they had to give up America's 25% tax on imported pickups.

The German car makers have taken it on themselves to make lemonade out of this episode by promoting a zero-for-zero solution—which, by the way, would be a big win for U.S. consumers. But wasn't the Trump administration last seen celebrating the pickup tax's extension in its South Korean trade deal? The so-called chicken tax, dating from a 1960s trade war, is far more central to Detroit's business model than Europe's tariff is to Daimler's or BMW's.

Besides, zero-for-zero is a free-trader's dream. It's hard to reconcile with Mr. Trump's belief that high tariffs are a good thing—he thinks they encourage foreigners to bring their factories here (which can be true in certain cases,

though it doesn't affect the overall trade balance since the U.S. must still import enough goods and services to offset a gap between domestic savings and investment).

Mr. Trump models his trade strategy after Reagan's, but the political context is wildly different. He considers it a coup that Reagan's import restrictions in the 1980s prompted a flood of Japanese investment to set up

Welcome to the Atlantic City moment when his ambition outruns his skills.

car plants in the U.S. But that victory is already in the bag. VW, Volvo and Mazda are the latest to have U.S. factory projects currently under way. Of the hundreds of car models in the U.S. market, four of the top seven in terms of U.S. content are made by Honda. Only one of America's beloved pickups—Ford's F-150—makes the top 10.

Mr. Trump is messing with a complexly arranged global auto manufacturing order that's working pretty well for Americans right now.

His supporters knew this moment was coming. His virtues are also his faults. He relies on his gut. He doesn't read briefing materials. He's playing checkers. The world is playing chess.

His connection to his own administration (from which he often gets good advice) is

tenuous. On trade (and Mexican immigration), the world has changed since the '80s, when his sensitivities were formed.

Which brings up a difficult question: Does Mr. Trump know what he's doing? Did Barack Obama or George W. Bush? Hillary Clinton would certainly have known her way around the presidency—she saw it up close during Bill Clinton's eight years, plus had a prime seat during the Obama years. Yet it's hardly likely that under a Hillary presidency we'd be experiencing anything as good as today's jobs and investment boom that arose because Mr. Trump is not Mr. Obama.

We've come to the Atlantic City casino moment of Mr. Trump's presidency. His taste for action and grandiose outcomes is bigger than his abilities. Not for the first time, he needs to find creative ways to keep out of his own way, while plastering his brand on good things that are happening anyway.

Let's acknowledge that many in Detroit think Mr. Trump is bluffing about his car war. If he isn't, the unwelcome task falls to GM's Mary Barra. We'd trust no one else among Detroit CEOs to have the gumption to hire a bunch of lawyers and start filing for injunctions the minute after the Commerce Department comes out with a crazy finding that today's globalized auto sector represents a menace to U.S. national security.

BOOKSHELF | By Joseph Crespino

Witness to the Persecution

Deep South Dispatch

By John N. Herbers

(Mississippi, 260 pages, \$28)

In 1955 journalist John Herbers was in the tiny town of Sumner, Miss., reporting on the trial of two white men accused of killing Emmett Till, the 14-year-old African-American boy from Chicago whose brutal murder was an early flashpoint in the civil-rights movement. While searching for a soda, Herbers walked into a Chinese-owned grocery store near the courthouse and saw a TV set—one of the few in Sumner—tuned to the news of the Till trial being broadcast from a studio in New York. As Herbers writes in his newly published memoir, this was "one of the first signs" of the role that the national media would play in the drama then unfolding in the South. No isolated Southern backwater was outside the national media's reach. Not even Sumner.

Or perhaps especially not Sumner, for the Till trial proved to be a transformative event for Herbers and the nation alike. Countless African-Americans would remember the moment they saw the gruesome photos of Till's body, published in the black press, as a turning point in their own lives. No longer would they passively accept the indignities of Jim Crow America.

For Herbers, born and raised in Tennessee and educated at Emory University in Atlanta, it was during the Till trial that he first noticed the surreptitious activism and quiet, careful determination of black Mississippians to challenge Jim Crow.

Herbers had grown up with the instruction commonly provided to white youths in the South, the belief that "black people were innately inferior to whites and were prosperous and happy when confined to a separate society," as he puts it. In the packed and airless Sumner courtroom, his jaw dropped when the prosecutor asked Till's great-uncle, Mose Wright, to identify the man who had taken Till from his home and Wright stood up, defiantly pointed a bony finger at the accused and said, "That he." Reporting on the trial, Herbers soon discovered that in order to protect Wright and another African-American trial witness, a network of local blacks had kept them hidden from white would-be vigilantes.

The moral fervor that suffused Mississippi's black community, and that was invisible to complacent whites, became even clearer to Herbers a few months later when he drove his family to Clarksdale to cover a church rally organized by Aaron Henry, who would later become president of the Mississippi NAACP. Herbers was "astounded by the eloquent oration of speaker after speaker as they illuminated the logic of their cause without bitterness or hatred. They spoke with a hopefulness that their day would indeed come."

Herbers grew up in the South, but covering the Emmett Till case opened his eyes to both racial injustice and the quiet bravery required to fight it.

Herbers's account of his own moral awakening to racial injustice in the South is one of the most salient aspects of "Deep South Dispatch: Memoir of a Civil Rights Journalist." The awakening came partly from the sense of alienation he experienced growing up the son of a man disinherited from a prosperous Memphis family. His family's social dislocation gave Herbers a perspective essential for any journalist, that of "the outlier who is always asking why." World War II shaped him as well; he served in a rifle company in the Pacific, hopping from island to island, securing air bases as the Allies pushed the Japanese westward. The experience transformed him from an aimless high-school student to a young man haunted by the violence of war and the hatreds that fueled it, particularly the racism exhibited by American soldiers as they fought against the Japanese.

Yet it was in Mississippi in the 1950s, when Herbers worked for the United Press syndicate, that his eyes were fully opened. These were the unhinged years in Deep South politics, when politicians who only a few years earlier had been dismissed as jokes or nobodies rode right-wing segregationist militancy to the highest offices in the state. No rumor of black perfidy was too outlandish to be believed. No facts of racial injustice were too obvious not to be dismissed as "tainted" news that "romanced the Negro race," as one radio-station manager complained to Herbers.

In 1963, Herbers took a job with the New York Times, moving his family to Atlanta, where his kids attended an integrated elementary school alongside Martin Luther King's children. At the Times, Herbers joined his fellow Emory graduate Claude Sitton in hopscotching across the South covering the "race beat." Herbers was away from his family so often that his wife would sometimes gather their four children and meet him at the airport during his layovers—they would picnic outside the terminal with a basket of homemade food. So infrequent were his trips home that his 3-year-old daughter once mistook another passenger for her father.

A recurring lament of Herbers throughout the memoir is that, as a journalist, he felt his professional ethics prohibited him from playing a more active role in pushing for changes in the South. "I believe that a good reporter is an observer who stands in the corner," he writes, "absorbing as much as can be heard or seen but never becoming partisan." It's true that he never relinquished his objective stance, but standing in the corner is a poor description of his role. He was an eyewitness at practically every hot spot across the Deep South.

Herbers died in 2017, at the age of 93, after having completed the manuscript for his memoir. "There were many brave young men and women using the pen and using the camera to tell the story," the civil-rights veteran and longtime Georgia congressman John Lewis once said of the journalists who covered the movement. John Herbers was among the bravest and most talented, which is why his memoir is such an important record of these critical years in American history.

Mr. Crespino is a professor of history at Emory University. His latest book is "Atticus Finch: The Biography."

Americans Want an Immigration Deal

**POLITICS & IDEAS**
By William A. Galston

For more than a decade, Congress has been gridlocked on immigration reform, and the current House and Senate are no exception. Every recent major congressional proposal has gone down to defeat.

It's easy to throw up our hands, conclude that the American people are hopelessly divided on immigration, and resign ourselves to waiting until they come together. Easy, but wrong: A strong majority of Americans already know what they want from immigration reform. The problem is that their elected representatives won't give it to them.

Let's start with what most Americans don't want. Last month's Harvard-Harris poll shows they don't want to break up families, and they don't want to break up Immigration and Customs Enforcement either. They oppose open borders—and closed borders. They reject sanctuary cities—and a wall along the Mexican border. They don't believe legal immigrants are taking jobs away from native-born Americans or that they are more likely to commit crimes.

And most Americans don't support reducing the level of legal immigration. According to a recent report from the Pew Research Center, the share

of Americans favoring such reductions has fallen since 2001 from 53% to 24%, while the share saying immigration should increase tripled from 10% to 32%. In fact, 2018 is the first time in the 21st century that more Americans have supported increasing rather than cutting legal immigration flows.

Despite deep partisan differences on immigration, a desire for increased legal immigration is evident across party lines. Since 2001, the share of Republicans who favor lower levels of legal immigration has fallen from 43% to 33%, while the share favoring an increase has risen from 15% to 22%. A plurality of Republicans—39%—favor the status quo, exactly matching the share of Democrats with this view.

Large majorities of Americans agree, moreover, on the kind of immigration reform they want. To begin, they overwhelmingly favor a generous resolution of the "Dreamer" conundrum: Young adults brought to this country illegally as children should be allowed to remain, work and embark on a path to citizenship if they avoid committing crimes. Support for this policy includes 80% of independents, 61% of Republicans and 69% of working-class white voters. In the face of such broad-based support, the inability of Congress to get this done is stunning. Clear presidential leadership certainly would have helped.

The Trump administration's "four pillar" strategy could serve as the basis for a broad-based consensus. For more than a decade, a core of immigration reformers have favored eliminating the diversity lottery, shifting the balance of immigration away

from family reunification toward economic productivity, increasing border security, and establishing a citizenship path for childhood arrivals. The administration's opening bid, which would have produced a substantial reduction in legal immigration, is a non-starter, but a similar proposal that maintained or increased legal immigration levels could be a sound step toward eventual agreement.

Continuing the current stalemate benefits no one except hard-liners on both sides. The American people give President Trump a low grade for his handling of immigration, and they trust Democrats more than Republicans to deal with the issue. On the other hand, Democrats are in danger of overplaying their hand. In the Quinnipiac poll this month, 60% of the respondents thought that Democrats were more interested in exploiting this issue for political gain than in resolving it.

One thing is clear: The people are losing patience with their elected officials. In a recent survey, 38% of Americans named immigration one of their top three issues—more than health care, the economy and jobs, and national security. A productive immigration debate is unlikely before the midterm elections. But a presidential aspirant with the courage to propose a mainstream solution to the immigration stalemate could be richly rewarded.

One poll shows 73% favor 'comprehensive' reform. But Congress twiddles its thumbs.

legal status at the workplace than any other option. While they prefer to detain illegal immigrants rather than revert to the policy known as "catch and release," they also reject extended periods of detention.

And though they reject using cities as havens from federal law, they favor keeping America a haven for those fleeing persecution in their home countries.

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Janus will allow teachers and other government employees to stop funding the union if they oppose its political goals. Under the old Supreme Court precedent, public workers could choose not to join unions, but in 22 states—including California, Illinois and New Jersey—they were required to pay "agency fees" to cover the cost of collective bargaining, including over the pensions now swamping state budgets. Janus has freed such workers from that obligation.

Will the change spur pension fixes and other fiscal reforms in states like California, Florida, New Jersey, Connecticut, Massachusetts and Maryland? At least at the margins, it will help—as evidenced by the cries of despair from union leaders when the decision was announced.

Since Michigan passed its right-to-work law in 2012, membership in the teachers union is down 25%, while the rolls at Afcme Council 25 have fallen one-third.

Even after Janus, public unions will remain powerful in blue states. But now maybe they won't be quite as flush with political cash. It will still take courage for lawmakers from Sacramento to Springfield to Trenton to stave off crisis. But with Janus, the Supreme Court has tossed residents of blue states a fiscal life jacket.

Mr. Laffer is chairman of Laffer Associates. Mr. Moore is a senior fellow at the Heritage Foundation. Their book, "Trumponomics," will be out in September from St. Martin's Press.**By limiting the power of public unions, Janus may help them avert fiscal disaster.**

Chicago Fed. Not a penny of that added tax money would pay for better schools, police, roads, hospitals or libraries. Already, Illinois's property taxes are among the country's highest.

The pension problems have gotten so bad because state lawmakers don't dare to stand up to powerful government unions. Consider the legendary

California Teachers Association, which collects some \$240 million a year from its 325,000 members and about 28,000 nonmembers who have been forced to pay fees. The CTA is the most influential political force in Sacramento. It spent twice as much on politics from 2000-10 as the next largest donor—also a government union, the California State Council of Service Employees.

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The Court Tosses Blue States a Life Jacket

By Arthur Laffer and Steve Moore

of about \$170 billion, and Illinois's are \$140 billion.

The Illinois crisis is so severe that paying the promised pensions would require a 30-year property-tax increase that would cost the median Chicago homeowner \$2,000 a year, according to a study from three economists at the

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OPINION

REVIEW & OUTLOOK

A Senate Deadline for Kavanaugh

Brett Kavanaugh's nomination now heads to the Senate, and the most important fact to understand is that the debate in the world's greatest nondeliberative body is not about the future of the Supreme Court. That's a sideshow. The real debate is about the future of the Senate—specifically, which political party will control that now narrowly divided chamber in 2019.

Minority Leader Chuck Schumer has already said he will "oppose Judge Kavanaugh's nomination with everything I have." Nice to know he's given it such careful thought. But Mr. Schumer knows defeating the judge is a long shot, especially after Maine Senator Susan Collins made encouraging comments Tuesday about Judge Kavanaugh's lower-court opinion on ObamaCare and his statement in 2006 that *Roe v. Wade* is a binding precedent.

In any case, what Mr. Schumer cares about more than defeating Donald Trump's nominee is to be the next Majority Leader. Toward that end he wants to help his 10 incumbent Senators running in November to navigate between a political base that demands opposition to all things Trump and broader state electorates that might come to think that Judge Kavanaugh is an excellent nominee.

The best way to do that is to postpone a confirmation vote beyond Nov. 6. That way Joe Donnelly in Indiana, Heidi Heitkamp in North Dakota and Joe Manchin in West Virginia wouldn't have to take a politically difficult vote before Election Day.

They and other Democrats like Claire McCaskill in Missouri risk infuriating Democratic activists if they vote for a nominee who will be described day after day on MSNBC and CNN as a threat to every right they have. On the other hand, the Senators might motivate Trump voters to turn out against them if they oppose Judge Kavanaugh. So Mr. Schumer's main priority is delay, and delay some more.

Keep this in mind as you begin to hear Democratic charges that the confirmation process is moving too fast, that it's a railroad job, or a cover-up. You will also soon hear demands for documents, millions of documents, from Mr. Kavanaugh's tenure as staff secretary in the George W. Bush White House and on the staff of independent counsel Ken Starr in the 1990s.

The Health Insurers Squawk

Over the weekend arrived some fresh political fury that the Trump Administration is trying to sabotage ObamaCare by suspending something called "risk adjustment" payments. Not so much.

The Centers for Medicare and Medicaid Services announced that it would suspend \$10.4 billion in risk adjustment payments, which are designed to compensate insurers that enroll sick, expensive patients. Unlike with other ObamaCare subsidy programs, risk adjustment payments shuffle money from insurers with relatively healthy populations to others.

Some co-ops have sued on grounds that the funding formula is unfair to small insurers. In January a federal court in Massachusetts ruled the formula wasn't arbitrary and capricious. But a month later a federal judge in New Mexico said it was.

CMS said it was "disappointed" by that decision and asked the judge to reconsider, which tends to be faster than the appeals process. In other words, the Trump Administration position in court is *in favor of making the payments*. The left is complaining that HHS halted the payments too casually, but on all the evidence the Trump Administration is trying to abide by the ruling while the courts resolve the dispute. This is called following the law.

A Worthy Pardon for the Hammonds

The pardon power has its most compelling use when correcting a government injustice. President Trump used his authority on Tuesday for precisely such a purpose in pardoning Dwight Hammond Jr. and his son Steven.

In 2011 the federal government charged the two Oregon ranchers with arson and destruction of federal property for having done nothing more than utilize the same fire-management tools that the government routinely employs. The Hammonds had set fires in 2001 and 2006—one to fight invasive species, another to protect against a wildfire. Both fires unintentionally spread to burn nearby public grazing land—139 acres in the first case, a single acre in the second.

A federal jury acquitted them of most charges but found them guilty of setting the fires—which they'd already admitted. A federal judge gave them reduced sentences, saying that anything more would "shock the conscience" and be "grossly disproportionate to the severity" of their conduct. We wrote about their case in 2016.

The Obama Justice Department, in its usual restraint against its political opponents, appealed and persuaded a different judge in 2015 to impose a mandatory five years each under the 1996 Antiterrorism and Effective Death Penalty Act. Yes, a terrorism statute.

The lobby that loves ObamaCare shifts the blame on premiums.

paid but when.

So it's redolent to see the insurance lobby threatening to shoot the hostage with higher premiums next year. "We are very discouraged by the new market disruption brought about by the decision to freeze risk adjustment payments," America's Health Insurance Plans said in a statement.

This is distinct from the debate over ObamaCare's cost-sharing payments, which the Trump Administration cut off last year after a federal judge barred the subsidies that Congress had not appropriated. But here too the insurers have threatened higher premiums, even as the insurers pocket tax-credit subsidies that increase with premiums.

One of the great ironies of the Affordable Care Act is that progressives wanted to stick it to the insurers and instead have enriched them with new business. Since when did the claims of insurers become a reliable guide to American health care?

Trump corrects a federal injustice against two Oregon ranchers.

The exercise smacked of retribution and coercion, since the Hammonds remain one of the last private ranching families in the Harney Basin. The feds have been on a campaign to drive out private landowners to expand a federal bird refuge around Malheur Lake. In recent years the feds have revoked grazing permits, mismanaged water to let ranchlands flood, and harassed ranchers with regulatory actions.

The Hammonds refused to give in to these tactics and ended up in prison. The elder Dwight Hammond, 76, has now served three years, while Steven, 49, has served four. They have also paid \$400,000 to settle a federal civil suit against them.

The federal treatment of the Hammonds fueled the 40-day citizen takeover in 2016 of Oregon's Malheur National Wildlife Refuge. That occupation (which the Hammonds did not endorse) was inexcusable and ended in violence, though it highlighted the growing fury of Western landowners over the federal government's bullying practices.

The Trump Interior and Agriculture Departments are attempting to rein in these abuses, reminding federal employees that private landowners are crucial for conservation and economic stability across rural America. The change in policy is overdue, as was justice for the Hammonds.

Schumer wants to delay a confirmation vote past Election Day.

Democrats aren't looking for anything in particular, though if they find something negative they'll use it. The main purpose will be to find an excuse to raise more questions, to seek still more documents, and to interview more witnesses—all with a goal of pushing Senate hearings into the autumn and delaying a vote into the lame duck session of Congress or even next year.

Presumably Republicans understand this strategy, and they are under no obligation to cooperate. They can tolerate reasonable document requests that bear on the duties of a Supreme Court Justice. But Judiciary Chairman Chuck Grassley has no reason to allow an open-ended dive into the George W. Bush and Bill Clinton archives.

The job of a White House staff secretary is to manage paper flow to the President, so everything more or less came across Mr. Kavanaugh's desk. But that doesn't mean it reveals how he might rule on any current controversy. The same goes for the Starr records.

The best evidence for how Mr. Kavanaugh would rule as a Justice is how he has ruled as a judge on the D.C. Circuit Court of Appeals. And with some 300 opinions in 12 years, Brett Kavanaugh has a more extensive public record than perhaps any modern nominee other than Robert Bork. Antonin Scalia had only been on the D.C. Circuit for four years when he was nominated to the High Court.

* * *

Mr. McConnell is saying he intends to have a vote in the fall, and the goal should be to have a Justice Kavanaugh ready to sit on the High Court when it opens its new term on Oct. 1. This gives the Judiciary Committee ample time to hold hearings in August with a debate and vote on the Senate floor in September.

Sixty to 70 days is within the norm for previous nominees between nomination and confirmation. Ruth Bader Ginsburg took 42 days, Sonia Sotomayor 66 and Elena Kagan 87. The average wait for those three Democratic nominees was 65 days. Neil Gorsuch took 66 days to confirm last year. Democrats will object, but barring some major revelation, that is a fair timeline for confirming Judge Kavanaugh.

Senators sign up to take votes like this—before the next election.

By the way, this rule was propagated by the Obama Administration, not President Trump. An HHS official tells us on background that the agency thinks it has resolved the procedural issue for 2019, and so the issue is the payments for previous years based on the invalidated formula. The question then isn't if insurers will get

paid but when.

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LETTERS TO THE EDITOR

Refugee Status Is Keeping Palestinians in Exile

Jonathan Schanzer and Richard Goldberg's describe the fecklessness of United Nations efforts on behalf of Palestinian refugees in "Expose the Palestinian 'Refugee' Scam" (op-ed, July 6). The U.N. would do well to learn from Israel's history following 1948 Arab invasion. Within a few years, Israel took in more than 600,000 Jewish refugees from Arab countries and housed them in primitive tent camps called ma'abarat. Within a decade, it had turned these into development towns. Despite coming to Israel with nothing, Jews from countries such as Syria, Yemen, Iraq, Algeria and Libya—as well as East Jerusalem and the West Bank—looked forward and rebuilt their lives. Their descendants constitute more than half of Israel's population.

One can speculate about how different the region could have been if Arab countries, with their vast land resources, had adopted similar policies. Jordan could have set up a Palestinian state in the West Bank. Lebanon could have ended its restrictions on Palestinians buying property or acquiring citizenship. Egypt could have allowed development of the Gaza strip rather than using it as a base to attack Israel. Instead they deliberately perpetuated the issue, with refugee status passed down to all descendants, something done only in this conflict.

The U.N. should amend its policy by recognizing that a population exchange took place, and withholding refugee status for future generations of Palestinians. U.N. reformers could point to the tenfold larger population exchange that occurred between India and Pakistan after India was partitioned during the same era. After that 10-year period of resettlement, neither side there perpetuated refugee status for those who had not yet returned.

DORON LUBINSKY
Atlanta

Unique among relief agencies, the United Nations Relief and Works Agency for Palestinian Refugees hinders, rather than helps, restoration of its recipients to normal lives. UNRWA also diminishes the resources available to a sister agency, UNHCR, which is responsible for all the rest of the world's refugees. Its absurd statistics would make the most crooked accountant blush from shame. Ever-expanding rolls, now unto the fifth generation, generously also include the dead and the fled.

Dismantlement of this rogue agency would help Palestinians and free up desperately needed funds for the truly needy. Replacing entrenched fantasies with reality also remains the sine qua non for advancing any prospects for peace.

RICHARD D. WILKINS
Syracuse, N.Y.

Messrs. Goldberg and Schanzer brings to mind a clear solution to the Arab refugee problem. I refer to "Arab" rather than "Palestinian" refugees because they did not call themselves Palestinians until decades after they became refugees.

As a citizen of Israel, I offer this suggestion to the Israeli government: offer the "right to return" to every actual refugee. The only stipulations should be that they agree to become loyal Israeli citizens, supporting their new state against all its enemies, and recognize that they will be responsible for finding homes and supporting themselves.

This would completely end the refugee conflict. Since there are probably even fewer than the 30,000 refugees hypothesized in the article, all at least 70 years old and unlikely to have more children, they would also not pose a demographic problem. The responsibility for integrating the descendants of refugees would then fall on the parties responsible: the Arab states and the Palestinian Authority.

ALAN STEIN
Netanya, Israel

Pruitt's Breaches Left Him Open to the Blitz

Your July 6 editorial "Pruitt Drowns in the Swamp" correctly begins with the observation that Mr. Pruitt tragically gave his enemies so much ammunition, and you go on to extol his achievements. However, as you also point out, he forgot a vital historical lesson on avoiding even the suspicion of an ethical question.

On his inauguration, Dwight Eisenhower famously gave the members of his administration the admonition that their behavior must be "clean as a hound's tooth." Before he went on to his military career, and then the presidency, Ike served as both a running back and linebacker at Army, starting on both sides of the ball. He knew that if the opposition was given any crack in the line they would pour through and nail the quarterback. That's what the game is all about, and it's no different in politics. We should be glad, because it's also what keeps our system clean and functioning, unlike so many corrupt governments worldwide.

Unfortunately Mr. Pruitt, himself a former football player at Lafayette, didn't learn that lesson. Since his appointment as administrator of the Environmental Protection Agency, Mr. Pruitt has been under at least 14 separate federal investigations by the Government Accountability Office, the EPA inspector general, the White

House Office of Management and Budget, the U.S. Office of Special Counsel and two House committees. These inquiries cover his spending habits, conflicts of interest, extreme secrecy, and management practices. It's no wonder the opposition finally got to him and brought him to the ground.

Let's hope the rest of Mr. Trump's team—including the quarterback himself—take this lesson to heart and lives by Ike's dictum as they move further into the opposition's territory—clean as a hound's tooth!

JOHN A. PETERSON
Walnut Creek, Calif.

Your editorial "Pruitt Drowns in the Swamp" rang hollow. I generally agree with conservative principles but your argument that it was the progressives that doomed his cabinet position seemed to gloss over that his problems were of his own making. Had it not been for his own ethical lapses, even if some of them were exaggerated or overstated, he would still be in his position. Even his conservative colleagues and Trump EPA appointees were calling for his ouster. His own self-inflicted wounds, little of which had anything to do with his deregulatory policies, invited scrutiny into his personal behavior.

TERRY FAVERO
Lake Oswego, Ore.

Only Public Pressure Can Cap the Surge of Robocalls

My hope turned to chagrin as I read "Here's What You Can Do About Robocalls" (Business & Finance, June 28), which have increased dramatically to both my landline and cellphone in the past year. The suggestions in the article haven't been successful in my experience, and my friends feel the same. Waiting years for a call-certifying protocol that the scammers will have plenty of time to evade is not a promising solution.

Voters should ask everyone running for office this fall what they promise to do before the next election to rid the people of telemarketers, fake pollsters and vote-for-me calls. Phone companies have many small shareholders, including me. Millions could pressure them to report on progress in limiting unsolicited calls. Success at one company would pressure others to follow suit or lose in the marketplace.

While I was writing this, I was disturbed only once by a junk phone call. Maybe the problem really is getting better.

BRUCE G. NICKERSON
Seal Beach, Calif.

For Parents Like Me, the Big Promotion Can Come at Home

In response to "Working Moms Often Miscalculate Costs" (Business & Finance, June 28), I was presented 25 years ago with an opportunity I will never regret. My husband had just been promoted, and I was pregnant with our second son. I turned to my 1-year-old and said, "Mommy has been promoted to be with you all of the time." The best career move I have ever made.

LANNI WALL
Dana Point, Calif.

Pepper ... And Salt

THE WALL STREET JOURNAL



"You know what I miss? Meetings."

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

OPINION

The Elites Feed Anti-Immigrant Bias

By Joan C. Williams

As recently as the 1990s, Harvard sociologist Michèle Lamont found that working-class men in the New York City area held generally positive attitudes toward immigrants, describing them as "family oriented" and "hard workers, just like us." Yet real wage growth for the working class has been abysmal for a generation, and for many native-born blue-collar workers the culprit seems obvious—immigration. "My fiancé's

As proud citizens of the world, they show little solidarity with working-class countrymen.

worked at the same company for 21 years and it's a union [job], and they are hiring Mexicans," one Trump voter told the Public Religion Research Institute. "And I don't want to be racial, but that's all they're hiring. He makes like \$31 an hour, and they're coming in at making like \$8 an hour."

Economists have demonstrated immigration's positive effect on gross domestic product, but that misses a crucial point: People don't live the averages. They live where they live, and see what's in front of them. In 2016 Donald Trump won far more counties than Hillary Clinton

did—but Mrs. Clinton's roughly 500 counties represented two-thirds of GDP. Mr. Trump won in regions left behind.

Today less than half of Americans born in the 1980s earn more than their parents did, according to a National Bureau of Economic Research study led by Harvard economist Raj Chetty. Antitrade and anti-immigrant voices offer a clear explanation of why good jobs left the U.S. (free trade), and why the jobs that replaced them pay less (immigrants). Those who believe otherwise need to communicate an alternative explanation and recognize that anti-immigrant fervor reflects cultural as well as economic divides.

Global elites pride themselves on their cosmopolitanism. Some younger elites reject the notion of national borders entirely. Many blue-collar whites interpret this as a shocking lack of social solidarity. They are proud to be American because it's one of the few high-status identities they can claim. Elites, on the other hand, seek social honor by presenting themselves as citizens of the world. And many are, with membership in global networks dating to their college years or earlier. But blue-collar Americans tend to stay close to home because they rely on a small circle of family and friends for jobs, child care and help patching that hole in the roof. These are problems elites solve with money.

Driven in part by their contrary lifestyles and networks, elites and nonelites hold radically different



GETTY IMAGES

President Trump greets supporters in Great Falls, Mont., July 5.

core values. A 2007 study published in the Journal of Personality and Social Psychology found that elites focus on achievement and individuality, while the working class prizes solidarity and loyalty—values that bind members to their communities.

This class culture gap is also fueled by what sociologist Arlie Russell Hochschild calls "feeling rules" in her book, "Strangers in Their Own Land." These unwritten rules govern who deserves sympathy and who doesn't. Elites' feeling rules mandate empathy for immigrants, viewed as vulnerable people separated from their families or fleeing persecution, gangs or conflict. This empathetic human-rights lens contrasts sharply with the neoliberal lens elites use for blue-collar Americans, who are often

viewed as dimwitted and fat. Homer Simpson is emblematic.

All this has created a toxic environment in both the U.S. and Europe. Three steps can help turn things around. The first is to recognize that the nation-state matters greatly for nonelites in developed countries. "You can't put a Danish flag on a birthday cake without being called racist," someone recently commented to me at a book talk in Denmark. Dismissing national pride as nothing more than racism is a recipe for class conflict and more racism. Better by far to embrace national pride, balance it with concern for those outside the nation, and refuse to allow racism to pose as national pride.

The second step is to highlight the

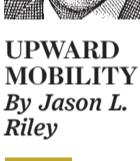
ways President Trump's immigration and trade policies are hurting red-state constituencies that voted for him. Critics can point to farmers unable to find farmworkers, small-business owners unable to find dishwashers, and construction workers hit hard by steel tariffs.

The third step is to fight the scapegoating of immigrants by ensuring that hardworking Americans without college degrees can find good jobs. Economist Branko Milanovic has found that people in the bottom half of rich, developed countries' income distributions have seen "an absence of real income growth" since 1988. What's happening, Mr. Milanovic argues, is the "greatest reshuffle of individual incomes since the Industrial Revolution." The Bureau of Labor Statistics reports that average wages fell last year for nonsupervisory workers in the U.S.

There's no inherent reason why native-born blue-collar workers should be anti-immigrant. They often hold similar attitudes toward hard work and family values. Elites who sympathize with immigrants do themselves no favors by dismissing the working class as too bigoted or too stupid to recognize the economic benefits of immigration. Instead they should actually try to make the case and address the causes of anti-immigrant scapegoating.

Ms. Williams is a law professor at the University of California, Hastings, and author of "White Working Class" (Harvard Business Review, 2017).

Let's Talk About the Black Abortion Rate



UPWARD MOBILITY
By Jason L. Riley

As Judge Brett Kavanaugh's Supreme Court nomination tees up another national debate about reproductive rights, is it too much to ask that abortion's impact on the black population be part of the discussion?

When the Supreme Court decided *Roe v. Wade* in 1973, polling showed that blacks were less likely than whites to support abortion. Sixties-era civil rights activists like Fannie Lou Hamer and Whitney Young had denounced the procedure as a form of genocide. Jesse Jackson called abortion "murder" and once told a black newspaper in Chicago that "we used to look for death from the man in the blue coat and now it comes in a white coat."

In the intervening decades, those views shifted. Mr. Jackson abandoned the pro-life ship to run for president in 1984, and leaders of black civil-rights organizations today are joined at the hip with

abortion-rights proponents such as Planned Parenthood. A Pew Research Center survey taken last year found that 50% of Hispanics, 58% of whites and 62% of blacks now say abortion should be legal in all or most cases.

Social scientists aren't sure why black attitudes toward abortion have changed. One theory is that as more blacks migrated out of the conservative Deep South and settled in other regions of the country with more liberal views on reproductive rights, their attitudes changed accordingly. Another possibility is that people with higher incomes and more education tend to be pro-choice, and since the early 1970s the socioeconomic status of blacks has increased dramatically.

What's not in doubt is the outsize toll that abortion has taken on the black population post-*Roe*. In New York City, thousands more black babies are aborted than born alive each year, and the abortion rate among black mothers is more than three times higher than it is for white mothers. According to a city Health Department report released

in May, between 2012 and 2016 black mothers terminated 136,426 pregnancies and gave birth to 118,127 babies. By contrast, births far surpassed abortions among whites, Asians and Hispanics.

Nationally, black women terminate pregnancies at far higher rates than other women as well. In 2014,

for income. Moreover, other low-income ethnic minorities who experience discrimination, such as Hispanics, abort at rates much closer to white women than black women.

The more plausible explanation may have to do with marriage. Unmarried women are more likely to experience an unintended pregnancy, and black women are less likely than their white, Asian and Hispanic counterparts to marry. It's true that many of these would-be partners are sitting in prison, but it's also true that this racial divide in marriage, which started in the 1960s and has grown ever since, predates the "mass incarceration" of black men that took off in the 1980s.

Among civil-rights activists today, talk of black self-destructive behavior is unpopular and minimal. Writing in Commentary magazine last month, Jason Hill, a professor of philosophy at DePaul University, noted the hypocrisy of groups like Black Lives Matter, who "want white people to esteem black lives and value the humanity of black people when they themselves can't condemn and express moral outrage at

In New York City, thousands more black babies are aborted each year than born alive.

36% of all abortions were performed on black women, who are just 13% of the female population. The little discussed flip side of "reproductive freedom" is that abortion deaths far exceed those via cancer, violent crime, heart disease, AIDS and accidents. Racism, poverty and lack of access to health care are the typical explanations for these disparities. But black women have much higher abortion rates even after you control

against an opponent like Russia this can only be done by massing all available means, including those of the U.S.," noted Dick Zandee, who leads the security unit at the Netherlands Institute of International Relations.

"But cooperation between two or several countries helps them integrate their capabilities. If they have the same equipment, it can also lead to savings in training, maintenance, and upgrading." Such integration is nearly impossible in a group of 29.

There's room for more small-team innovation. Germany—a preferred destination for human traffickers, given its generous immigration policy—could work with Italy to form security force assistance brigades in North Africa. Sweden, another preferred destination until it closed its borders in 2016, could likewise team up with the Italians. "Close cooperation is possible even if you don't have the same equipment," said former Swedish defense chief Sverker Göransson. "You just have to exercise more together."

those who maim and kill black children in the course of gang warfare, senseless street violence, and drive-by shootings."

Mr. Hill added that the "moral hysteria raised by a few incidents of police brutality in the face of this larger national tragedy is reckless hyperbole" and "hides from the nation a deep malaise at work in the psyche of some in the black community: a form of self-hatred that manifests itself in a homicidal rage not fundamentally against white people, but against other black people."

When you combine the amount of black violent behavior directed at other blacks with the number of pregnancies terminated by black women, the rate at which blacks willingly end the lives of one another is chilling and far surpasses what goes on within other racial and ethnic groups. Racial disparities in abortion rates are no less disturbing than racial disparities in income, crime, poverty and school suspensions. Why are the people who want to lecture the rest of us about the value of black lives pretending otherwise?

Europe's Little Alliances Can Help Bolster NATO

By Elisabeth Braw

This week's North Atlantic Treaty Organization meeting in Brussels promises to be a most unhappy reunion. President Trump likely will lash out at countries spending less on defense than the alliance's benchmark 2% of gross domestic product. The atmosphere won't be conducive to discussions about emerging threats. Yet that doesn't mean the end of the world—or the end of NATO. On the contrary, now is an excellent opportunity for European countries to team up in smaller groups that complement the alliance.

"We need to think asymmetrically if we are to cope with new challenges," George Robertson, a former NATO secretary-general and U.K. defense minister, told me. "There's no way NATO can rely on old configurations when dealing with modern conflict."

Although it has innovated since its inception in 1949, NATO remains focused primarily on territorial defense. Russia's annexation of Crimea and incursion into eastern Ukraine

have reminded Europe that it will always have to defend its borders. But the alliance isn't necessarily the right tool to approach other security challenges, from terrorism to mass migration. With 29 members and unanimous decision-making, NATO hardly is equipped to absorb new responsibilities. NATO member countries' interests vary too greatly: Short of the need for allies in case of an invasion, little unites Portugal and Estonia.

There are already several creative small-scale initiatives in place. Since 2016 Germany and the Netherlands have been incorporating a Dutch brigade into one of the Bundeswehr's tank divisions. Seven countries—including Germany, France and Italy—operate the European Air Transport Command. Members share military transport aircraft, some 60% of Europe's total military air-transport assets. Last month Britain and eight northern European countries formally launched the Joint Expeditionary Force, a 10,000-strong unit that can rapidly respond to conflicts and humanitarian crises. Earlier this year

France, Germany, the U.K. and six other European countries launched the European Intervention Initiative, another rapid-response force.

The Netherlands, Belgium and Denmark recently announced they're creating a Special Forces command, while neutral Sweden and Finland are

beginning to integrate their navies. Belgium and the Netherlands have shared a navy for 22 years. The duo recently announced a €4 billion investment in 16 new naval vessels.

Such initiatives don't signal the end of NATO—rather, they supplement it. The alliance "has the task to deter and defend if necessary, and

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Smaller groups also bring the advantage of speed. "There's strength in numbers, but a large number of members also makes consensus difficult, and that slows NATO down," Mr. Göransson said. "Smaller groups can have their own focus, and in case an intervention is necessary they would also be able to decide faster than NATO, and NATO could then follow." Such groups also offer opportunities for nonmembers like Sweden.

Military cooperation isn't easy. "It requires like-minded, often neighboring countries with comparable strategic culture, a history of cooperation and trust in each other," Mr. Zandee noted. But given today's challenges in European security—and unease on the Continent about America's commitments—European defense ministers surely can conjure a bit of mutual trust.

Ms. Braw is an adjunct fellow at the Center for European Policy Analysis.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

By Hoyt Hilsman

WORLD NEWS

China Lets Nobel Laureate's Wife Leave

Rights activist's widow, freed from house arrest in a switch for Beijing, heads for Berlin

By EVA DOU

BELJING—China allowed the widow of Nobel Peace Prize laureate Liu Xiaobo to leave for Germany nearly a year after the dissident's death, as Beijing seeks allies in Europe as part of its trade fight with the U.S.

After months of lobbying by foreign governments, Liu Xia boarded a Finnair flight in Beijing on Tuesday and was ultimately bound for Berlin, a family friend and a Western diplomat said. Her release marked a change for Beijing, which had resisted freeing her from house arrest despite calls from mostly European governments since her husband's death on July 13, 2017.

Beijing is now in the midst of an escalating trade battle, and it sees Europe, with its own bruising trade fight with the U.S., as a potential partner, scholars and Western diplomats said.

The day before Ms. Liu's release, Chinese Premier Li Keqiang and German Chancellor Angela Merkel declared in Berlin their shared commitment to free trade, in a swipe at the Trump administration.



Liu Xia, the widow of Nobel laureate Liu Xiaobo, arrived at the Helsinki International Airport in Vantaa, Finland, on Tuesday.

"It looks like a signal from Beijing that they recognize that during this period, they need Germany as someone who affirms their willingness to be a responsible player on

the world stage," said Kristin Shi-Kupfer, director of public policy research at the Mercator Institute for China Studies. "Because of the U.S. trade war, China seems to have the sense that they need more reliable and supportive partners in Europe."

At a regular briefing in Beijing, Chinese Foreign Ministry

spokeswoman Hua Chunying said Ms. Liu is going to Germany for medical treatment "based on her own wishes." Ms. Hua didn't otherwise explain why Beijing permitted the 57-year-old writer and artist to leave.

Ms. Liu had lived under house arrest for eight years. Germany has been a persis-

tent advocate for allowing Ms. Liu to leave, foreign diplomats and rights activists said. Ms. Liu wanted to go to Germany, they said, because she has friends there.

Ms. Merkel raised Ms. Liu's case directly with Chinese President Xi Jinping this year, people briefed on the matter said, and she met regularly

with rights activists on her trips to China. In contrast, as China's economic and diplomatic clout has grown, many Western leaders have increasingly left human-rights matters to be raised by other officials.

Human-rights experts see Ms. Liu's release as evidence that Beijing can still be moved on human-rights cases if it suits other government priorities. "It's proof it works if you bring up a high-profile case in trade negotiations," said Patrick Poon, a researcher for Amnesty International.

An annual EU-China human-rights dialogue, being held this week in Beijing, also drew attention to Ms. Liu as well as other cases, though in previous years the meeting had yielded little progress as Chinese authorities rounded up political critics, religious activists and civil-rights lawyers.

Beijing ignored Western calls last year for the release of Ms. Liu's husband to receive overseas treatment for liver cancer.

Ms. Liu was put under house arrest after her husband was awarded the Nobel Peace Prize in 2010 for his decades of campaigning for democracy.

—Lingling Wei contributed to this article.

Nicaraguan Leader's Ex-Business Allies Want Him Out

By JOHN OTIS

MANAGUA, Nicaragua—When the uprising that has shaken President Daniel Ortega erupted in April, one of the first antigovernment marches was convened by an institution not known in recent years for civil disobedience: the country's powerful private business association.

The Council for Private Enterprise, or Cosep, enjoyed a cozy relationship with Mr. Ortega for nearly a decade. Its leaders provided key support for the former revolutionary's overtly pro-business government and helped it craft laws favorable to commercial interests while largely ignoring his growing authoritarianism.

But amid a violent crackdown on protesters that has killed more than 300 people in the past three months, Cosep is calling on Mr. Ortega to hold early elections, joining students and other pro-democracy elements.

"I never thought Nicaragua would see these levels of barbarity," said José Adán Aguerri, longtime president of Cosep, which represents major private companies in this country of six million. "If I

would have known, I never would have had relations with this government."

The demonstrations sprang up to oppose increases in social-security taxes. With violence escalating and much of the country paralyzed, the opposition is now demanding that Mr. Ortega step aside well before his term ends in 2022.

Mr. Ortega has refused. "You can't just change the [electoral] rules overnight because of a group of coup plotters," he said in a speech in Managua on Saturday.

Meanwhile, pro-government mobs have been on the rampage. On Monday, they stormed a church in the town of Diriamba, injuring several religious and human-rights leaders who were there to try to make peace after deadly clashes over the weekend. Among those hurt was Msgr. Silvio Báez, the auxiliary bishop of Managua.

Such groups have also seized nearly 7,000 acres of prime real estate and farmland, some of it belonging to Cosep members, according to Michael Healy, president of the Nicaraguan Farmers Union. Calls to the office of Vice President Rosario Mu-

rillo, who is Mr. Ortega's wife and handles press inquiries, weren't returned.

The unrest and killings, which human-rights group blame on the police and pro-Ortega paramilitaries, have brought Nicaragua's economy, which depends on agriculture and tourism, to a standstill.

Farmers, merchants, bankers and business moguls have been unlikely mainstays of Mr. Ortega's support in recent years, but now his standing

with them is decaying.

A former Marxist guerrilla, Mr. Ortega, now 72, helped lead the war to topple dictator Anastasio Somoza in 1979. For the next 11 years, with the aid of the Soviet Union and Cuba, he led the Sandinista revolutionary junta that fought U.S.-backed rebels while arresting business leaders and seizing private properties. Voted out of office in 1990, he made an improbable comeback in 2006 when he was re-elected on a

pro-business platform.

His new government courted Cosep, which had fiercely opposed the Sandinistas, telling the group expropriations were a thing of the past. He allowed Cosep members to sit on government boards and help draft legislation on everything from the minimum wage to tax policy.

In economic terms, the deal seemed largely to work. Foreign investment flowed in to Nicaragua, coffee and beef exports rose, and gold mining, tourism and renewable energy took off. Since Mr. Ortega returned to the presidency in 2007, the economy has expanded by an average of 4.2% annually, one of the highest rates in Latin America, according to the World Bank.

Rights groups say all along Mr. Ortega was tightening his grip on power. They charge he stacked the courts and the electoral council with allies, brought the police and much of the media under his control, co-opted political parties, and secured a constitutional overhaul allowing him to run for re-election indefinitely.

Yet few private-sector leaders protested, thanks to a tacit agreement with Mr. Ortega that they would stay out of politics, Managua economist Juan Sebastián Chamorro said.

In 2013, well after Mr. Ortega had begun cementing his control over the country's institutions, Carlos Pellas, Nicaragua's richest and most influential businessman, was asked whether Nicaragua was still a democracy. "Well, we have elections and the elections determine the winner," he said. "So, yes, I think we live in an open country."



A young antigovernment protester stands guard at a barricade last month in the city of Masaya.

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Saudi Women Drivers Show They Can Hack It

Lifting of ban on female motorists opens door to ride-hail jobs as kingdom tries to diversify economy

By DONNA ABDULAZIZ

JEDDAH, Saudi Arabia—The first female driver for Uber's Middle East rival here is helping to set a new course for women integrating into the kingdom's workforce now that they are allowed to take the wheel.

"I've just arrived, where are you exactly?" Ammal Farhat, a 45-year-old divorced mother of two young children, said into her phone as she drove up in her sport-utility vehicle to one of Jeddah's popular shopping malls. "It's my first mall pickup," she said while adjusting her GPS.

Ms. Farhat is among more than 2,000 women who applied to drive for Careem, a popular ride-hailing app, after the Saudi government last year announced the lifting of the female driving ban as part of major social and economic overhauls.

Women driving is the most visible sign of that social change in a country where Islamic conservatism and tribal traditions have long dominated public life.

The ban's lifting also makes it easier and cheaper for women to be a part of the Saudi labor pool, and even pursue careers as professional drivers, as the monarchy pushes to diversify the economy away from oil by boosting the private sector.

Many Saudis, especially young people, have welcomed those changes—led by Crown



Ammal Farhat, right, has been driving for the Careem ride-hail service since the Saudi ban was lifted.

Prince Mohammad bin Salman, the country's 32-year-old de facto ruler—but they have also drawn criticism from conservatives and an older generation that benefited from Saudi Arabia's cradle-to-grave welfare system.

Until recently, it was rare to see even Saudi men work as drivers, a job considered shameful by many Saudis.

Attitudes are beginning to change as the government pushes the private sector to hire more Saudis, who now account for just about a fifth of such workers. Today, most

Careem and Uber drivers are Saudi locals.

To help overcome the stigma attached to driving, Careem bans the use of the word driver and brands them as "captains"—or "captainahs" for women now.

"It's a mark of respect," said Hashim Larry, Careem's general manager in Saudi Arabia. "It's not just about driving a car, it's about customer care and knowing a city's landmarks."

Ms. Farhat said challenging social stigma and helping women with their commute

are the main reasons she chose to be a Careem driver, despite her full-time job as a quality-management consultant and family commitments.

She saw Careem ad within an hour of the driving decree's announcement last year. The ad called upon women to "take the lead," that it was "their turn now." It triggered a childhood memory of her watching a Syrian movie about a female taxi driver.

Ms. Farhat got her driver's license at 18 while studying in California and converted it into a Saudi license two

weeks before the ban lifted.

She now drives her brown Volkswagen Touareg, which she bought three years ago for her driver to drive.

Her family has been supportive, and her sister even signed up with her at Careem.

Muzna Ahmad, a young mother with her toddler in tow, was pleasantly surprised when Ms. Farhat drove up to pick her up.

"This is great," she said. "My in-laws live 45 minutes away and I have to make that trip with Careem almost every day. I feel much more comfortable being in the car with another woman."

Still, some locals haven't fully accepted women in the driver's seat. Some men also have openly vowed to harass women drivers, sparking the Saudi government to issue a new antiharassment law that took effect in June. This month, two men in Mecca were arrested on charges of setting a woman's car on fire.

Since she started driving for Careem on the first day of the ban's removal, Ms. Farhat has completed around 30 trips and has encountered a variety of customers. From families to groups of women and single male riders, she describes their reactions as a mix of surprise, excitement and strong support. On her first day, one of her female customers got out of the car to hug her.

"So far, I've only had positive experiences," she said with a smile.

A United Nations official called for an investigation into the defection of North Korean restaurant workers to the South in 2016, saying at least some of them appeared to have been deceived into leaving and hinting Seoul officials were responsible.

The fate of the waitresses has become a source of tension between North and South Korea. Pyongyang says the women were abducted by Seoul's spy agency and has demanded their return.

Tomas Ojea Quintana, the U.N. special rapporteur on human rights in North Korea, said Tuesday his interviews with some of the women revealed concerns about how they ended up in the South.

—Andrew Jeong

PAKISTAN

Suicide Bomber Kills 12 at Election Rally

Police say a suicide bomber killed a secular party leader and 11 supporters in an election rally in the city of Peshawar.

The bomber struck a rally for Haroon Ahmed Bilour, an Awami National Party candidate for a provincial seat, police said.

The party governed the Khyber Pakhtunkhwa province, of which Peshawar is the capital, from 2008 to 2013.

The attack came hours after the military said it would deploy more than 370,000 security forces to polling stations to ensure free, fair and transparent national elections on July 25.

—Associated Press

WORLD WATCH

KOREAS

U.N. Official Questions Northern Defections

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—Associated Press

BUSINESS & FINANCE

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Morgan Stanley Drops Succession Clue

Top contender, who has overseen fixed-income turnaround, given a broader role

By LIZ HOFFMAN

Morgan Stanley offered more clues into its slow-burning succession race, elevating a top trading executive seen as a favorite to eventually replace Chief Executive James Gorman.

Ted Pick, Morgan Stanley's trading chief, will add oversight of investment banking, a move that puts him in charge of half of the firm's revenue

and cements his front-runner status.

Morgan Stanley is also promoting Franck Petitgas, a long-time investment banker, to run all of the firm's international business. Both men will report to Morgan Stanley's No. 2 executive, Colm Kelleher, according to a memo reviewed by The Wall Street Journal.

Meanwhile, Susie Huang will fill Mr. Petitgas' seat as co-head of investment banking, alongside Mark Eichorn. A Morgan Stanley veteran who currently runs its Americas M&A business, she will be the first woman to run investment banking at a top U.S. firm.

The moves offer the latest window into Morgan Stanley's succession planning. Mr. Gorman, who turns 60 this week, is likely to stay on another three to five years as his turnaround plan for the once-troubled firm continues to pay off. He has said he is determined to avoid the messy succession battles that rocked the firm in the 2000s.

Earlier in his tenure, he winnowed the field of immediate contenders, easing out executives including investment banker Paul Taubman and asset-management executive Greg Fleming. The lone survivor of that cohort, Mr. Kelle-

her, is older than his boss and unlikely to succeed him.

More recently, Morgan Stanley has been grooming a



Ted Pick,
Morgan
Stanley's
trading chief,
will also run
investment
banking

younger crop of executives by giving them experience in different parts of the firm. The group, all in their late 40s or early 50s, includes Andy

Saperstein, who co-runs Morgan Stanley's retail brokerage; Chief Financial Officer Jonathan Pruzan; and Dan Simkowitz, an investment banker who in 2015 was tapped to run the firm's asset-management arm.

"Over the last two years, we have asked several strong executives to take on new and expanded roles," Messrs. Gorman and Kelleher wrote in Tuesday's memo. "These new appointments are a continuation of that multiyear effort."

Mr. Pick, 49, is seen as the favorite. He is credited with reviving Morgan Stanley's stock-trading arm after the financial crisis and has over-

seen a turnaround of the firm's troubled fixed-income unit since being named head of all sales and trading in 2015. Known by colleagues as excitable with a traders' penchant for profanity, Mr. Pick's record in the securities business has nevertheless marked him as the front-runner.

French-born Mr. Petitgas will remain based in London and will oversee Morgan Stanley's businesses abroad, which account for about one-quarter of its revenues. It has a strong stock-trading business in Asia and investment-banking and private-equity business in Europe.

Xiaomi Shares Come Roaring Back After a Lackluster Debut

Xiaomi's share-price performance, one-minute intervals

Initial public offering: HK\$17

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BUSINESS & FINANCE



LUKE SHARRETT/BLOOMBERG NEWS

Germany's BMW invested heavily in U.S. production, some for other markets. But trade disputes are jeopardizing its strategy.

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Sorrell May Lose Bonus From WPP

Continued from the prior page signed as chief executive of WPP after The Wall Street Journal reported that the company's board was looking into an allegation of improper personal behavior and whether Mr. Sorrell had misused company assets. Mr. Sorrell rejected the allegation "unreservedly" at that time.

Mr. Sorrell met with MediaMonks executives in mid-2017 when he was chief executive of WPP, according to people close to WPP and to Mr. Sorrell. MediaMonks subsequently shut down the conversation, saying they were going to review their position and talk again to potential suitors in about a year's time, said a person who is close to Mr. Sorrell.

A MediaMonks spokeswoman said she was "not aware" of these discussions.

A period of "radio silence" ensued between Mr. Sorrell and MediaMonks until he quit WPP, according to the person close to Mr. Sorrell. A person close to WPP said the company disputes this, saying Mr. Sorrell and MediaMonks executives exchanged a flurry of emails after meet-

ing in mid-2017.

In May, Mr. Sorrell announced plans to create a rival advertising firm, which he called S4 Capital, raising the specter that he planned to go head-to-head with the company he founded.

On July 3, WPP sent a letter to Mr. Sorrell, saying he began exploring an acquisition of MediaMonks last November, and that Mr. Sorrell had traveled to the Netherlands to meet with the production company's executives, according to a person familiar with the letter. As WPP's CEO at the time, Mr. Sorrell was also able to assess MediaMonks' business, client base and future prospects, the letter said, according to the person.

Mr. Sorrell's attempts to acquire MediaMonks "amount to an unlawful diversion of a maturing business opportunity from WPP," the letter said, according to the person.

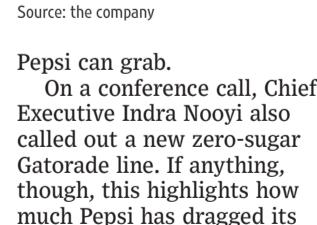
Mr. ter Haar said he wasn't aware of any meetings between Mr. Sorrell and executives from the Dutch production company before he left WPP. Mr. ter Haar said he met Mr. Sorrell for the first time in May.

Founded in 2001, the little-known Dutch company produces videogames, films and websites for clients ranging from Adidas AG and Netflix Inc. to Alphabet Inc.'s Google.

—Suzanne Vranica contributed to this article.

Pop the Bubbly?

PepsiCo North America Beverages organic sales, change from a year earlier



Source: the company

Pepsi can grab.

On a conference call, Chief Executive Indra Nooyi also called out a new zero-sugar Gatorade line. If anything, though, this highlights how much Pepsi has dragged its feet. Coca-Cola's Powerade and Vitaminwater have had zero-sugar lines for years.

Pepsi shares are trading at around 19 times forward earnings, compared with a five-year average of 20.4 times, according to FactSet. Until there is a more convincing turnaround in its single largest business, that discount looks justified. Shares may have popped, but don't expect them to keep sparkling.

Auto Exporters Have a Headache

By WILLIAM BOSTON

BERLIN—President Donald Trump's trade battle with China is threatening the U.S.'s growing role as an auto exporter.

In recent years, foreign auto makers BMW AG, Daimler AG and China's Zhejiang Geely Holding's Volvo Cars have invested billions to expand U.S. factory production with the goal of exporting a significant number of vehicles to China and other markets worldwide.

But the tit-for-tat tariffs on U.S.-China trade could prompt the foreign manufacturers to rethink that strategy. On Friday, China raised to 40% its tariff on auto imports from the U.S. as part of a broader retaliation against the Trump administration's move to impose duties on \$34 billion in Chinese-made goods.

Among the U.S. auto makers, General Motors Co. is a large player in China but builds virtually all of the cars it sells there at factories in the country. Ford Motor Co. and Tesla Inc. have a smaller sales presence in China but still export vehicles that would be subject to the 40% tariff.

Tesla, which exported 17,000 vehicles to China last year, increased vehicle price listings on its Chinese website by nearly 20% over the weekend. The company on Tuesday announced plans to build a factory in Shanghai.

BMW and Daimler are particularly vulnerable to the tariff dispute. Both German auto makers have massive factories in the U.S. South that employ thousands of workers and build luxury sport-utility vehicles for export to China and Europe, as well as sale in the U.S. The tariffs will force the companies to either charge customers in China more or absorb the added costs.

If trade barriers mount, it wouldn't be easy for these car makers to simply shutdown a plant or shift production

Vehicular Traffic

U.S. auto imports still dwarf exports, but BMW's factory in South Carolina is helping narrow the gap a bit.

2017 unit sales from BMW's Spartanburg plant, in thousands



'Complex' Supply Chain Is at Risk

The automotive industry's supply chain is vulnerable to the Trump administration's efforts to gain better access for U.S. products by pursuing trade action against not only China, but also Europe, Mexico and Canada.

Even cars assembled in the U.S. contain a large number of components built elsewhere, and the same goes for cars

quickly to other markets. Often, it takes years for such plans to be made and approved, and car makers need time to prep their factories to build a new model. However, the tariffs could discourage these car makers from proceeding with planned expansions, analysts and executives said.

The White House didn't respond to a request for comment.

Volkswagen opened a \$1 billion plant near Charleston, S.C., last month to produce its S60 midsize sedan for North American markets. In the next three years, the company plans to

add an SUV model that will be sold domestically and exported, including to China, and boost employment to more than 4,000 workers from the current 1,200.

"Half of the 4,000 jobs will build cars for export," Chief Executive Hakan Samuelsson said in a recent interview.

When BMW celebrated the 25th anniversary of its Spartanburg, S.C., plant last year, CEO Harald Krüger praised the state for welcoming the German auto maker with "open arms and warm hearts," and pledged to expand the factory and create an additional 1,000

manufacturing jobs.

Part of that expansion is now under way, as the company readies production of its X5, the 10th X-series SUV model built in Spartanburg since BMW first broke ground in 1992. Since then, BMW has invested \$8 billion in the plant, which employs 9,000 people. It is the company's largest factory and a manufacturing hub for its SUVs.

With the new expansion, the Spartanburg plant will soon be churning out 450,000 vehicles a year, exporting around two-thirds of them. It is a strategy that BMW has followed to base more manufacturing costs in dollars—limiting its exposure to currency swings—and to tap the growing SUV market in the U.S.

BMW last year sold 385,900 vehicles made at its factory in South Carolina. Of those, 87,600 were shipped to China, while another 112,900 were sent to Europe. Any new vehicles BMW ships from its U.S. factory to China will be subject to the 40% tariff, making them more expensive than the models that rivals build in Europe and then ship to China.

Daimler's Mercedes-Benz brand sold 340,000 vehicles in the U.S. last year, a mixture of imports and vehicles produced at its plant in Tuscaloosa, Ala. That plant is the global hub for the brand's GLS, GLE and GLE Coupe models and makes C-class vehicles for the North American market.

Around two-thirds of the roughly 300,000 vehicles made in Tuscaloosa are exported around the world. Mercedes wouldn't provide a regional breakdown on the exports.

"This is a favorable situation for us because the products from manufacturers in the U.S. are becoming less competitive," Lutz Meschke, the finance chief of German auto maker Porsche AG, said in a recent interview.

BMW and Mercedes declined to comment.

Sugar High Won't Last Very Long

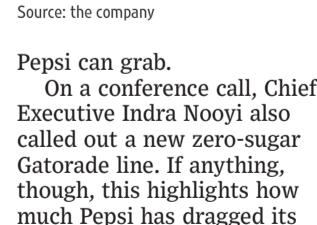
Continued from the prior page logged a 1% drop.

That decline was milder than in previous quarters, cheering investors. The company has increased marketing spending on its core soda products, which appears to have helped stabilize sales. But advertising blitzes can only do so much amid generational shifts in consumer preferences and health consciousness. The long-term outlook for sales of sugary beverages still looks bad.

Pepsi knows this, but its efforts to respond haven't been that impressive. It has introduced a new line of zero-calorie flavored soda water called Bubly, which it says is performing extremely well. This, however, is a product segment where consumers aren't exactly starved for choice, so it is uncertain how much market share

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Tesla to Build Plant In China

Continued from the prior page Model 3 while trying to manage the company's costs. Tesla recently hit a key production goal, but analysts have said it likely will need to raise additional money, especially for expansion, such as in China.

China is already Tesla's second-biggest market after the U.S. The auto maker sold about 17,000 cars there last year, compared with roughly 50,000 in the U.S. and 103,000 globally.

In China, sales of electric vehicles are rising quickly. Chinese customers are projected to buy 3.5 million electric passenger cars in 2022, IHS Markit forecasts, up from 580,000 last year.

The Wall Street Journal reported last October that Tesla had reached an agreement with the Shanghai authorities to build a wholly owned plant in the city, but formal confirmation was slow to come

BUSINESS NEWS

Snacks Help Fortify PepsiCo's Results

BY JENNIFER MALONEY
AND ALLISON PRANG

PepsiCo Inc.'s beverage sales in North America fell for the fourth quarter in a row, but the company posted a slight gain in revenue, helped by its domestic snacks business and overseas divisions.

Revenue for the North America beverage unit—the company's largest division by revenue—fell 0.9% to \$5.19 billion. Overall, revenue grew 2.4% to \$16.09 billion.

Shares rose 4.8% to \$112.89 on Tuesday.

The company's beverage sales in North America have been falling since the third quarter of 2017, ratcheting up pressure on the company to consider spinning off its bottling operations or even splitting off its beverage business entirely. Chief Executive Indra

has slowed the decline in Pepsi sales, Ms. Nooyi said on a conference call with analysts Tuesday. Pepsi Zero Sugar, a sugar-free version of the soda, was selling particularly well, she noted.

"So we intend to stay the course" and continue to increase advertising and marketing spending through the end of the year, Ms. Nooyi said.

Mr. Johnston said last year's launches of new fruit juice-soda brands Izze Fusion and Lemon Lemon didn't fare as well as this year's launches of core line extensions such as Mountain Dew Ice and Gatorade Zero, a sugar-free version of the sports drink.

"As we said, this is going to take several quarters to get back on track," Mr. Johnston said.

Major soda makers are searching for growth as consumers switch away from sugary drinks.

PepsiCo executives said the 1% decline in organic revenue in the North American beverage business was an improvement from the first quarter, when organic revenue fell 2%. Organic revenue excludes acquisitions and divestitures.

At rival **Coca-Cola** Co., North American beverage revenue and volumes rose in the first quarter after Coca-Cola ramped up marketing for new Diet Coke flavors.

Both PepsiCo and Coca-Cola have diversified their beverage offerings. In addition to Tropicana juices and Naked smoothies, PepsiCo sells KeVita kombucha and ready-to-drink Starbucks coffees. Coca-Cola sells Honest Tea, Zico coconut water and Topo Chico sparkling water.

PepsiCo's profit fell 14% to \$1.82 billion, or \$1.28 a share. Profit was weighed down by a decline in operating income in the North American beverage unit as well as an increase in PepsiCo's income-tax provision.

The company increased advertising spending on its core soda brands.

Nooyi said in April the company was considering whether to run its bottling operations as a separate unit, spin them off into a stand-alone public entity or put them in the hands of multiple franchisees.

The company's focus last year on newer, healthier drinks such as LIFEWTR bottled water and Lemon Lemon soda hurt sales of core brands such as Pepsi, Mountain Dew and Gatorade.

In a bid to boost its flagging beverage sales, the company increased advertising spending on its core soda brands by "strong double digits," PepsiCo finance chief Hugh Johnston said in an interview Tuesday.

That spending, centered on the company's namesake cola,

JetBlue Orders Airbus Planes

BY ANDREW TANGEL
AND ROBERT WALL

JetBlue Airways Corp. said it would buy 60 CSeries jetliners from **Airbus SE** with options for more, as the European plane maker's rivalry with **Boeing** Co. extends into the market for smaller planes.

Airline executives said the new aircraft would expand the reach of the smaller aircraft in JetBlue's fleet, allowing them to take transcontinental U.S. flights while burning 40% less fuel per seat.

The JetBlue Airbus A220-300 planes would also offer wider seats and more capacity that could include the airline's premium seats, they said.

"It's truly the next generation of aircraft that customers will love," JetBlue Chief Financial Officer Steve Priest said in an interview. He added the new planes would also boost the airline's profit potential.

JetBlue is already a big Airbus customer. But the New York-based carrier also had considered upgrading or replacing its fleet of small jets made by Brazil's **Embraer** SA rather than purchasing the rebranded CSeries that Airbus took control of on July 1 in a partnership with Canada's Bombardier Inc. Mr. Priest said it was a difficult decision.

That decision will intensify the rivalry that drove Airbus and Boeing to seek partnerships with smaller plane makers. Airbus and Boeing are looking to their respective partners, Bombardier and Embraer, to yield cost savings by helping pressure suppliers to offer bigger volume discounts.

The deal could be worth around \$5 billion before discounts standard to such contracts. JetBlue executives declined to say how much the airline will pay for the airplanes.

Mr. Priest said JetBlue expected to take delivery of the first five of the new planes in 2020, with the rest coming by



JetBlue says the A220-300 planes it is ordering will be assembled at Airbus's Mobile, Ala., plant.

Mitsubishi Jet Seeks Buyers After Delays

Boeing Co.'s plan to take control of **Embraer** SA's commercial aircraft and services operations raises the stakes for a troubled Japanese entrant into the regional jet market ahead of an expected wave of U.S. demand.

Regional jets, or aircraft with 50 to 100 seats, account for around 40% of all domestic U.S. flights. Industry analysts forecast a surge of sales to replace older aircraft starting in 2020, with around 1,800 planes expected to be sold in the U.S.

over two decades—half of world-wide demand.

The Mitsubishi Regional Jet, Japan's first jet-powered commercial aircraft, appears well-timed despite seven years of delays that have pushed first deliveries back to 2020. One of the MRJ's selling points is higher fuel efficiency than existing regional jets made by Embraer and **Bombardier** Inc.

But a new Embraer regional jet with similar fuel efficiency started service in April, and larger versions are due to start flying over the next two years.

The MRJ flew for the first time in 2015 and is undergoing testing in the U.S. It will also

make an appearance at the Farnborough Airshow in the U.K. next week, giving Mitsubishi a chance to press its case that the plane has overcome a series of design and other problems.

An overhaul of the MRJ program over the past two years put the project back on track, Alex Bellamy, the chief development officer at Mitsubishi Aircraft Corp., said. Parent **Mitsubishi Heavy Industries** Ltd., a big Boeing supplier, has decades of experience in advanced manufacturing projects. But it was initially overwhelmed by the challenge of building its own commercial aircraft.

—Alastair Gale

2025 as Airbus ramps up production. The carrier said it had options for 60 more of the planes.

Boeing said last week that it will take control of Embraer's jetliner business. The plan requires government approvals and isn't expected to close until late next year. Until then, Boeing is barred from

marketing Embraer's planes.

A Boeing spokesman declined to comment on JetBlue's purchase from Airbus.

Bombardier had struggled to win big orders for the fuel-efficient CSeries outside of a 75-jet deal in 2016 with Delta Air Lines Inc. Bombardier lacked the sales heft of Airbus and Boeing to convince air-

lines to commit to a brand-new plane.

Airbus on Tuesday put its stamp on the program, renaming the jets the A220-100 for the 100-seater model and A220-300 for the 130-seater. The JetBlue A220-300 planes will be assembled at Airbus's U.S. production site in Mobile, Ala., the airline said.



The Transportation Department is revisiting its guidelines for allowing service animals on flights.

Airlines Urge New Pet Rules

BY ALISON SIDER

Airlines have had it with emotional support animals.

U.S. carriers are urging regulators to change the rules for flying with service animals. They say a surge of untrained pets accompanying passengers is unmanageable.

The U.S. Department of Transportation has agreed to revisit those rules. In comments that were due to the department by Monday to help shape that decision, airlines said current guidelines force them to accommodate a menagerie of critters that are too often poorly behaved.

"The regulations are unnecessarily broad and easily abused," **American Airlines Group** Inc. said in its letter to the department. "People have been bitten, licked, jumped on and growled at; aisles have been blocked, and animals have urinated and defecated on our airplanes."

Carriers want the department to draw a distinction between trained service dogs that assist people with psychiatric or physical disorders, and animals that provide more passive emotional support.

Airlines don't charge additional fees to passengers who travel with service animals or animals that provide emo-

tional support. Flying with pets, meanwhile, can cost \$125 or more. Some airlines have added their own restrictions on support animals.

Delta Air Lines Inc. and **United Continental Holdings** Inc. this year began requiring people seeking to fly with support animals to provide extra documentation and pledges that their animals would behave in flight. United reviewed its pet-transport policies more comprehensively after the death of a dog on a flight in March called attention to the airline's procedures for transporting animals.

Carriers say passengers are taking advantage of the agency's broad definition of a service animal. Many passengers, they say, obtain "emotional support" certification for their pet from overly permissive online agencies or dress them in official-looking vests to obtain free passage.

Some passengers, meanwhile, say emotional support status for their pets is critical to getting them through their flights. Holly Lipschultz says she brings her miniature schnauzer Pepper with her on flights to manage her anxiety and post-traumatic stress.

She carries a letter from her therapist explaining how Pepper helps accomplish

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Google Faces EU Fine in Antitrust Case

By VALENTINA POP
AND SAM SCHECHNER

BRUSSELS—The European Union's antitrust watchdog is expected to find **Alphabet** Inc.'s Google illegally abused the dominance of its Android operating system for mobile phones, issuing a multibillion-euro fine and ordering changes to the company's Android-related business practices, people familiar with the matter said.

The European Commission, the bloc's executive arm, is expected to find that the California-based company's actions

allegedly thwarted potential competitors to safeguard its mobile-advertising business.

The fine could surpass the €2.4 billion (\$2.82 billion) that the EU levied against Google last year for abusing the dominance of its search engine to skew search results in favor of its own comparison-shopping service. But the penalty isn't likely to reach into the double-digit-billions range, these people said. A third formal probe into Google's AdSense for Search advertising service is still under way.

The exact remedial actions Brussels will require weren't

clear.

The EU could order the company to change contracts Google signs with companies that make Android phones.

A Google spokesman declined to comment. Google, in the past, has denied the EU contentions. The Mountain View, Calif.-based company said phone makers preinstall plenty of rival services and argue that Android has increased competition in the smartphone market, thereby lowering prices and benefiting consumers.

Apart from the fine, the case strikes at the core of

Google's advertising business, which the company says is growing much faster on mobile devices than on traditional desktop computers. Any decision that ends current Google requirements that encourage manufacturers to preinstall Google apps on Android-powered phones could potentially cut into revenue, some analysts said.

The EU has alleged that Google strong-arms phone makers into preinstalling Google Search and the company's Chrome internet browser on their mobile devices by bundling them with

its popular Play store for Android applications and at times paying them to preinstall Google exclusively.

The EU has also alleged that Google violated competition rules by barring phone makers from selling official versions of Android if they also market devices that run unofficial versions, called forks. The decision could potentially order changes to those agreements, as well.

Google says that it has the right to impose such a requirement to make it easier for developers to make apps that work on a large array of

Android phones. The company says the entire ecosystem could be threatened if many companies offer incompatible versions of Android.

The decision would be the latest in a series of decisions in which the bloc has cast itself in the vanguard of a backlash against U.S. tech superpowers on issues including competition, taxes and privacy.

EU competition chief Margrethe Vestager has become the face of that battle, arguing that regulators must do more to restore fairness to the digital market.

Beijing Bans Advertising on Booming Short Video App

An app called Douyin has won over millions of Chinese fans by serving up an eclectic array of 15-second videos featuring lip-syncing teenagers, dogs doing tricks and glamorous people flaunting designer fashions.

By Shan Li in Hong Kong and Liza Lin in Shanghai

One thing viewers aren't seeing right now are advertisements. Chinese authorities ordered Douyin's parent company, **Beijing Bytedance Technology Co.**, to suspend ads indefinitely after a search engine ran a promotional spot for the app that officials said made light of Qiu Shaoyun, a venerated Chinese soldier in the Korean War.

Short-video apps are surging in popularity, slowing the growth in time spent on rival apps such as **Tencent Holdings** Ltd.'s ubiquitous WeChat, analysts say—and one estimates the ban could be costing Bytedance as much as 10 million yuan (about \$1.5 million) a day in lost revenue.

"The opportunities here are bigger than they are everywhere else, but the risks are higher," said Ben Cavender, a senior analyst at China Market



Modern Brothers' Liu Yuning signing autographs. The band has a huge following on Douyin.

Research Group.

"They are trying to be a little edgy and allow a venue for self-expression, which is sensitive," he said. "It's very easy to cross the line—that's why the government is looking more closely at them."

The Beijing Cyberspace Administration said in a statement that Bytedance is among five

companies ordered to suspend advertising over ads that it said insulted Chinese heroes. The agency said the companies, which include the search engine, are under investigation with punishments to be announced "in time."

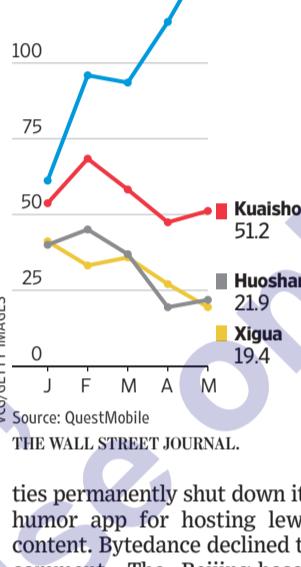
The statement didn't elaborate, and the agency didn't reply to requests for comment,

but a new law makes it a crime to disrespect China's "heroes and martyrs."

This isn't Bytedance's first run-in with authorities. Its popular news app Jinri Toutiao came under investigation in June for having a comic's video on its site that allegedly slandered a different Chinese war hero. In April, Chinese authori-

Bite-Size Looks

Monthly downloads of China's top four short-video apps



THE WALL STREET JOURNAL.

Bytedance Sizes Up Potential Listing

Beijing Bytedance Technology Co., owner of China's most popular news-aggregation app and short-video app, is considering an initial public offering this year that may value it at over \$45 billion, people familiar with the matter said.

It isn't clear how much Bytedance intends to raise in the potential Hong Kong listing. A spokesman for Bytedance said the company "doesn't currently have plans for an IPO."

Bytedance was valued at more than \$20 billion in an equity fundraising round in late 2017, according to people familiar with the company. Earlier this year it raised around \$300 million by selling convertible bonds to U.S. private-equity firm **KKR & Co.**

Some Bytedance shares recently changed hands in private transactions at prices that implied a valuation of around \$40 billion, said a person familiar with the matter.

—Julie Steinberg and Stella Yifan Xie

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THE PROPERTY REPORT

Developers Go With Flow on Water Rules

Builders find ways to adapt to wave of new regulations designed to protect watersheds

By LARA KORTE

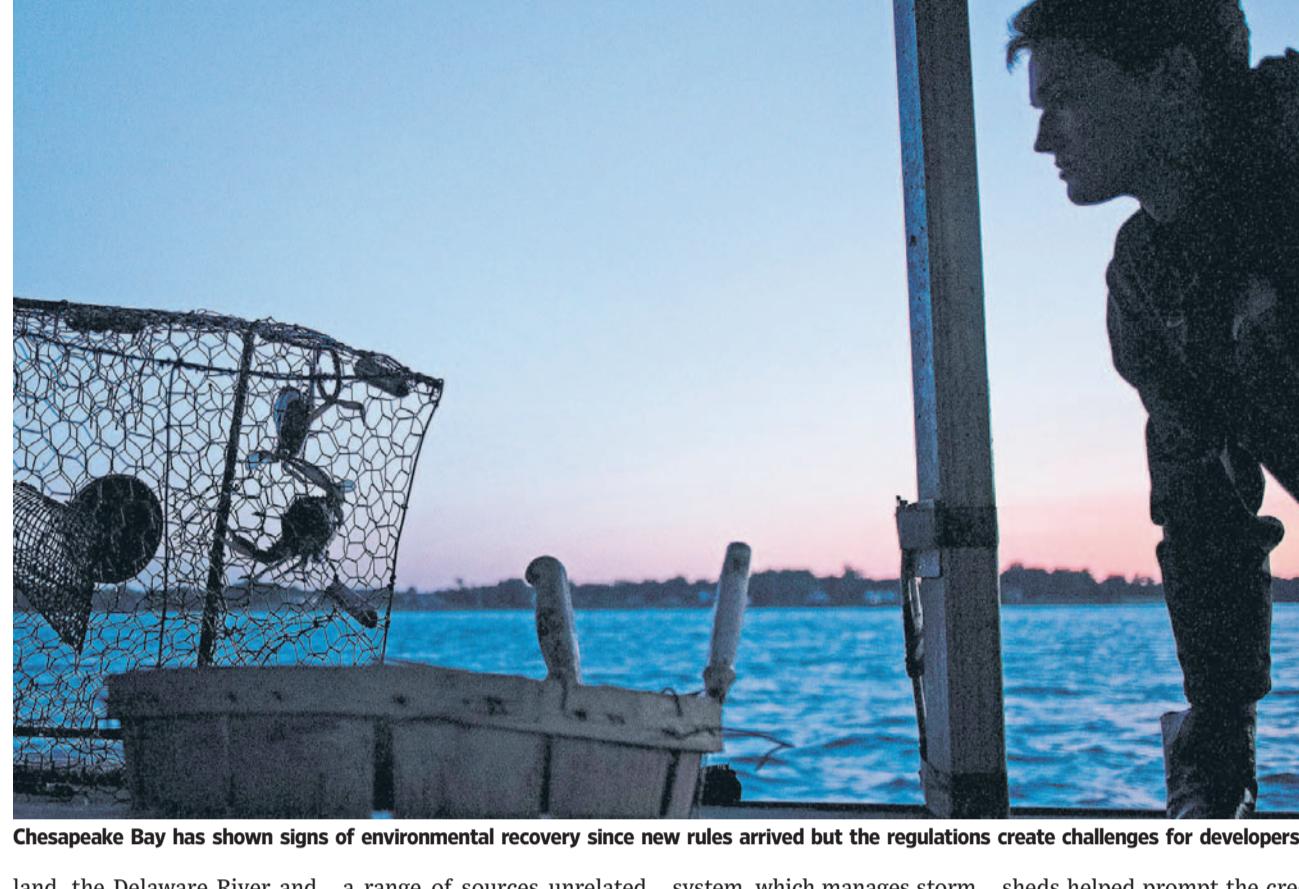
Four years ago, **Elm Street Development** broke ground on a 535-unit detached housing project south of Baltimore along one of the tributaries of the Chesapeake Bay including 8 miles of trails and a 40-slip marina.

Developers of such properties typically maximize the sales value of waterfront homes by building as close as possible to the water's edge. But Elm Street's project along Marley Creek had to comply with environmental rules enacted by the state in recent years to help save the Chesapeake Bay from ecological disaster.

Elm Street's solution was to stagger homes closer and further away from the waterfront, with no home being closer than 1,000 feet. That preserved the natural vegetation that acts as a filter for storm-water runoff.

"What we've tried to do at our company, and my team in Maryland, is to try and not fight the regulations as much, but to embrace and then capitalize on them," said Karen McJunkin, regional partner at Elm Street in McLean, Va.

Real-estate developers are adapting to new environmental rules in regions of the country where critical bodies of water are becoming increasingly imperiled. Other regions where new rules have been put in place include those whose watersheds feed into Buzzards Bay in New Eng-



Chesapeake Bay has shown signs of environmental recovery since new rules arrived but the regulations create challenges for developers.

land, the Delaware River and the Great Lakes.

The good news is that some of these efforts, along with other pollution-control measures, are beginning to pay off. For example, in June, the University of Maryland Center for Environmental Science issued its annual report card on the Chesapeake Bay showing improvements on aquatic grasses and blue crab population for the first time since the center has been issuing the report cards. But environmentalists say there is still a lot of progress that needs to be made.

Water pollution comes from

a range of sources unrelated to real-estate development, including agricultural runoff and acid rain.

But real-estate development contributes to the problem because impervious surfaces, such as driveways and rooftops, replace the grasses and vegetation that naturally filter out waste swept up in storm water. Also the use of septic tanks for sewage poses a watershed threat. These single underground holding tanks can overflow and leach waste into ground water, polluting downriver bodies of water.

The alternative to a septic system is a sewer treatment

system, which manages storm water and runs sewage through a multipart cleaning process before discharging it into the water.

But sewer systems are expensive, and regulations are up to municipalities, creating a piecemeal effort to clean up waste along watersheds. In areas where sewer systems are required, developers end up bearing the brunt of the cost, which gets passed onto property owners.

States have been imposing stricter requirements on sewage systems for decades. On the federal level, concerns about the health of water-

sheds helped prompt the creation of the Environmental Protection Agency in 1970.

In 1990, the EPA began a national storm-water program to address runoff from municipal sewer systems. In 1999, the second phase of the EPA program required municipalities to control polluted storm wa-

ter. The Chesapeake Bay has gotten special attention. In 1997, Maryland took a comprehensive look at responsible building with its Smart Growth initiative, which worked to reduce development pressure on natural areas by encouraging development in

already developed areas.

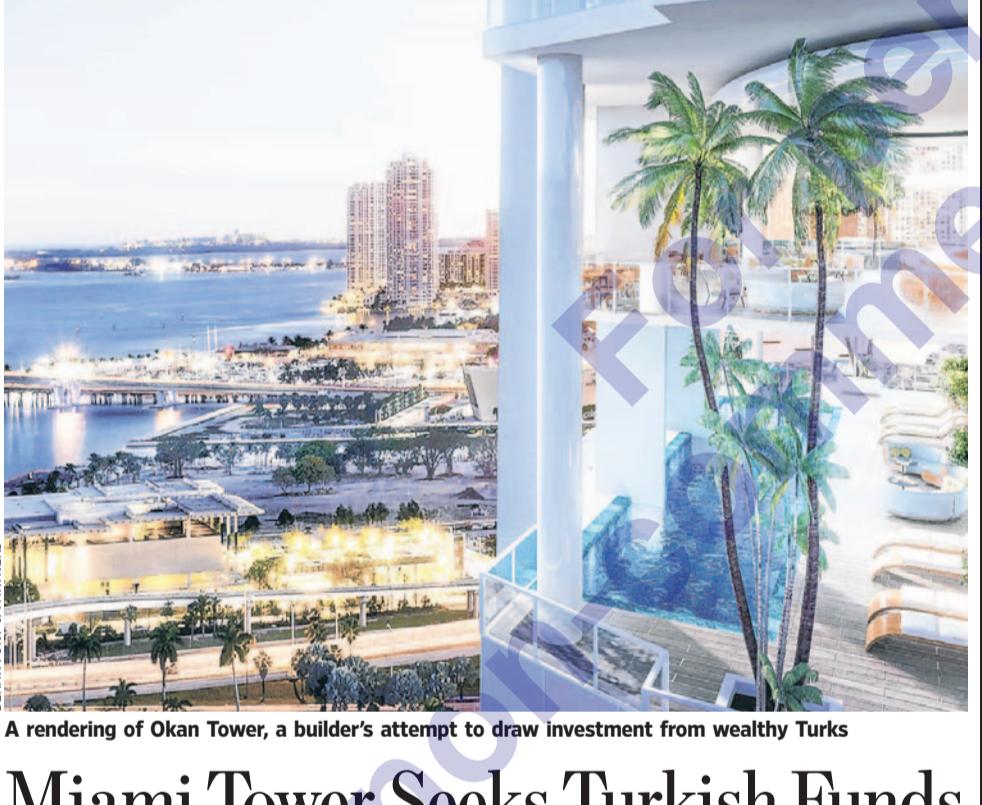
Then, in 2010, the EPA implemented what is known as the "pollution diet" for the Chesapeake Bay, requiring the states in the watershed to regulate the amount of nitrogen-polluted water discharged into the bay. Every jurisdiction came up with its own strategy to meet goals. In many counties, that meant replacing septic systems with sewers.

The EPA under President Donald Trump has been rolling back regulations. Last month, for example, The Wall Street Journal reported that the agency is trying to limit its power, established in the Clean Water Act of 1972, to pre-emptively or retroactively block U.S. Army Corps of Engineers' approval of waste dumping. That provision gave the EPA one of its most powerful tools for blocking mining or major real-estate developments.

Real-estate developers increasingly are finding ways to work with the new rules and still make a profit. For example, by staggering homes on its Marley Creek project, Elm Street was able to offer inland properties waterfront access, thus increasing value, Ms. McJunkin said.

"It's a win-win," she said. Some developers view the changes as a positive marketing point, especially for millennial buyers who are looking for eco-friendly properties.

"Local jurisdictions have absolutely increased laws, particularly with respect to storm water management," said Toby Bozzuto, chief executive of Bozzuto Group, which has more than 40 developments in the Chesapeake Bay watershed. "And I don't think that's a bad thing whatsoever."



A rendering of Okan Tower, a builder's attempt to draw investment from wealthy Turks

Miami Tower Seeks Turkish Funds

By MAYA SWEEDLER

The re-election in Turkey of President Recep Tayyip Erdogan last month did little to encourage foreign real-estate investors who have been avoiding the country because of his authoritarian rule.

But the country's economic uncertainty may prove helpful to Turkish real-estate developer Bekir Okan and his plan for what would be one of Florida's tallest towers.

Mr. Okan, an active developer in Turkey and Central Europe, has been marketing condominiums in the planned 890-foot mixed-used project, named Okan Tower, to wealthy Turks eager to move capital out of their country. In May, he opened a 3,000-square-foot model condo in Istanbul to help his sales effort.

Mr. Okan predicts that Turkish investors will be even more eager to move capital out of the country in the wake of Mr. Erdogan's victory. "The Turks love Miami, the weather and the stability in politics," he said through an interpreter.

His company, the Istanbul-based Okan Group, has sold 45 of the Miami project's 389 residential units. Mr. Okan said he is hoping to break ground on the \$300 million project in November and complete it in 2022.

Mr. Okan's pursuit of Turk-

ish investors is a new twist on an old strategy in the North American real-estate market. Developers of condominiums and other properties in major cities have increasingly been seeking buyers among wealthy foreigners dubious about the political and economic stability in their own countries.

Miami developers for years have been marketing real estate to Brazilians, Venezuelans, Mexicans and other Latin and South Americans who feel at home in South Florida. Asian buyers have pushed prices higher in North American markets such as San Francisco, New York, Vancouver and Toronto.

Turks have for the most part stayed out of the U.S., preferring to put their money in European cities like London and Paris. But Mr. Okan is hoping to change that.

Turks "see potential for a future in South Florida, especially Miami," he said.

Designed by Miami architect Robert Behar, Okan Tower's amenities include a "sky pool" on the top floor, a restaurant and a hammam, or Turkish bath. And to ensure the connection to Turkey isn't lost on viewers, the building's facade is modeled after a tulip, the Turkish national flower.

Mr. Okan is planning to finance Okan Tower, which is slated to include a 294-unit

Hilton-branded hotel, with all equity, he said. So far, he has put in \$25 million. Unlike other Florida developers, he isn't planning to use deposits on presales to finance construction, he said.

Still, Mr. Okan is planning to move forward even as the Miami market continues to cool.

The average price per square foot in the downtown Miami condo resale market peaked at \$457 in 2015 before falling to \$405 in 2017, according to an April report from Integra Realty Resources commissioned by the Miami Downtown Development Authority.

Meanwhile, developers have been active. In 2016, they delivered 2,202 new units in downtown Miami, an eight-year high. This year, about 2,899 units are expected to be delivered, the Integra Realty Report said.

Okan Tower is planning price tags starting at \$318,500 for condo-hotel units, which will be operated as hotel rooms when the owners aren't there, and at \$1.9 million for duplex penthouses.

Mr. Okan developed ties with South Florida in the early 1990s when he visited the region with former Turkish president Turgut Özal. Okan Tower would be his first major real-estate project in the U.S.

REITs' CEO-Employee Pay Gap Varies Greatly

By ESTHER FUNG

The compensation paid to the chief executive of **Park Hotels & Resorts Inc.** in 2017 was 567 times greater than the wages of its median workers, the widest such disparity among the top 100 real-estate investment trusts, according to FPL Associates LP, a compensation consultancy focused on the real-estate industry.

Park Hotels said in company filings that its median employee was paid \$21,082, while its CEO, Thomas J. Baltimore Jr., earned \$11.95 million last year.

On average, the ratio between the CEO and median employee of a REIT last year was 57 to 1, according to an FPL study. Among the top 100 REITs, the average ratio was 77 to 1. In comparison, the median pay ratio across the Russell 3000 was 70 to 1.

REITs, alongside other firms in the U.S., revealed for the first time during the recent proxy season how much the median worker earns and how that compares with the CEO because of a provision in the 2010 Dodd-Frank Act.

In the REIT industry the ratio varied greatly, but that was largely because some companies outsource the lowest-paying jobs like custodians and parking-lot attendants, while others keep them on staff.

Self-storage and multifamily REITs have ratios at 132 to 1 and 129 to 1, respectively. Other sectors such as hotel and industrial landlords have shown lower CEO pay ratios at 35 to 1 and 53 to 1, re-

spectively, in part because they have outsourced many of the lower-wage property operations jobs to other property-management firms, according to the FPL study.

"These ratios have widely been viewed skeptically as they don't really tell the entire story," said Jeremy Banoff, senior managing director at FPL.

Park Hotels, based in Tysons, Va., owns a portfolio of 50 U.S. properties such as the New York Hilton Midtown, as well as four hotels abroad.

It also had the highest ratio partly because Mr. Baltimore's pay included a one-time award

The average pay ratio between a REIT CEO and median employee was 57 to 1 last year.

of \$4.37 million related to the company's spinoff from **Hilton Worldwide Holdings Inc.** in early 2017, according to filings.

Park Hotels' filings said that it selected the median employee based on its 2,671 full-time and part-time, temporary and seasonal workers, and this includes employees at seven properties that it self-operates, as well as employees abroad. Of these, 3% are full-time corporate employees, and if it were to consider only these 84 workers, the resulting CEO pay ratio would be lowered to 64 to 1, the company said.

"At our lodging REIT peers,



Park Hotels & Resorts Chief Executive Thomas J. Baltimore Jr.

these same type of employees are typically employed by third-party hotel-management companies" and therefore not included in pay ratios, said Tom Morey, executive vice president and general counsel of Park Hotels.

Mr. Morey said that the 64-to-1 ratio is a more useful "apples-to-apples" comparison to its lodging REIT peers. He added that investors have "expressed minimal interest" in this issue.

The REIT with the highest median employee pay was **Terreno Realty Corp.**, an industrial REIT based in San Francisco, which paid its median employee \$317,625 in 2017. This was partly because it counted the pay of only 22 employees, and it hires mainly local third-party property managers, which weren't included in this ratio, to run the operations of its warehouses and distribution facilities, according to disclosures from the company's filings.

Terreno's CEO was paid \$1.57 million in 2017, resulting in a CEO pay ratio of 5 to 1. Terreno didn't respond to requests for comment.

REIT investors during the recent proxy season continued to have some gripes about compensation. Overall, there has been a slight decline in shareholder support for REITs' compensation plans, with the average vote supporting these pay plans coming in at 89.7% compared with 91.4% last year, according to FPL.

Four REITs—**Whitestone REIT**, **Hospitality Properties Trust**, **iStar Inc.** and **Tanger Factory Outlet Centers Inc.**—failed to get shareholder support of more than 50% on so-called say-on-pay proposals, where public companies put their compensation practices to a nonbinding shareholder vote.

iStar said its executive compensation was driven by performance-based incentives and that the board "has taken into account the concerns expressed by investors and plans to modify the compensation program design as well as enhance the transparency of the program to better clarify its performance-based structure." The other three REITs didn't respond to requests for comment.

BUSINESS NEWS

Casual Dining Spruces Up

Sales begin to rebound at sit-down restaurants amid upgrades to ingredients and décor

BY JULIE JARGON

Casual restaurant chains are staging a comeback.

The sit-down restaurants known for large portions and dim lighting, such as Ruby Tuesday and Red Lobster, had been losing customers to eateries offering faster and healthier options. In the past two years, declining sales forced dozens of chains to close locations or file for chapter 11.

But after changing hands, changing management or restructuring, many casual-dining chains are reinventing themselves to be more contemporary. They are swapping out giant portions of food for small plates, and upgrading ingredients and décor.

Recent sales trends across the sector show promise. Same-store sales at casual-dining restaurants rose half a percent this year through April, compared with a 1.1% decline in the prior-year period, according to restaurant consultant Malcolm Knapp.

Casual-dining restaurants had their heyday in the 1990s when diners sat down for a meal and had fewer options from which to choose. With the rise of fast-casual chains—places like Panera Bread that offer food from a counter but are considered a step up from fast food—time-pressed consumers now have a range of quick-dining choices. Casual sit-down restaurants, however, still make up 34% of the \$560 billion in total restaurant industry sales, according to Technomic Inc.

Restaurant veteran Bradley Blum said the sector has merely been dormant. "There just hasn't been much innovation lately," he said.



TGI Fridays has seen a 15% sales increase from menu items that have been improved since October.

Mr. Blum in May bought casual-dining chains Brio Tuscan Grille and Bravo Cucina Italiana in partnership with Brazilian investment firm GP Investments Ltd. and plans to revive the chains by switching to better quality olive oil and pasta, and adding more seafood and plant-based foods. He also plans to remodel the venues to be open and light.

TGI Fridays, a 53-year-old brand that came under new management last summer, is working to improve the dining experience for people who eat at the restaurants. TGI Fridays is also focusing on its to-go business, which has reached as high as 11% of sales, up from 6% a year ago.

The privately held company has redesigned about half of its 440 U.S. restaurants, some of which now have open kitchens. It switched to a blend of chuck and brisket for its burgers, from ground sirloin and chuck; launched a meatless burger; and moved to meatier ribs. The

chain has seen a 15% sales increase from menu items that have been improved since October 2017, Ms. Perdue said.

Casual-dining chains are taking cues from Olive Garden, which showed how a struggling brand can turn around. The chain, owned by Darden Restaurants Inc., was the focus of an activist coup in 2014 that resulted in the ouster of the board and a renewed focus on restaurant operations. After streamlining food preparation, boosting alcohol sales and serving fresher breadsticks, the chain reversed a sales decline. In June, Olive Garden reported its 15th consecutive quarter of same-store sales growth, with a 2.4% increase.

Red Lobster had sliding sales when it was owned by Darden, but it has been gaining back customers, opening new restaurants and expanding its takeout business since being acquired by Golden Gate Capital in 2014, according to Red Lobster Chief Executive Kim Lopdrup.

The company added smaller tasting plates with more urbane dishes like tuna poke. It began offering online ordering in January and is experimenting with stores that include a dedicated takeout area. The 749-unit chain also is delivering food.

Applebee's second-largest franchisee filed for chapter 11 bankruptcy protection in May. Applebee's parent company, Dine Brands Global Inc., last year named a new CEO and focused on its middle-America customer base with menu items that have broad appeal.

Things are starting to look up for the chain, which reported a 3.3% increase in same-store sales in the first quarter, its second consecutive quarter of sales improvement. "We're stealing share from our competitors and delivering the best sustained traffic performance we've experienced in more than a decade," said Applebee's President John Cywinski, who added that the chain is taking customers from other casual-dining brands.

Pfizer Backs Off On Prices

Continued from page B1

challenge a big U.S. company, including one that has supported his administration.

In addition to pressuring auto makers to build more cars in the U.S. and attacking defense companies for the prices they charged the federal government, Mr. Trump has criticized firms that made plans to shift operations overseas, most recently Harley-Davidson Inc.

The president had once praised the motorcycle maker as a "great American company." After it said it would make more motorcycles abroad to avoid European tariffs, Mr. Trump warned last month that shifting production would mark "the beginning of the end" of the iconic brand.

So far, Harley hasn't shown any sign of reversing plans despite Mr. Trump's repeated public criticisms, including on Twitter.

Pfizer's sudden reversal reinforces just how much of a political issue drug pricing has become, even among Republicans who long supported drug makers, and why the firms have taken steps to ward off punitive actions by limiting the frequency and magnitude of their price increases.

Some on Wall Street feared the consequences for pharmaceutical companies if Hillary Clinton were elected president.

Yet Mr. Trump, who also attacked examples of high drug prices during the campaign and while president-elect, has sought to tackle the issue.

So far, investors have expressed relief with the Trump administration's proposals to address the cost of drugs, many of which target the middlemen that set the out-of-pocket costs imposed on patients. Mr. Trump announced the plan, known as the blue-

print, in May.

The president's pointed criticism of Pfizer, and the company's abrupt about-face, suggest there may be limits to how much latitude the industry has on pricing even with an administration considered generally supportive.

Health and Human Services Secretary Alex Azar said in a statement that the president "has made it clear that Americans are paying too much for prescription drugs and that the price increases must stop. I look forward to working with Pfizer and others who share the President's concern for patients, and that want to work with us to lower list prices and reduce out of pocket costs."

Many drug makers have relied on raising prices to fulfill sales targets, especially when a top-selling product starts losing sales because its patent protection ended and low-cost copies known as generics began competing with it.

The pricing pressures weighing on the industry may



Pfizer CEO Ian Read has long been a vocal defender of the industry's pricing practices.

reward companies that have invested wisely in developing new drugs, especially those offering substantial improvements over current care that can command premium prices and quickly secure reimbursement.

Mr. Read, who supports the Trump administration and praised its efforts last year to secure a federal tax overhaul, is an odd target of Mr. Trump's ire and unlikely executive to buckle under a president's criticism.

He has long been a vocal defender of the industry's pricing practices and aggressively pursued Pfizer's interests even if that meant challenging Washington.

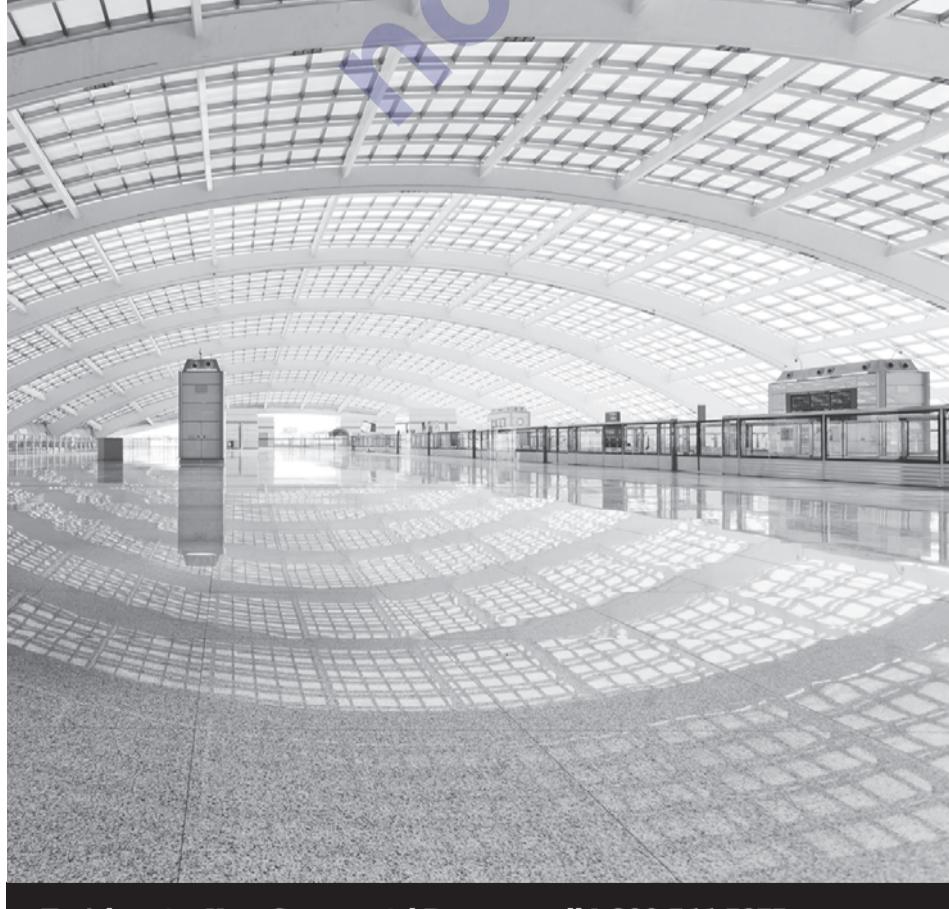
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Please take notice that Jones Lang LaSalle, on behalf of BSPT St. Johns Holdco, LLC, a Delaware limited liability company (the "Secured Party"), the assignee of Benefit Street Partners Realty Operating Partnership, L.P., a Delaware limited partnership (the "Original Secured Party") offers for sale at public auction July 31, 2018 at 3:00 PM (New York Time) in the offices of Stroock & Strook & Lavan LLP, 767 3rd Ave., #37th floor, New York, New York 10017, in connection with a Uniform Commercial Code sale. (i) 99.5% of the limited liability company membership interests in 564 St. Johns Acquisition LLC, a New York limited liability company (the "Senior Borrower"), which is the sole owner of the property known as "The Olmstead Luxury Residences" and also known as "The Frederick" located at 564 St. Johns Place, Brooklyn, New York 11238 (the "Property"), together with certain rights and property relating thereto, including, without limitation, all distributions and proceeds now or hereafter becoming due and payable to Mezzanine Borrower (defined below) by Senior Borrower, and (ii) 100% of the limited liability company membership interests in 564 St. Johns Borrower DE LLC, a Delaware limited liability company (the "Managing Member"), sole managing member of Senior Borrower and owner of 0.5% of the limited liability company membership interests in Senior Borrower, together with certain rights and property relating thereto, including, without limitation, all distributions and proceeds now or hereafter becoming due and payable to Mezzanine Borrower by Managing Member (collectively, the "Interests"). The limited liability company membership interests owned by Mezzanine Borrower and Managing Member collectively represent 100% of the indirect ownership interest in the Property. The Interests are owned by New York limited liability company, having its principal place of business at 1274 49th Street, Suite 184, Brooklyn, New York 11219 (the "Mezzanine Borrower").

The Original Secured Party, as lender, made a loan (the "Mezzanine Loan") to the Mezzanine Borrower. In connection with the Mezzanine Loan, the Mezzanine Borrower granted to the Original Secured Party a first priority lien on the Interests pursuant to that certain Pledge and Security Agreement dated October 19, 2017 by Mezzanine Borrower in favor of the Secured Party ("Pledge Agreement"). Prior to the sale described herein, the Original Secured Party will assign the Mezzanine Loan and related documents to the Secured Party. The Secured Party is offering the Interests for sale to enforce the rights of the Secured Party under the Pledge Agreement. The Mezzanine Loan is subordinate to a mortgage loan and other obligations and liabilities of the Senior Borrower or otherwise affecting the property (the "Senior Loan").

The sale of the Interests will be subject to all applicable third party consents and regulatory approvals, if any. Without limitation to the foregoing, please take notice that there are specific requirements for any potential successful bidder in connection with obtaining information and bidding on the Interests, including but not limited to, (1) that each bidder must comply with the restrictions applicable to the sale of the Interests under the Intercreditor Agreement dated as of October 19, 2017 by and between the Secured Party and the holder of the Senior Loan (the "Intercreditor Agreement"), including that such bidder is a "Qualified Transferee" (as defined in the Intercreditor Agreement) or has obtained a "Rating Agency Confirmation" (as defined in the Intercreditor Agreement), and (2) that each bidder must deliver such documents and pay such amounts as required by the Intercreditor Agreement and the applicable governing documents relating to the Interests.

The Interests are being offered as a single lot, "as-is, where-is", with no express or implied warranties, representations, statements or conditions of any kind made by the Secured Party or any person acting for or on behalf of the Secured Party, without any recourse whatsoever to the Secured Party or any other person acting for or on behalf of the Secured Party and each bidder must make its own inquiry regarding the Interests. The winning bidder shall be responsible for the payment of all transfer taxes, stamp duties and similar taxes incurred in connection with the purchase of the Interests.

The Secured Party reserves the right to credit bid, set a minimum reserve price, reject all bids (including without limitation any bid that it deems necessary or advisable in order to comply with the Securities Act or any other applicable law).

All bids (other than credit bids of the Secured Party) must be for cash (United States Dollars), and the successful bidder must be prepared to deliver immediately available good funds within three (3) New York business days after the sale and otherwise comply with the bidding requirements. Further information concerning the Interests, the requirements for obtaining information and bidding on the Interests and the Terms of Sale can be found at www.564StJohnsPlaceUCCForeclosure.com.

Brett Rosenberg +1 212-812-5926; brett.rosenberg@am.jll.com

MARKETS DIGEST

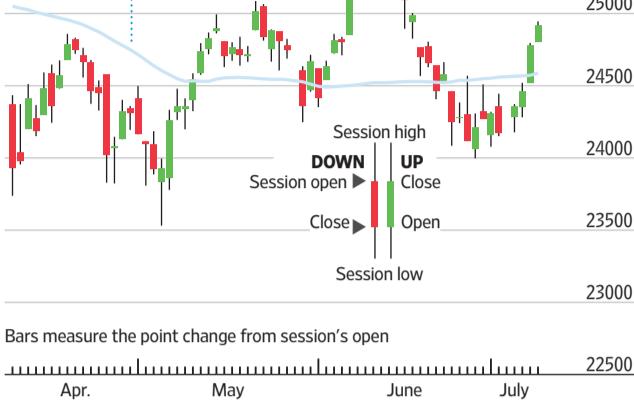
EQUITIES

Dow Jones Industrial Average

24919.66 ▲ 143.07, or 0.58%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.08 20.82
 P/E estimate * 16.05 18.24
 Dividend yield 2.17 2.33
 All-time high 26616.71, 01/26/18

Current divisor 0.14748071991788



Bars measure the point change from session's open

Apr. May June July

22500 25000 25500 24000 24500 23000 23500 24000 24500 25000 25500 26000 26500 27000 27500 28000

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

S&P 500 Index

2793.84 ▲ 9.67, or 0.35%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.15 23.77
 P/E estimate * 17.22 18.56
 Dividend yield 1.89 2.01
 All-time high 2872.87, 01/26/18



Apr. May June July

2500 25500 26000 26500 27000 27500 28000

Nasdaq Composite Index

7759.20 ▲ 3.00, or 0.04%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.75 25.49
 P/E estimate * 21.05 20.66
 Dividend yield 0.94 1.14
 All-time high: 7781.51, 06/20/18



Apr. May June July

6600 6800 7000 7200 7400 7600 7800

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	High	52-Week Low	% chg	YTD % chg	3-yr. ann.
Dow Jones										
Industrial Average	24945.38	24806.97	24919.66	143.07	+0.58	26616.71	21409.07	16.4	0.8	12.0
Transportation Avg	10721.02	10584.54	10655.23	-32.43	-0.30	11373.38	9021.12	11.0	0.4	9.1
Utility Average	717.39	700.09	713.75	6.82	+0.96	774.47	647.90	1.8	-1.3	7.7
Total Stock Market	29148.16	29029.88	29112.41	71.10	+0.24	29630.47	25030.26	15.8	5.2	10.2
Barron's 400	764.15	755.97	759.38	-2.40	-0.31	761.78	629.56	17.4	6.8	10.3

Nasdaq Stock Market

Nasdaq Composite	7777.48	7731.98	7759.20	3.00	+0.04	7781.51	6193.30	25.3	12.4	15.8
Nasdaq 100	7297.79	7257.49	7282.60	6.60	+0.09	7282.60	5709.80	27.5	13.9	18.1

S&P

500 Index	2795.58	2786.24	2793.84	9.67	+0.35	2872.87	2425.53	15.2	4.5	10.4
MidCap 400	2015.58	2000.43	2008.12	-1.03	-0.05	2009.15	1691.67	15.1	5.7	10.1
SmallCap 600	1059.49	1047.30	1052.39	-4.93	-0.47	1057.32	817.25	23.6	12.4	13.5

Other Indexes

Russell 2000	1708.56	1689.35	1695.62	-8.99	-0.53	1706.99	1356.90	20.0	10.4	10.6
NYSE Composite	12820.08	12782.77	12814.64	37.72	+0.30	13637.02	11699.83	9.1	0.05	5.7
Value Line	586.79	582.91	584.93	-0.27	-0.05	589.69	503.24	12.4	4.0	5.6
NYSE Arca Biotech	5039.73	5012.25	5035.62	9.35	+0.19	5035.62	3787.17	30.2	19.3	6.4
NYSE Arca Pharma	547.43	544.93	547.08	3.41	+0.63	593.12	514.66	3.5	0.4	-2.6
KBW Bank	107.59	105.86	106.35	-0.74	-0.69	116.52	89.71	10.3	-0.3	11.5
PHLX® Gold/Silver	83.62	82.69	83.54	0.26	+0.31	93.26	76.42	3.9	-2.0	12.3
PHLX® Oil Service	161.73	158.21	159.77	1.71	+1.08	170.18	117.79	22.9	6.8	-5.4
PHLX® Semiconductor	1375.33	1359.80	1372.25	14.22	+1.05	1449.90	1060.02	27.6	9.5	27.7
Cboe Volatility	13.21	11.93	12.64	-0.05	-0.39	37.32	9.14	16.1	14.5	-9.1

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	After Hours % chg	High	Low
Cousins Properties	CUZ	16,329.3	9.60	-0.08	-0.83	9.70	9.60
AT&T	T	11,726.8	32.33	-0.17	-0.52	32.50	32.29
General Electric	GE	8,579.0	14.10	-0.07	-0.49	14.18	14.09
iShares MSCI Emg Markets	EEM	6,714.9	43.98	-0.11	-0.25	44.10	43.67
SPDR S&P 500	SPY	4,769.3	277.35	-1.55	-0.56	279.01	277.25
KKR CIA	KKR	3,832.6	26.00	-0.28	-1.07	26.58	26.00
Gaming Leisure Prop	GLPI	2,530.0	35.91	...	unch.	36.09	35.83
Walgreens Boots Alliance	WBA	2,171.5	63.20	...	unch.	63.32	63.00

Percentage gainers...

VS 2x VIX Short Term	TVIX	317.1	40.77	1.61	
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COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract						Open interest
	Open	High	Low	Settle	Chg	Interest	
Copper-High (CMX) -25,000 lbs.; \$ per lb.	2,810	2,830	2,8100	2,8285	-0.015	3,153	
July	2,8110	2,8305	2,8135	2,8395	-0.015	151,091	
Gold (CMX) -100 troy oz.; \$ per troy oz.	1258.50	1261.00	1247.70	1255.40	-4.20	299,870	
Aug	1264.30	1266.50	1253.60	1261.10	-4.20	22,926	
Dec	1269.80	1272.30	1259.10	1266.90	-4.20	148,039	
Feb'19	1277.00	1277.00	1265.20	1273.00	-4.10	18,942	
June	1283.00	1284.80	1277.50	1285.50	-3.80	5,255	
Dec	1310.10	1310.10	1304.10	1305.10	-3.90	3,908	
Palladium (NYM) -50 troy oz.; \$ per troy oz.	955.20	956.50	934.40	937.60	-17.10	20,176	
Sept	953.00	953.00	931.80	934.30	-17.20	1,917	
Platinum (NYM) -50 troy oz.; \$ per troy oz.	851.00	851.00	842.50	842.00	-7.00	395	
Oct	854.70	858.60	840.00	846.20	-7.30	78,298	
Silver (CMX) -5,000 troy oz.; \$ per troy oz.	16.170	16.170	16.090	16.003	-0.050	863	
Sept	16.150	16.200	15.920	16.087	-0.052	158,580	
Crude Oil, Light Sweet (NYM) -1,000 bbls.; \$ per bbl.	74.01	74.70	73.65	74.11	0.26	341,953	
Sept	72.18	72.98	72.08	72.56	0.58	326,008	
Oct	69.99	71.05	69.96	70.62	0.77	217,271	
Dec	68.92	69.81	68.85	69.32	0.57	296,556	
June'19	66.45	67.03	66.45	66.52	0.35	152,683	
Dec	64.27	64.75	64.23	64.30	0.30	201,557	
NY Harbor ULSD (NYM) -42,000 gallon; \$ per gal.	2.2016	2.2332	2.1988	2.2218	-0.021	114,391	
Sept	2.2069	2.2388	2.2042	2.2273	-0.020	89,148	
Gasoline-NY RBOB (NYM) -42,000 gallon; \$ per gal.	2.1538	2.1749	2.1469	2.1603	-0.018	116,594	
Sept	2.1306	2.1531	2.1265	2.1396	-0.012	103,141	
Natural Gas (NYM) -10,000 MMBtu; \$ per MMBtu.	16.00	16.00	15.92	16.087	-0.052	13,050	
Aug	16.281	16.285	16.272	16.288	-0.040	178,365	
Sept	16.2800	16.2804	16.2753	16.2858	-0.038	209,059	
Oct	16.2810	16.2813	16.2766	16.2770	-0.035	153,891	
Jan'19	16.050	16.054	16.0313	16.0319	-0.028	119,848	
March	16.920	16.924	16.886	16.892	-0.028	122,054	
April	16.645	16.648	16.627	16.632	-0.015	125,932	

Agriculture Futures

	Contract	Open	High	hilo	Low	Settle	Chg	Open	interest
Corn (CBT) -5,000 bu.; cents per bu.									
July	344.25	344.75	336.25	339.75	-6.00	2,186			
Dec	365.50	367.00	357.00	360.75	-6.25	757,297			
Oats (CBT) -5,000 bu.; cents per bu.	258.00	258.00	256.00	256.00	-2.75	15			
July	258.00	258.00	256.00	256.00	-2.00	3,024			
Soybeans (CBT) -5,000 bu.; cents per bu.	849.00	860.25	847.50	852.25	.50	1,044			
Nov	870.50	881.00	862.50	871.50	-1.40	424,970			
Soybean Meal (CBT) -100 tons; \$ per ton.	331.10	336.90	331.10	334.40	2.60	1,604			
Dec	327.60	333.90	323.70	330.30	2.50	199,065			
Soybean Oil (CBT) -60,000 lbs.; cents per lb.	28.72	28.84	28.72	28.88	.14	1,788			
Dec	29.30	29.43	29.13	29.42	.16	234,686			
Rough Rice (CBT) -2,000 cwt.; \$ per cwt.	120.00	121.00	118.00	118.00	-22.00	6,179			
Nov	119.00	119.00	118.00	117.80	-16.00	1,139			
Wheat (CBT) -5,000 bu.; cents per bu.	503.00	503.00	485.75	489.50	-18.25	199			
Sept	507.50	507.75	488.00	490.00	-20.00	202,028			
Wheat (KC) -5,000 bu.; cents per bu.	477.75	479.00	471.50	483.75	-3.75	280			
Sept	505.00	505.50	487.00	494.75	-11.25	137,764			
Wheat (MPLS) -5,000 bu.; cents per bu.	534.25	534.25	528.50	528.50	-10.75	5			
Sept	547.50	547.50	534.75	537.50	-10.50	27,612			
Cattle-Feeder (CME) -50,000 lbs.; cents per lb.	151.475	152.375	150.675	151.850	.400	19,883			
Sept	151.475	152.425	151.000	152.050	.275	9,566			
Cattle-Live (CME) -40,000 lbs.; cents per lb.	106.350	106.650	105.100	105.450	-.675	110,465			
Oct	108.825	109.000	107.500	107.825	-.96	96,633			
Hogs-Lean (CME) -40,000 lbs.; cents per lb.	80.725	80.725	79.450	79.500	-.725	10,988			
Oct	56.475	56.525	53.225	53.775	-2.350	82,006			
Lumber (CME) -110,000 bd. ft., \$ per 1,000 bd. ft.	560.00	562.80	553.00	557.00	-.130	555			
Sept	530.00	538.40	528.80	532.30	2.30	4,099			
Milk (CME) -200,000 lbs.; cents per lb.	16.2050	16.2060	16.1100	16.1100	0.000	1,000			

Commodities

	Contract	Open	High	hilo	Low	Settle	Chg	Open	interest
July	14.18	14.20	14.07	14.18	.02	3,864			
Aug	14.50	14.67	14.37	14.60	.08	4,255			
Cocoa (ICE-US) -10 metric tons; \$ per ton.	2,468	2,468	2,468	2,501	.58	17			
Sept	2,460	2,522	2,444	2,501	.58	90,160			
Coffee (ICE-US) -37,500 lbs.; cents per lb.	111.80	111.80	111.80	111.95	-.25	29			
July	111.90	115.75	113.60	114.80	-.25	158,664			
Sugar-World (ICE-US) -112,000 lbs.; cents per lb.	11.41	11.52	11.30	11.41	.01	518,958			
Oct	11.41	11.52	11.30	11.41	.01	269,184			
March'19	12.15	12.22	12.04	12.13	.01	269,184			
Sugar-Domestic (ICE-US) -112,000 lbs.;									

BIGGEST 1,000 STOCKS

WSJ.com/stocks

How to Read the Stock Tables

The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (Formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.

Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.

Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.

Footnotes:
 i-New 52-week high.
 d-Indicates loss in the most recent four quarters.
 f-FIRST day of trading.
 h-Does not meet continued listing standards.
 l-Late filing.
 q-Temporary exemption from Nasdaq requirements.
 t-NYSE bankruptcy.
 v-Trading halted on primary market.
 y-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.

Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.

Tuesday, July 10, 2018

Stock	Net	Stock	Net	Stock	Net	Stock	Net	Stock	Net	Stock	Net	Stock	Net	Stock	Net	Stock	Net	Stock	Net			
Stock	Sym Close Chg	Stock	Sym Close Chg	Stock	Sym Close Chg	Stock	Sym Close Chg	Stock	Sym Close Chg	Stock	Sym Close Chg	Stock	Sym Close Chg	Stock	Sym Close Chg	Stock	Sym Close Chg	Stock	Sym Close Chg			
A	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R	S			
ABB	ABB	21.92 0.02	BlackKnight	BKI	54.15 -0.35	DellTechs	DVMT	94.37 0.74	Deere	DE	144.55 0.13	HSBC	HSBC	47.45 -0.40	LogitechIntl	LOGI	45.49 0.46	PerkinElmer	PKI	75.99 0.61	TD Ameritrade	AMTD
ADT	ADT	8.62 0.08	BlackRock	BLK	504.93 0.83	DeltaAir	DAL	50.60 0.09	Hillburton	HIL	46.26 0.43	Hanesbrands	HBI	22.23 -0.23	Iululemon	LULU	127.38 0.59	Perrigo	PRGO	77.81 0.27	TE Connectivity	TEL
AES	AES	12.84 0.21	Blackstone	BX	34.94 -0.17	DentsplySirona	XRAY	45.54 -0.58	HarleyDavidson	HOG	43.60 0.30	Harris	HRS	146.44 0.49	LyondellBasell	LYB	110.19 -0.34	PetroChina	PTR	75.05 0.18	UBS Group	UBS
Aflac	AFL	43.22 -0.14	BookingHldgs	BKNG	204.04 -0.17	ExxonMobil	XOM	146.50 0.30	HartfordFinl	HIG	53.24 -0.05	Hasbro	HAS	96.59 -0.15	Heico	HEI	63.60 1.36	Petrobras	PBR	10.67 -0.02	Terium	TX
AGNC Inv	AGNC	19.06 0.04	BoozAllen	BAH	45.82 0.05	Diageo	DEO	147.17 1.61	IF-Late filing	IF	-	BraemarHts	BHI	47.44 1.00	Heineken	HEI	74.40 1.00	Petrobras	PBR	9.34 -0.13	Tim Part	TSU
ANGI Homescvcs	ANGI	16.91 0.36	BowlingGreen	BWA	42.77 0.19	DigitalRealty	DLR	115.83 1.35	IF-Late filing	IF	-	BraemarHts	BHI	47.44 1.00	Hanesbrands	HBI	22.23 -0.23	Petrobras	PBR	10.67 -0.02	Ugi	UGI
Ansys	ANSS	176.44 0.69	BostonProps	BXP	125.85 -0.19	DigitalRealty	DLR	115.83 1.35	IF-Late filing	IF	-	BraemarHts	BHI	47.44 1.00	Harris	HRS	146.44 0.49	Petrobras	PBR	9.34 -0.13	Ugi	UGI
ASML	ASML	199.13 0.32	BostonSci	BSX	33.56 -0.23	DiscoverFins	DFS	71.58 -0.44	IF-Late filing	IF	-	BraemarHts	BHI	47.44 1.00	Harris	HRS	146.44 0.49	Petrobras	PBR	9.34 -0.13	Ugi	UGI
AT&T	T	32.59 0.35	Braskem	BAK	27.84 0.71	DiscoveryB	DISC	30.11 -0.06	IF-Late filing	IF	-	BraemarHts	BHI	47.44 1.00	Harris	HRS	146.44 0.49	Petrobras	PBR	9.34 -0.13	Ugi	UGI
AbbottLabs	ABT	62.81 0.37	BrightHornes	BFM	107.34 0.73	DiscoveryC	DISCA	28.40 0.10	IF-Late filing	IF	-	BraemarHts	BHI	47.44 1.00	Harris	HRS	146.44 0.49	Petrobras	PBR	9.34 -0.13	Ugi	UGI
AbbVie	ABBV	98.84 1.80	BristolMyers	BMY	56.18 -0.27	DiscoveryC	DISCB	26.22 0.08	IF-Late filing	IF	-	BraemarHts	BHI	47.44 1.00	Harris	HRS	146.44 0.49	Petrobras	PBR	9.34 -0.13	Ugi	UGI
Abiomed	ABMD	405.15 -3.31	BritishAm	BTA	52.25 0.04	DiscoveryC	DISCD	10.03 0.01	IF-Late filing	IF	-	BraemarHts	BHI	47.44 1.00	Harris	HRS	146.44 0.49	Petrobras	PBR	9.34 -0.13	Ugi	UGI
Accenture	ACN	166.46 0.33	Broadbridge	AVGO	250.56 3.13	DocuSign	DOCU	52.37 -2.98	IF-Late filing	IF	-	BraemarHts	BHI	47.44 1.00	Harris	HRS	146.44 0.49	Petrobras	PBR	9.34 -0.13	Ugi	UGI
ActivationBlz	ATVI	76.19 -0.65	Broadridge	BRDF	117.30 -0.04	DolbyLab	DLB	62.69 0.21	IF-Late filing	IF	-	BraemarHts	BHI	47.44 1.00	Harris	HRS	146.44 0.49	Petrobras	PBR	9.34 -0.13	Ugi	UGI
AdobeSystems	ADBE	248.63 -1.14	BroadfieldMgt	BAM	41.80 0.26	DollarGeneral	DG	100.01 1.62	IF-Late filing	IF	-	BraemarHts	BHI	47.44 1.00	Harris	HRS	146.44 0.49	Petrobras	PBR	9.34 -0.13	Ugi	UGI
AdvanceAuto	AIA	140.65 -0.30	BroadfieldMgt	BAM	41.80 0.26	DollarGeneral	DG	100.01 1.62	IF-Late filing	IF	-	BraemarHts	BHI	47.44 1.00	Harris	HRS	146.44 0.49	Petrobras	PBR	9.34 -0.13	Ugi	UGI
AdvanMicroDevcs	AMD	16.55 -0.06	BroadfieldMgt	BAM	41.80 0.26	DollarGeneral	DG	100.01 1.62	IF-Late filing	IF	-	BraemarHts	BHI	47.44 1.00	Harris	HRS	146.44 0.49	Petrobras	PBR	9.34 -0.13	Ugi	UGI
Aegon	AEG	6.02 -0.10	BroadfieldMgt	BAM	41.80 0.26	DollarGeneral	DG	100.01 1.62	IF-Late filing	IF	-	BraemarHts	BHI	47.44 1.00	Harris	HRS	146.44 0.49	Petrobras	PBR	9.34 -0.13	Ugi	UGI
AerCap	AER	55.05 -0.30	BroadfieldMgt	BAM	41.80 0.26	DollarGeneral	DG	100.01 1.62	IF-Late filing	IF	-	BraemarHts	BHI	47.44 1.00	Harris	HRS	146.44 0.49	Petrobras	PBR	9.34 -0.13	Ugi	UGI
Aetna	AET	188.26 0.75	BroadfieldMgt	BAM	41.80 0.26	DollarGeneral	DG	100.01 1.62	IF-Late filing	IF	-	BraemarHts	BHI	47.44 1.00	Harris	HRS	146.44 0.49	Petrobras	PBR	9.34 -0.13	Ugi	UGI
AffiliatedMgrs	AMG	152.43 1.53	BroadfieldMgt	BAM	41.80 0.26	DollarGeneral	DG	100.01 1.62	IF-Late filing	IF	-	BraemarHts	BHI	47.44 1.00	Harris	HRS	146.44 0.49	Petrobras	PBR	9.34 -0.13	Ugi	UGI
AiglenTech	AGL	6.67 0.55	BroadfieldMgt	BAM	41.80 0.26	DollarGeneral	DG	100.01 1.62	IF-Late filing	IF	-	BraemarHts	BHI	47.44 1.00	Harris	HRS	146.44 0.49	Petrobras	PBR	9.34 -0.13	Ugi	UGI
AiglonTech	AGL	6.67 0.55	BroadfieldMgt	BAM	41.80 0.26	DollarGeneral	DG	100.01 1.62	IF-Late filing	IF	-	BraemarHts	BHI	47.44 1.00	Harris	HRS	146.44 0.49	Petrobras	PBR	9.34 -0.13	Ugi	UGI
AlexionPharm	ALXN	131.91 0.33	BroadfieldMgt	BAM	41.80 0.26	DollarGeneral	DG	100.01 1.62	IF-Late filing	IF	-	BraemarHts	BHI	47.44 1.00	Harris	HRS	146.44 0.49	Petrobras	PBR	9.34 -0.13	Ugi	UGI
Alibaba	BABA	192.55 -0.20	BroadfieldMgt	BAM	41.80 0.26	DollarGeneral	DG															

BANKING & FINANCE

Swiss Tie 1MDB to Billions

Report shows extent Malaysian fund's scandal has affected financial system

BY YANTOULTRA NGU

PUTRAJAYA, Malaysia— Around \$7 billion originating from Malaysian state investment fund **1Malaysia Development Bhd.** and its former unit flowed through the global financial system between 2009 and 2015, the Swiss attorney general said, underscoring the scale of the financial scandal that has engulfed the fund.

Swiss authorities are investigating how much of the money that flowed through the Swiss financial system may have been misappropriated, the official, Michael Lauber, said Tuesday.

Investigations into 1MDB gained momentum after former Prime Minister Najib Razak, who set up 1MDB in 2009, lost an election on May 9 to his former mentor, Mahathir Mohamad. Less than two weeks later, Mr. Mahathir assembled a task force to investigate possible criminal conduct linked to the 1MDB scandal and identify and seize any assets believed to have been purchased with stolen funds.

Switzerland and other countries have also launched



Mahathir Mohamad assembled a task force to investigate possible criminal conduct linked to 1MDB.

investigations into 1MDB. Mr. Lauber was in Malaysia to discuss coordination of the investigations with Malaysian authorities.

Mr. Najib last week pleaded not guilty to four charges, including three of criminal breach of trust.

Mr. Najib and the state fund have repeatedly denied any wrongdoing. A Malaysian investigation conducted while Mr. Najib was in power cleared him of wrongdoing.

Switzerland has frozen about \$400 million of funds in

its jurisdiction as part of its money-laundering investigation into 1MDB and SRC International Sdn Bhd., Mr. Lauber added.

SRC International was established in 2011 as 1MDB's vehicle for overseas energy investments. It was placed under the Finance Ministry's control in 2012.

Mr. Lauber said six people and two banks are under investigation by Swiss authorities over alleged dealings with 1MDB.

Swiss prosecutors in No-

vember launched criminal proceedings against two officials who weren't named at PetroSaudi International Ltd. related to alleged dealings with 1MDB.

Attorneys for PetroSaudi said in an earlier statement that the company is aware of the investigation and that the company isn't the subject of the probe. Mr. Lauber said the others include two former officials from the United Arab Emirates and two former officials of 1MDB. Mr. Lauber didn't name the officials.

High Costs, Boss's Exit Hit Shares of Broker TP ICAP

BY LAURENCE FLETCHER

LONDON—TP ICAP PLC, the world's biggest interdealer broker, lost more than one-third of its market value Tuesday after the company disclosed it faces higher costs and parted company with its chief executive.

Shares of the company—formed when London-based Tullett Prebon bought the global voice-broking and information business of rival ICAP in 2016—fell 36% in London to their lowest level in more than three years.

Like its rivals, TP ICAP is contending with a widespread shift across the interdealer brokering industry, which helps direct the trading of bonds, foreign exchange and derivatives between banks and dealers.

While the sector has contended with tightening financial regulation since the financial crisis, reducing volumes and squeezing profits, it has been reshaped by a shift to automated trading.

TP ICAP said Tuesday it is facing costs relating to Brexit, regulation and technological security of around £10 million (\$13.3 million) this year, rising to £25 million next year. The costs incorporate the establishment of a Continental European hub in Paris.

It also lowered its expected annual cost savings from the 2016 deal to £75 million from the £100 million it had previ-

Fallout

Shares of TP ICAP dropped 36% Tuesday.

600 pence



Note: 100 pence = \$1.32

Source: SIX

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ously predicted.

Earnings for this year will be slightly below the bottom end of analyst forecasts, the company said. Finance costs and broker compensation are set to rise.

The company also said Chief Executive John Phizackerley, a former Lehman Brothers and Nomura executive who took charge of Tullett in 2014, is leaving with immediate effect. He has been replaced by Nicolas Breteau, former chief executive of broker Newedge Group.

"It has become clear that a change of leadership is required to execute our medium-term growth strategy and deliver the detail of the integration process," said Chairman Rupert Robson.

Deutsche Hires Cerberus as Adviser

BY JENNY STRASBURG

Deutsche Bank has hired one of its top shareholders, New York private-equity firm **Cerberus Capital Management LP**, as a paid adviser to help the lender tackle runaway costs and boost lagging profit.

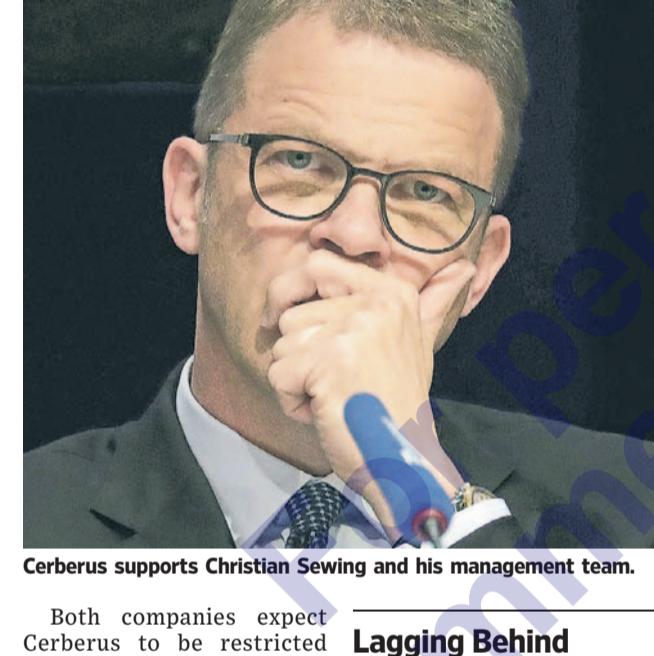
The appointment of Cerberus comes as Chief Executive Christian Sewing tries to revive the German bank's fortunes after three consecutive full-year losses, market-share declines and strategic upheaval. Cerberus President Matt Zames, the former chief operating officer of JPMorgan Chase & Co., is leading the advisory team, working with Deutsche Bank, a Cerberus spokesman said.

As a private-equity investor, Cerberus often provides advice for a fee to its portfolio companies. The arrangement with publicly traded Deutsche Bank, which hasn't previously been reported, makes Cerberus the only Deutsche Bank shareholder in a paid advisory role, formally bringing a firm with skin in the game inside the bank's operations, according to people familiar with details of the arrangement.

Mr. Zames, 47 years old, left JPMorgan in June 2017 after more than a decade. The longtime bank-operations chief previously oversaw JPMorgan's fixed-income business and was viewed at one time as a potential CEO successor. He joined Cerberus in April.

He has already met with Mr. Sewing and other Deutsche Bank executives, people close to the companies said.

The private-equity firm holds a roughly 3% stake in Deutsche Bank shares, first disclosed in November 2017. Shares were trading around €15.70 (\$18.46) at the time of the disclosure. They are now trading below €10.



Cerberus supports Christian Sewing and his management team.

said. Cerberus hasn't engaged as an activist investor with its Deutsche Bank stake, people close to the companies said, and won't be able to do so for a year after its consulting role ends.

Cerberus intends to remain a long-term Deutsche Bank shareholder and has said privately it supports Mr. Sewing and his management team, according to people close to both companies.

Deutsche Bank's management board is responsible for company strategy and the bank's day-to-day operations, risk controls and accounting, and reports to the supervisory board.

Deutsche Bank courted Mr. Zames unsuccessfully as a candidate for the supervisory board before he joined Cerberus, according to people familiar with discussions at the time. At JPMorgan, Mr. Zames oversaw technology, cybersecurity, compliance, real estate and other areas.

Last year, Cerberus emerged as a roughly 5% shareholder in rival German lender Commerzbank AG. The investments have helped fuel speculation that the two banks might eventually merge, a prospect people close to the banks say they aren't actively planning for.

Cerberus's advisory relationship with Deutsche Bank doesn't depend or focus on a merger with Commerzbank or any other bank, according to people briefed on discussions between Cerberus and Deutsche Bank.

The roots of the advisory discussions between the two companies go back to February, when John Cryan was still Deutsche Bank CEO. Mr. Sewing and Frank Strauss, then co-heads of the retail and private bank, met with Cerberus co-CEO Frank Bruno to discuss the retail-banking business, a person briefed on the meeting said.

Both companies expect Cerberus to be restricted from buying or selling Deutsche Bank shares while it is advising the bank, in keeping with securities laws, according to people familiar with the consulting arrangement. The role likely exposes Cerberus to material inside information that it could use to its advantage.

A Cerberus spokesman said the advisory contract is with Deutsche Bank's management board, citing the private-equity firm's "extensive track record of driving value through financial and operating improvements." Mr. Zames declined to comment.

A Deutsche Bank spokeswoman said Cerberus's "acknowledged expertise" will support the bank's efforts to provide attractive returns for investors.

In a given year, Cerberus advises dozens of portfolio companies in areas ranging from strategy and technology to manufacturing and regulatory issues through a wholly owned affiliate, Cer-

berus Operations & Advisory Co. It sits alongside the company's private-equity and distressed-debt funds. Overall, Cerberus manages \$34 billion in assets.

The advisory arrangement could extend more than a year but is nonbinding—meaning that both companies have options for ending the relationship—people briefed on the agreement

aren't actively planning for. Cerberus's advisory relationship with Deutsche Bank doesn't depend or focus on a merger with Commerzbank or any other bank, according to people briefed on discussions between Cerberus and Deutsche Bank.

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SEC Charges Ex-CEO With Insider Trading

BY PETER RUDEGAIR

The Securities and Exchange Commission charged the former chief executive of financial-technology company Heartland Payment Systems Inc. with insider trading, saying in a complaint that he gave a romantic partner details about his company's planned sale to a larger rival before they became public.

In a lawsuit filed in federal court in Connecticut, the SEC accused the former executive, Robert Carr, and his partner, Katherine Hanratty, of buying around \$900,000 worth of Heartland stock in late 2015 based on confidential information that it was about to be acquired by payment processor **Global Payments Inc.**

Mr. Carr allegedly provided Ms. Hanratty with the deal terms and the money to buy Heartland shares, which ultimately earned them a profit of \$250,628 when they sold them after the deal closed, according to the SEC.

The SEC is asking Mr. Carr and Ms. Hanratty to disgorge their profits and pay a civil monetary penalty. It is also seeking to prohibit Mr. Carr from serving as an officer or director of an SEC-reporting company going forward.

In June, The Wall Street Journal reported that Mr. Carr and Ms. Hanratty's trades were being investigated by the SEC and Justice Department. The actions first came to light in May after Heartland filed a breach-of-contract lawsuit against Mr. Carr for allegedly pass-

ing material, nonpublic information about the Global Payments sale to Ms. Hanratty.

At the time, Mr. Carr's attorney said the former CEO was cooperating with the federal investigation and was "confident that the facts will confirm that he acted appropriately."

The attorney didn't immediately respond to a request for comment on Tuesday.

Heartland was founded by Mr. Carr in Princeton, N.J., in

The commission is asking the accused to disgorge their profits and pay a penalty.

1997. By 2015, he had built the company into a payments heavyweight with \$2.77 billion in revenue.

In 2011, Mr. Carr started a romantic relationship with Ms. Hanratty, and during their time together she "repeatedly expressed concern to Carr regarding her financial security," according to the SEC.

In November 2015, after Mr. Carr had told her about the deal and given her the money to buy Heartland stock, Ms. Hanratty emailed him to say that "for the first time ever I feel a sense of relief knowing that I have some security."

Ms. Hanratty, who was also charged by the SEC, didn't immediately respond to a request for comment.

Buyout Firms Put Together \$1.1 Trillion War Chest for Deals

BY BEN EISEN

Private-equity firms have amassed a record stockpile of cash, a sign of how much money is available to scoop up cheap investments if a trade war or other event upends markets again.

Such funds had \$1.1 trillion globally in "dry powder" at midyear, according to data from Prequin. That hoard has grown sharply in the past half decade as they collected fresh money from investors.

Private-equity investors typically lock money in for several years, giving funds discretion to use it when they believe it is most profitable.

In addition to the bread-and-butter business of buying out companies on the cheap and trying to turn them around, these firms are raising money to take other actions like making minority investments in companies or financing acquisitions, according to Credit Suisse.

The dry powder isn't explicitly preparation for a trade war. In fact, much of Wall Street has long thought a trade war is unlikely.

Plus, these funds are already spending on leveraged buyouts at the fastest pace since 2007, The Wall Street Journal reported last month.

Instead, the dry powder

shows that after years of rising asset prices, investors of all stripes have lots of money and relatively few attractive options for spending it.

Major stock indexes sit near record highs, even after market turbulence during the first half, and stocks are still at high levels relative to earnings.

That means a market rut due to trade worries or any other event could bring in the buyers.

Other types of investors are also holding cash.

The average cash balance among fund managers was at 4.8% last month, down slightly from May but higher than the

4.5% average over the past decade, according to a survey by Bank of America Merrill Lynch.

The money stored in private-equity is notable for another reason: It shows how the balance of power is moving from public markets available to all investors to private markets.

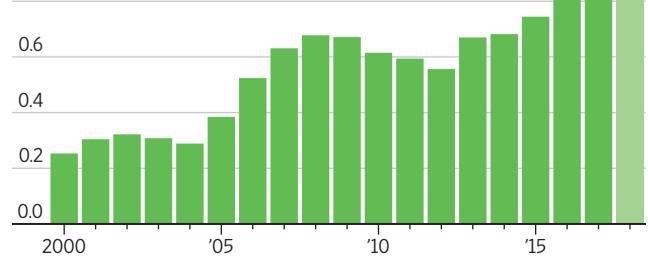
Meanwhile, the number of publicly listed U.S. companies has fallen by one-fifth over the past decade and by half over the past 20 years, according to Credit Suisse.

As the private-equity industry keeps growing, it is worth paying attention to the market signals these investors are sending.

Searching for Opportunities

Global private equity funds' dry powder

\$1.2 trillion



Note: At year end, except 2018 which is as of June 30.

Source: Prequin

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MARKETS

Strong Results Expected

Continued from page B1
economic data and buoyant consumer confidence have pushed analysts' earnings estimates higher since the start of the second quarter. This is a departure from many previous quarters, when analysts typically lowered their expectations as they got closer to the start of the earnings season.

Much of the boost has come from the S&P 500's energy sector, which has rallied as dwindling oil production in Venezuela and fears of a supply disruption in Iran have sent U.S. crude oil prices soaring above \$70 a barrel again.

Energy companies in the S&P 500 are expected to post year-over-year earnings growth of 144% in the second quarter, up from 115% on March 31, according to FactSet. The upbeat outlook helped lift shares of oil companies; Exxon Mobil Corp. gained 8.6% over the past three months, while Chevron Corp. rose 7.4% over the same period.

The S&P 500's technology sector—the best-performing group in the broad index this year—is also expected to do well. Strong sales momentum has analysts forecasting double-digit earnings growth for companies in the semiconductor, internet software and services, technology hardware, storage and peripherals and IT services industries.

Those broadly positive forecasts have helped offset cuts in earnings estimates for consumer staples. Packaged-food companies, which already had been struggling to adapt to higher costs and shifting consumer tastes, have taken a fresh leg lower in recent months as executives have warned that tariffs by Canada, Mexico and the European Union on goods ranging from orange juice to pork chops could dent profitability.

Analysts have lowered earnings estimates for about three-quarters of companies in the consumer-staples sector since March 31, including Campbell

'We're...optimistic strong earnings can help the year end on a positive note.'

Soup Co., Kraft Heinz Co. and Coca-Cola Co., according to FactSet. Shares of consumer-staples companies in the S&P 500 are down 7.4% for the year, placing them among the worst-performing sectors in the broad index.

Analysts warn that any signs of trade tensions spilling over more broadly into the economy could weigh on stocks. Harley-Davidson Inc. said in June it planned to move more of its production outside the U.S. to avoid EU tariffs on motorcycles, while General Motors Co. warned that the Trump administration's proposed tariffs on vehicle imports would hurt its competitiveness.

CX Corp. said trade tariffs over a long period would tamp down economic activity, especially among domestic freight transportation companies. "A trade war is not a good thing," said Frank Longo, chief financial officer of the railroad company, while speaking at an industry conference hosted by UBS Group AG.

Bank of America Merrill Lynch analysts said in a report that they would closely watch corporate management's guidance and commentary on earnings calls to gauge "any deterioration in outlooks driven by uncertainty around growth or trade, which could halt the [capital-expenditure] recovery and stall confidence."

Analysts already have noted the stock market is rewarding companies less for beating earnings estimates. Companies that reported stronger-than-expected profit for the first three months of the year saw an average price increase of 0.2% from two days before the earnings release through two days after, well below the five-year average of 1.1%, FactSet said.

That was the fifth consecutive quarter in which S&P 500 companies that beat earnings forecasts saw their average price moves fall below the five-year average, FactSet added.

Xiaomi Shares Rebound Sharply

By MIKE BIRD
AND JOANNE CHIU

Xiaomi Corp. shares soared as the prospect of rapid inclusion in key indexes helped make up for the Chinese smartphone maker's lackluster market debut a day earlier.

The reversal shows the importance of securing a place in widely followed benchmarks, especially in Hong Kong, where this can open up a valuable channel to mainland China.

The stock blew past the price of 17 Hong Kong dollars

(US\$2.17) a share set at its US\$4.7 billion initial public offering, one of the world's largest this year. It closed up 13% at HK\$19, adding roughly US\$7 billion in market value to hit a total of US\$60.3 billion. The company accounted for nearly one-tenth of all turnover on the main board in Hong Kong.

It will be a relief for other technology companies gearing up for multibillion-dollar listings in the city, such as **Meituan Dianping** and **China Tower** Corp.

Late Monday, the compilers

of the FTSE Russell and Hang Seng Composite indexes said Xiaomi would join those gauges later this month. Influential rival MSCI has said it would exclude the startup because of founder Lei Jun's supervoting shares.

Joining the Hang Seng will let Xiaomi court mainland shareholders through a trading link operated by Hong Kong Exchanges & Clearing Ltd. and its counterparts in Shanghai and Shenzhen. "Some investors are betting on further gains as Chinese in-

vestors will soon be able to trade the stock via the Stock Connect scheme," said Steven Leung, executive director of Singapore-based investment bank UOB Kay Hian.

Xiaomi had sought to become the first issuer of Chinese depositary receipts, selling these securities alongside its Hong Kong shares, but postponed the plan. The Stock Connect scheme, which hosted US\$1.6 billion of daily southbound trading last month, offers another route to mainlanders who will be familiar

with the company's products and brand.

The company also received a bullish recommendation from Macquarie analysts, who assigned a target price of HK\$30, forecasting annual net income growth of 40% for the next three years.

The IPO of the world's fourth-largest smartphone maker had been marred by difficulties, including a Chinese market slump. Some analysts and investors queried its business model and valuation expectations.

Selloff in Turkish Lira Puts Investors on Watch

Global investors who were once eager to buy any dip in emerging markets are now backing away, fearing that a big tumble could herald more weakness ahead.

By Christopher Whittall, Yeliz Candemir and Ira Iosebashvili

A sharp decline in the Turkish lira late Monday was the latest example. The currency plunged 3.5% after President Recep Tayyip Erdogan appointed his son-in-law as finance minister and put in place measures that could curb the independence of Turkey's central bank.

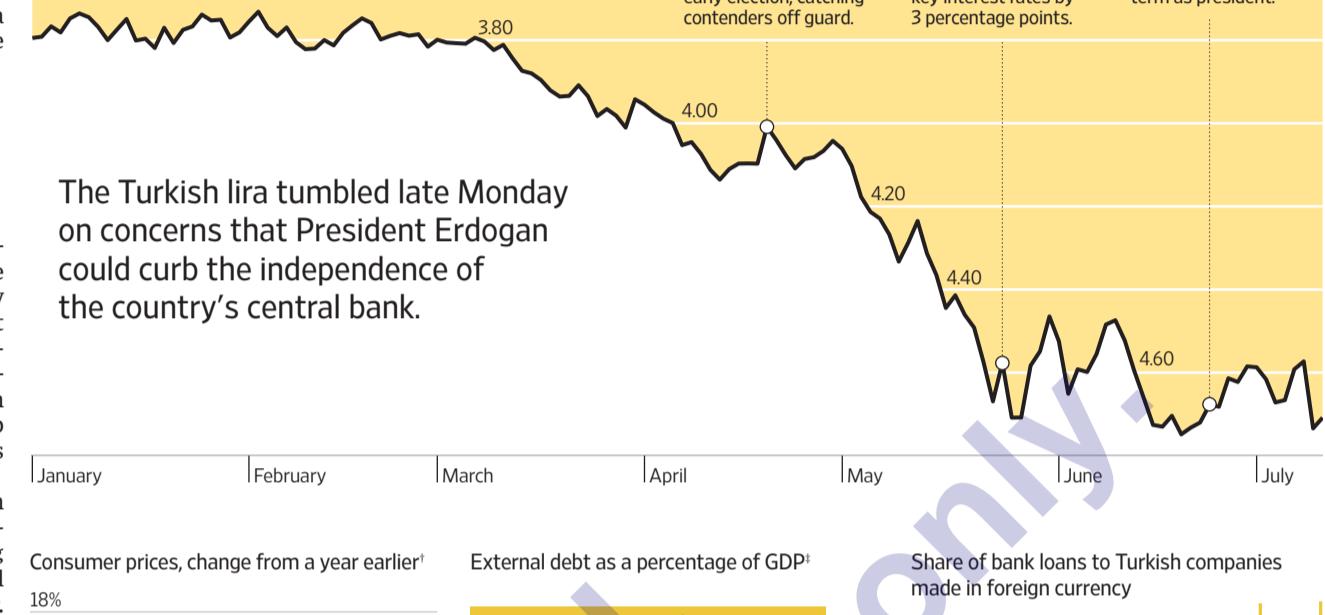
While the lira stabilized on Tuesday, its fall did little to attract the same attention that big declines in the developing world did during much of last year. The lira rose 0.5% against the dollar in late New York trading.

In 2017, with interest rates for the major developed economies ultralow or negative, many investors were desperate to find yield. They often piled in whenever a developing country's bonds or currencies fell because of perceived political or economic risk.

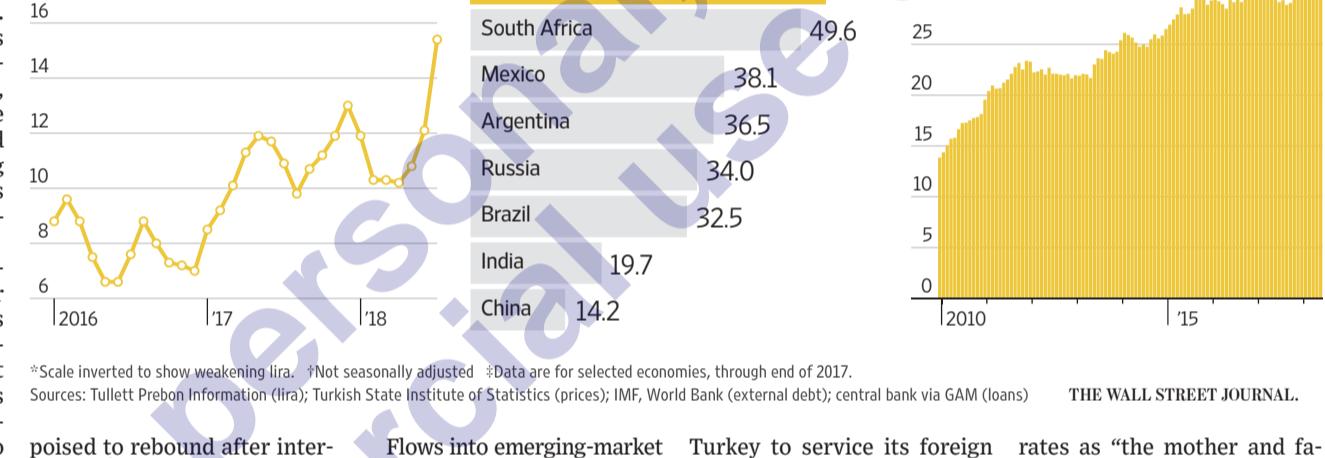
After Brazilian stocks tumbled 10% in one day last year on news that the country's president was under investigation in a corruption scandal, it didn't take long for investors to jump in. Flows into Brazilian equity funds surged to their highest level in five years the next week. The currency and stocks made up those losses in the following months.

Now, higher yields in the U.S. have diminished the attractiveness of emerging-market debt, where investors often assume increased risk to receive a bigger payout. Growing tension over a trade fight between the U.S. and other major economies could hit many of the trade-dependent emerging-market countries.

Investors this year paid a price for buying a dip in the Argentine peso, betting it was



The Turkish lira tumbled late Monday on concerns that President Erdogan could curb the independence of the country's central bank.



*Scale inverted to show weakening lira. †Not seasonally adjusted. ‡Data are for selected economies, through end of 2017.

Sources: Tullett Prebon Information (ira); Turkish State Institute of Statistics (prices); IMF, World Bank (external debt); central bank via GAM (loans)

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poised to rebound after interest rates soared. Instead, the currency stabilized briefly after a big drop in May, then fell hard again. The peso's slide halted after Argentina turned to the International Monetary Fund for a \$50 billion credit line in June.

Overlooking a country's political risks or weak economic fundamentals "is a recipe for giving your risk manager a heart attack," said Robert Savage, chief investment officer at hedge fund CCTrack Solutions.

Global money that flowed into developing countries last year is slowing considerably.

Flows into emerging-market stocks and bonds have been

\$59.7 billion this year, down from \$167.6 billion in the same time in 2017, according to the Institute of International Finance.

A stronger dollar and higher yields in the U.S. have made it more difficult for investors to ignore shortcomings in countries such as Turkey, where external debt stands at 53.4% of gross domestic product, according to data from the International Monetary Fund.

That debt level has worried

investors as the Turkish lira

weakens against the U.S. dollar, making it more difficult for

Turkey to service its foreign borrowing.

Investors are concerned that Turkish officials are unwilling to slow an economy that appears to be running too hot. Growth hit 7.4% last year, the fastest rate of the Group of 20 countries. But inflation is high, not least as the currency falls and the current-account deficit, a key indicator of the country's economic vulnerability, has widened.

The lira has lost a fifth of its value this year as investors sold ahead of Mr. Erdogan's June re-election. Mr. Erdogan has described high interest

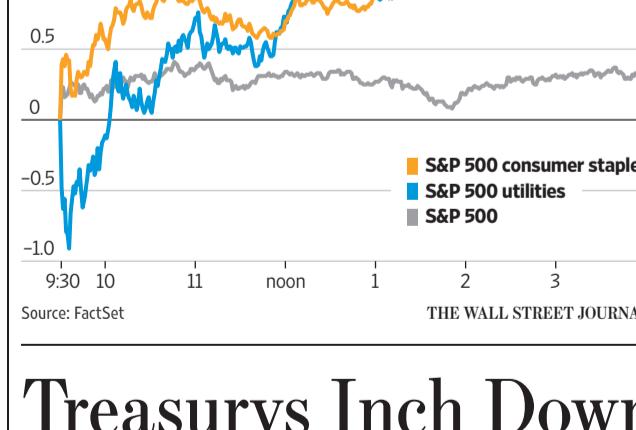
rates as "the mother and father of all evils," stoking fears that his preference for lower rates could prevent the central bank from supporting the currency and tackling inflationary pressure.

Mr. Erdogan fanned those fears on Monday. After taking the oath of office for a new five-year term, the government issued a decree that stipulated the president would appoint the central-bank governor, deputies and monetary-policy committee members for four-year mandates. Governors used to be appointed by the cabinet for five years.

Stocks Climb With Focus on Earnings Season

Safety Plays

Shares of consumer-staples and utilities companies in the S&P 500, which have underperformed this year, were among Tuesday's biggest gainers.

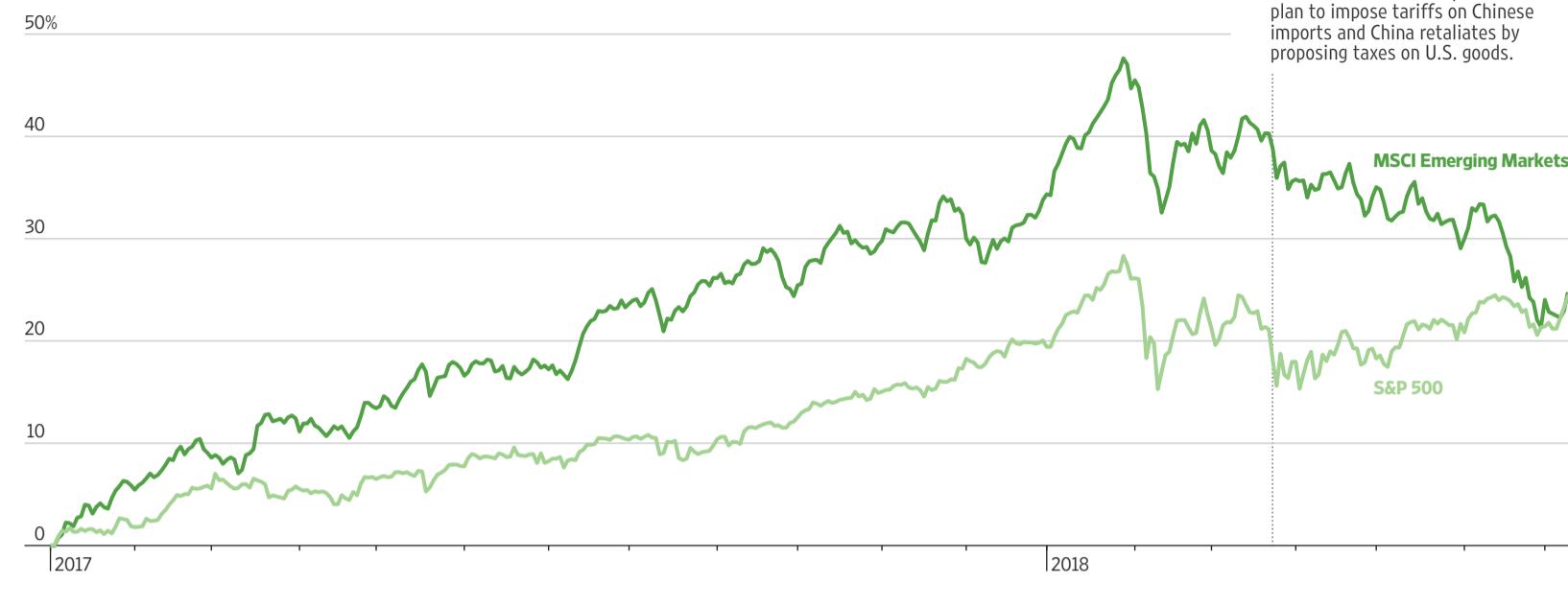


MARKETS

Trade Fight Batters Developing World

Emerging markets in retreat as U.S., China and Europe battle over trade

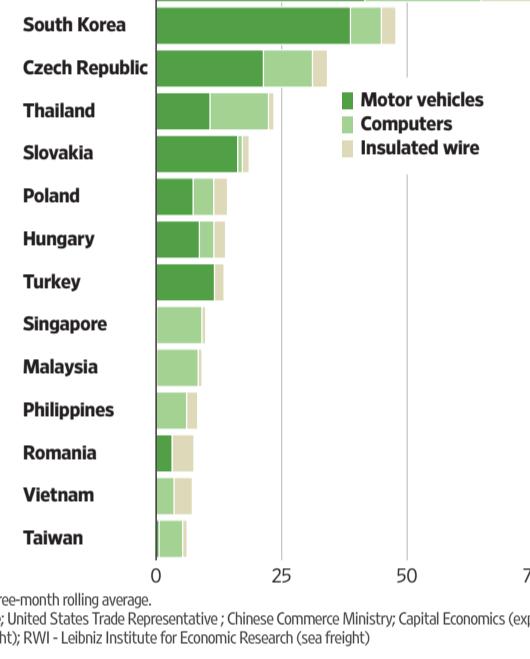
Index performance



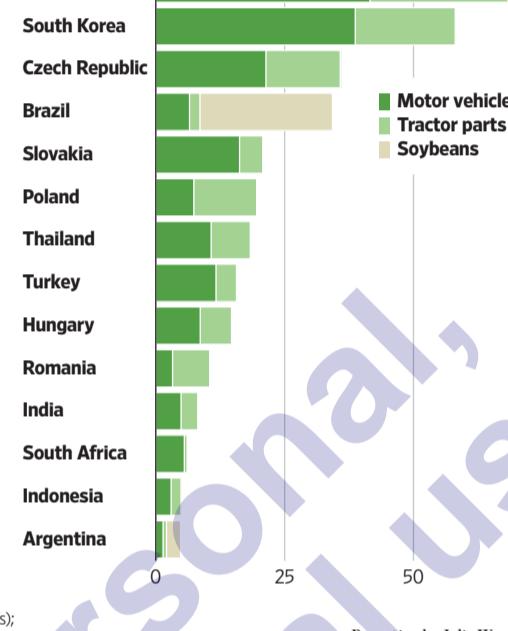
March 22

President Donald Trump announces plan to impose tariffs on Chinese imports and China retaliates by proposing taxes on U.S. goods.

Exports by emerging markets of goods subject to U.S. tariffs on imports from China



Exports by emerging markets of goods subject to Chinese tariffs on imports from U.S.



Change in air and sea freight volumes, year over year*



Emerging markets could become collateral damage in an escalating trade conflict in which the U.S. is squaring off against China and Europe.

The first tariffs levied by the U.S. and China went into effect Friday, and the Trump administration is preparing to apply additional tariffs on up to \$200 billion in imports from China, according to people familiar with the matter. But worries over the trade spat have already rippled through a broad range of emerging markets.

Export-dependent Asian economies may be especially vulnerable and major stock markets in the region have tumbled in recent weeks. A significant portion of U.S.-bound exports from countries like Malaysia, South Korea and Thailand pass through China, thanks to its central role in the global supply chain.

Investors also believe the trade conflict is slowing a revival in global growth, stoking worries over demand for raw materials and hurting the economies of commodity exporters. Weaker copper prices have weighed on exporters like Chile, dragging the country's peso down 2.6% against the dollar since June 1.

It isn't all bad news. The trade conflict may benefit some Asian companies and industries, especially if duties on U.S. products lifts demands for local substitutes. For example, U.S. soybean tariffs could spur demand for palm-oil products from Malaysia and Indonesia. Recent trade data showed China importing fewer soybeans from the U.S. and more from Brazil even before the tariffs took effect.

*Year-over-year percentage change is based on a three-month rolling average.

Sources: FactSet (MSCI and S&P 500); UN Comtrade; United States Trade Representative; Chinese Commerce Ministry; Capital Economics (exports); the International Air Transport Association (air freight); RWI - Leibniz Institute for Economic Research (sea freight)

Reporting by Julie Wernau and Ira Iosebashvili, graphics by James Benedict/THE WALL STREET JOURNAL.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Strong Dollar Hurts Global Banks

OVERHEARD

Microsoft's New Tablet Has Value

Mirror Signal

Performance of global bank stocks and the dollar against developed-economy currencies



banks' exposure to emerging markets such as Brazil, Mexico and Turkey, or the U.K. and Italy's political uncertainties.

Still, the dollar effect matters, and in Europe, Asia and elsewhere it looks set to make things worse. The U.S. economy's stronger growth and tighter labor market should mean further rate rises and in turn a strengthening currency.

Why does this affect

banks? In simple terms it is through the value of collateral. Many banks use dollars for lending backed by non-U.S. collateral. When the dollar strengthens, that collateral falls in value compared with the loan, so the loan becomes riskier. This is true even if the lending is to a business that makes money in dollars, although the problem is worse if the business deals in local currencies.

Banks use dollars for a lot

of lending in Europe and emerging markets. The best data on this relate to cross-border lending, which collapsed after the crisis. But now, dollar loans to non-financial companies hit a record \$6.6 trillion at the end of last year, according to BIS data.

Non-U.S. banks now face a double headwind against revenues and margins. A stronger dollar will probably mean they make fewer new loans and thus revenues. At the same time, lower yields on 10-year government bonds in the U.S. are squeezing the difference between short-term and long-term rates—the infamous flattening curve—which makes lending less profitable for banks.

This could in turn knock economies. Less new lending in many countries might further slow global growth in the money supply, which is already at its weakest since 2009, according to Absolute Strategy Research.

Investors are right to be taking a dim view of banks.

—Paul J. Davies

"The disciplined pursuit of bargains makes value investing very much a risk-averse approach."

That line by Seth Klarman, excerpted from his 1991 book "Margin of Safety," may be words to live by in investing, but book buying is another matter entirely.

Fans of the storied investor, founder of Baupost Group, were excited on Monday by news that a Kindle e-book version was available for \$9.99. That is quite a bargain given that a copy of the book's print version will set you back at least \$1,144.

"Margin of Safety," which has the same cult status among value investors as Benjamin Graham's "The Intelligent Investor," has long been out of print. Libraries have few copies because they are so often stolen.

But it was too good to be true. The book reached 37 on Amazon's best-seller list, according to CNBC, before Baupost issued a statement that the book was being pirated.

For Microsoft, getting bigger in tablets required the company to think small.

Hence the new Surface Go, a 10-inch tablet announced by Microsoft on Tuesday for a starting price of \$399. That is half the starting price of the company's 12.3-inch Surface Pro tablet, which has been a popular device within the niche of business-focused "detachables"—tablets that attach to a keyboard.

It isn't a bad business to be in; unit sales of detachable tablets rose 3% during the March quarter compared with a decline of nearly 12% for the broader tablet market, according to market-research firm IDC.

The obvious question is why Microsoft is diving further into a market where it is a bit player, accounting for less than 2% of tablet sales in 2017, according to IDC, and where Apple Inc.'s iPad remains the dominant force.

The answer is that Surface tablets have served Microsoft's interests by helping keep users tied to Microsoft's software and services, which are driving the best growth the company has seen in a decade. Expanding that footprint required at least some devices at price points that will appeal to a wider base of users.

Tablets also are a small part of Microsoft's own business, as Surface sales are expected to account for barely 4% of the \$109.5 billion in total revenue that analysts have projected for Microsoft's fiscal year that ended in June.

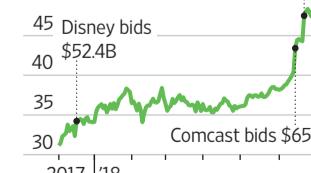
The Surface Go may not be a best-seller, but for helping expand Microsoft's core businesses, it may be a hit anyway.

—Dan Gallagher

Winning the Fox Bidding War Will Be Only the Beginning

Raising the Bar

21st Century Fox share price



Still, a higher price raises the bar for the value that the buyer, be it Disney or Comcast, will need to extract to justify the cost.

Integrating the assets will

be a massive undertaking made only more challenging by industry disruptions and rapidly changing consumer habits.

The buyer will be bringing under its umbrella the Fox film and TV studio, U.S. cable networks and regional sports networks, international assets including Sky and Star India and Fox's one-third stake in the streaming service Hulu. (Disney has agreed to divest itself of the regional sports networks to meet regulatory approval.) Fox and News Corp., publisher of The Wall Street Journal, share common ownership.

As Disney attempts to

launch two new streaming services, one for adults and one for children, and put all of its content—including the Fox library—onto its own platforms, it will end its licensing agreements with other distributors such as Netflix. That will mean losing a huge source of revenue. Making up that loss will hinge on the company's ability to draw subscribers to the new platforms.

Then there is the question of just how much media-consumption habits may change in the next 10 or 15 years. Thinking back that many years is an instructive exercise in how quickly seemingly unsatisfiable franchises can stumble.

ble while upstarts ascend.

At the moment, the consensus holds that the migration to streaming is likely to accelerate, especially as Amazon.com, Apple and others increase their content spending. As Netflix pumps up its spending, too, wooing Hollywood talent away from legacy media, the fight for dominance will get fierce.

Even with a much smaller bid, getting it wrong would be bad enough. This deal has far more serious consequences.

Whoever buys the Fox assets at their sky-high price can count on one thing: having very little margin of safety.

—Elizabeth Winkler