

THE WALL STREET JOURNAL.

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DJIA 24700.45 ▼ 219.21 0.9% NASDAQ 7716.61 ▼ 0.5% STOXX 600 381.40 ▼ 1.3% 10-YR. TREAS. ▲ 8/32, yield 2.844% OIL \$70.38 ▼ \$3.73 GOLD \$1,242.80 ▼ \$11.00 EURO \$1.1674 YEN 112.01

What's News

Business & Finance

Broadcom agreed to buy software company CA Technologies for \$18.9 billion, a surprise move that would take the chip powerhouse in a new direction. **A1**

◆ **The battle for control of Sky heated up**, with Fox raising its bid for the European pay-TV giant and Comcast quickly countering. **B1**

◆ **A sell-off in metals and other commodities intensified amid worries about the impact of tariff threats on the global economy.** **B1**

◆ **U.S. stocks fell** as trade concerns and falling oil prices outweighed optimism about earnings. The Dow shed 219.21 points to 24700.45. **B1**

◆ **The NYSE is stirring tension between some of its big listed companies and their largest investors over an SEC fee study.** **B1**

◆ **Twitter said** it is subtracting some accounts it has flagged for suspicious activity from the follower numbers of its users. **B1**

◆ **Pfizer is organizing itself into three different businesses** as it considers the future of its over-the-counter medicines unit. **B3**

◆ **Papa John's founder resigned** as chairman after a report that he used a racial slur in a May conference call with a marketing agency. **B3**

◆ **Uber pushed out** its human-resources chief after an internal inquiry into her department's handling of racial-bias claims. **B4**

◆ **A judge approved** a discounted sale of Harvey Weinstein's studio to private-equity firm Lantern. **B4**

World-Wide

◆ **Trump pressed allies to double their military-spending target to 4% of GDP**, while questioning NATO's value and bashing Germany for supporting a major gas deal with Russia. **A1, A8**

◆ **The Trump administration is expanding the trade battlefield with China**, moving beyond industrial goods to threaten tariffs on a range of consumer products. **A1**

◆ **U.S. plans are putting Beijing in a bind**, forcing it to retaliate in ways likely to cast doubt on its commitment to rules-based trade. **A6**

◆ **The Senate took a symbolic step toward asserting its power over levies Trump has already imposed.** **A6**

◆ **Skirmishes over Kavanaugh's Supreme Court nomination emerged on the timing of hearings**, as Republicans seek to install him before the court's new term. **A4**

◆ **The nomination is prompting a new round of fighting over the ACA**, with Democrats looking to the health-care issue as a way to galvanize opposition. **A4**

◆ **The administration plans to ask a judge to consider giving asylum-seeking parents the choice of remaining in custody with their children or voluntarily separating.** **A3**

◆ **The FCC's chief proposed an overhaul of the agency's online comment system** after millions of fake comments about a recent rule change. **A3**

◆ **A hacker tried to sell purported U.S. military documents containing information about combat drones**, a cybersecurity research firm said. **A3**

CONTENTS Markets B12
Business News B3 Opinion A15-17
Capital Account A2 Sports A14
Crossword A13 Technology B4
Head on Street B12 U.S. News A2-5
Life & Arts A11-13 Weather A13
Management B6 World News A6-9

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Trump Presses NATO on Defense



CONTRASTING VIEWS: President Donald Trump and other leaders watched a fly-by of NATO aircraft Wednesday at the opening of the alliance's summit in Brussels. In the front row: German Chancellor Angela Merkel, Belgian Prime Minister Charles Michel, NATO Secretary-General Jens Stoltenberg, Mr. Trump and U.K. Prime Minister Theresa May. Behind Mr. Stoltenberg: Polish President Andrzej Duda. Back row: Norwegian Prime Minister Erna Solberg, Spanish Prime Minister Pedro Sánchez, French President Emmanuel Macron, Netherlands Prime Minister Mark Rutte, Romanian President Klaus Iohannis, Slovak President Andrej Kiska and Portuguese Prime Minister António Costa.

U.S. leader questions the value of the alliance and bashes Germany's ties to Russia on gas

BRUSSELS—President Donald Trump pressed allies to double their military spending target to 4% of GDP, while questioning NATO's value and bashing Germany for supporting a gas deal with Russia.

By Rebecca Ballhaus, Valentina Pop and Laurence Norman

After attacking North Atlantic Treaty Organization leaders for months for not meeting a 2% spending target, Mr. Trump said on Wednesday that amount was too low.

Following his proposal, Mr. Trump and NATO's 28 other leaders agreed to a joint summit declaration that re-committed them to moving toward the 2% target by 2024 and welcomed progress made in raising military spending.

Then, after leaving the summit, Mr. Trump called for allies to raise their military spending to 2% "IMMEDIATELY, not by

Please turn to page A8

U.S. Trade Threat to China Squeezes Consumer Goods

By JACOB M. SCHLESINGER

WASHINGTON—The Trump

administration is expanding the battlefield in its trade fight with China, moving beyond industrial goods to threaten tariffs for the first time on a range of consumer products that illustrates how dependent the U.S. consumer economy is on imports.

The \$200 billion in products under consideration for a new 10% duty includes bicycles, sound systems, refrigerators,

pocketbooks, vacuum cleaners, cosmetics, tools and seafood.

China's Commerce Ministry said Wednesday the country "has no choice but to take necessary countermeasures." China doesn't import enough from the U.S. to match Washington dollar for dollar with tariffs as it has in previous rounds, so Beijing is reviewing plans to hit back in other ways, said Chinese officials familiar with the discussions.

Measures are likely to in-

clude holding up licenses for U.S. companies, delaying approval of mergers and acquisitions involving U.S. businesses and ramping up inspections of U.S. products at China's borders, the officials said.

The wide range of products under consideration for the U.S. tariffs disclosed Tuesday—a 195-page list starting with "frozen retail cuts of meat of swine" and rolling through "ice hockey gloves," "carpets and

Please turn to page A6

Before Triumph, Thai Rescue Teetered on Brink of Disaster

Rapid currents, inexperienced cave divers, low oxygen, a broken pump

By PHRED DVORAK AND JAKE MAXWELL WATTS

MAE SAI, Thailand—One of the world's most dramatic rescue missions appeared to take place like clockwork. It narrowly skirted disaster many times.

Early in the search for 12 Thai boys and their soccer coach, marooned several kilometers inside a flooded cave, rescuers unknowingly made it to within a few hundred meters of the group—only to be pushed back by rising waters.

Later, divers trying to navigate the murky, fast-moving currents in submerged passageways deemed the job so dangerous they almost gave up. One diver said the flow of water was so strong that his mask was torn

away when he turned his head.

After the team was located, as preparations for a rescue were ramping up, one of the Thai divers setting out air tanks to ferry the trapped team through the long, winding stretches died when his own air ran low.

Thai Navy SEALs were quickly trying to learn the basics of cave-diving—their training is in open water and they had no cave experience, a much more complicated and dangerous endeavor.

When it came time to decide who to take out first, the boys decided on their own, presenting Thai SEALs with a list of their names in order, Thai authorities said.

Then, on Tuesday, shortly after the group

Please turn to page A10

INSIDE

REWARD CARD CHANGES HIT TRAVELERS

THE MIDDLE SEAT, A11

ELISE AMENDOLA/AP

GASOLINE PRICES NEAR \$3 A GALLON

MARKETS & FINANCE, B11

Forget the Cat Ladies, Meet the Plant Parents

Houseplants become little green friends to those who form bonds with ferns

By AMBER BURTON

When Hilton Carter went to Tulum for his honeymoon in April he had to secure a sitter. The person needed to be responsible, demonstrate strong attention to detail and have plants proven to still be alive.

The 38-year-old artist living in Baltimore currently has about 180 plants in his home. And about 100 more in his studio space.

"You can't just leave your plants with anyone," he said. In the end, the plant sitter job went to a "dedicated friend." One person declined, feeling it would be too much pressure.



People are pouring their hearts and wallets into houseplants, forming emotional bonds with ferns and Philodendron. Some call themselves plant parents. Friends call them obsessed.

Mr. Carter, who named the 15 plants that have been with him longest, including Monty, Francis and two Bobs, considers them "green pets." Frank, a fiddle-leaf fig, is the oldest and has been with him for four years.

Mr. Carter's wife, Fiona Vismans, often sleeps in while Mr. Carter goes about his Sunday watering routine, which takes hours.

Please turn to page A10

Broadcom Moves Into Software With CA Deal

Broadcom Inc. agreed to buy software company CA Technologies for \$18.9 billion, a surprise move that would take the chip-making giant in a new direction.

By Dana Cimilluca, Dana Mattioli and Ted Greenwald

Broadcom is to pay \$44.50 a share in cash for CA, formerly known as Computer Associates. Broadcom said late Wednesday. CA shares closed at \$37.21 Wednesday, so the price represents a 20% premium.

The takeover would be a major strategic move for Broadcom, coming months af-

ter its \$117 billion-plus hostile bid for Qualcomm Inc. was blocked by President Donald Trump.

The planned deal took some industry watchers by surprise, given that it represents expansion into a whole new area for Broadcom, which has become a semiconductor powerhouse largely through acquisitions. CA, based in New York, produces software used in corporate IT infrastructure such as mainframe computers.

Broadcom shares, which were down 2.8% in regular trading Wednesday, fell another 5.2% after hours after The Wall Street Journal reported on the impending deal.

Please turn to page A2

Croats Put Chill on English Cheer



POUNDED: Croatia stunned England in Wednesday's World Cup semifinal, winning 2-1 in extra time. Croatia, in its first World Cup final, will play France for the trophy on Sunday. **A14**

Cut Your Amazon Bill in Half

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Oracle Autonomous Database

Easy to Move—Guaranteed Savings

There's the cloud... and there's the Oracle Autonomous Cloud.

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U.S. NEWS

CAPITAL ACCOUNT | By Greg Ip

Key Issue for Court: the Administrative State



What business cares about most when it comes to the Supreme Court is checking the "administrative state," the sprawling apparatus of agencies and civil servants that oversees everything from labor standards to pollution rules.

President Donald Trump's court nominee, business sees the Supreme Court as a reliable bulwark against executive branch overreach.

But this view reflects two misconceptions. The first is that the administrative state has a life of its own and only the courts can stop it. In fact, Mr. Trump is proving just the opposite with his current dramatic rollback of regulation.

The second misconception is that limiting regulators is the same as limiting the president. In fact, Judge Kavanaugh believes presidents, unlike regulators, are owed

considerable deference, especially on national security and law enforcement. That's significant because Mr. Trump is now using national security to justify his own economic interventions, especially on trade.

Much of the controversy harks back to 1984, when the Supreme Court decided, in a case involving Chevron U.S.A. Inc., that when a law is unclear, the court should defer to a federal agency's interpretation of that law.

Courts have cited Chevron deference, as this doctrine is known, to grant wide latitude to regulatory agencies. Many conservatives blame it for a decadeslong transfer of power to the executive branch.

Judge Kavanaugh, who sees plenty of administrative law cases on the U.S. Court of Appeals for the District of Columbia Circuit, seems to agree. "Chevron is nothing more than a judicially orchestrated shift of power from Congress to the Executive Branch," he wrote in 2016. It encourages the president, regardless of party, to "be extremely aggressive in

seeking to squeeze its policy goals into ill-fitting statutory authorizations and restraints."

Yet as these remarks acknowledge, regulators don't operate in a vacuum: They carry out the agenda of the president who appoints them. Both parties have agencies they love to hate: For Republicans, it's the EPA and the Consumer Financial Protection Bureau; for liberal Democrats, it's now Immigration and Customs Enforcement.

For both, it's the Internal Revenue Service or the Justice Department when the other party controls the White House. In each case, a change of president is usually enough to change the agency's behavior.

Mr. Trump has demonstrated that with the right appointees, the administrative state can shrink instead of expand. His appointees have rolled back "net neutrality" regulations and race-based college admissions guidelines, reeled in consumer financial-fraud investigations, softened bank regulations, and moved to ease carbon restrictions on power plants and mileage targets

Regulatory Retreat

Under President Donald Trump, federal rule making has dropped sharply.

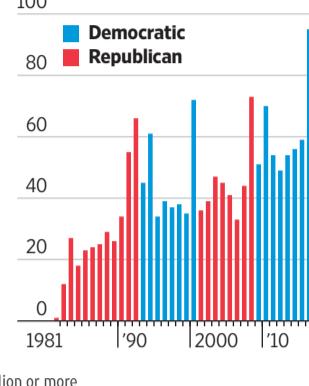
Number of pages in the federal register



*Having an annual economic effect of \$100 million or more

Source: George Washington University Regulatory Studies Center

Economically significant regulations*



THE WALL STREET JOURNAL.

authority of the Treasury-led Committee on Foreign Investment in the U.S. to vet foreign investment, joint ventures and exports.

By invoking national security, a president is more likely to get the benefit of the doubt from the Supreme Court. Last month, the court's conservative majority upheld the administration's ban on travelers from several mostly Muslim-majority countries, citing the executive branch's discretion over national security.

Judge Kavanaugh seems likely to reinforce that inclination. "There is a pronounced dichotomy between Kavanaugh's view on deference to agencies as opposed to his view on deference to presidents," says Jonathan Turley, a law professor at George Washington University. He says Congress has been progressively marginalized by the expanding authority of both federal agencies and presidents; Judge Kavanaugh seems to oppose the first and encourage the second.

Businesses eyeing with trepidation the growth of executive power may find the courts aren't the solution.

Natural-Gas Explosion Kills Wisconsin Firefighter



AFTERMATH: Sun Prairie, Wis., on Wednesday after an explosion a day earlier killed a firefighter and leveled part of a city block.

Broadcom Eyes Move In Software

Continued from Page One and some analysts questioned its logic. The company's market value stood at \$108 billion. Shares of CA, which have risen steadily in recent years, jumped 16% to \$43.10 after hours.

"Software is a natural extension when you think about the ecosystem we're playing in," Broadcom finance chief Tom Krause said in an interview.

The proposed deal, he said, would help Broadcom expand in a total market for infrastructure technology that amounts to \$200 billion, about triple the size of its current opportunity.

Mr. Krause said the deal wouldn't require approval in China, which has become a minefield for U.S. tech deals amid a brewing trade war, and doesn't pose antitrust issues in other countries, making "a clear path" to complete the transaction by the end of the year.

Broadcom walked away from its pursuit of Qualcomm in March after the U.S. panel that vets foreign deals said that the bid could have implications for the U.S.'s broader technological competition with China.

Broadcom, which launched its hostile bid for Qualcomm in November in what would have been the technology industry's biggest-ever deal, was working to relocate to the U.S. from Singapore to evade the panel's review. But the presidential or-

bled in his pursuit of Qualcomm.

Broadcom makes chips for Wi-Fi, Bluetooth, and GPS connectivity in smartphones, as well as components for wired networks and data storage.

The company develops software to support its chips, supplying layers of code that help engineers write programs for its products. But software sales aren't a material part of its business, according to Bernstein analyst Stacy Rasgon.

CA Technologies, on the other hand, sells tools for mainframe computers, the source of most of its revenue, and for planning, developing and managing programming projects.

"Mainframe software is sticky and profitable," Mr. Rasgon said. "But enterprise software is not something Broadcom does, so it's less clear how CA fits into their portfolio ver-

sus prior acquisitions."

Broadcom's cash flow rose by 58% in fiscal 2017, according to S&P Global Market Intelligence. The latest expected acquisition comes on the heels of a plan, announced in April, to repurchase \$12 billion in shares through the end of the company's 2019 fiscal year. Broadcom has committed to returning to shareholders half of trailing 12-month free cash flow in the form of dividends, using the rest for buybacks and acquisitions.

Mr. Tan in Broadcom's most recent earnings conference call said he was still on the lookout for acquisition targets despite the buybacks. "We keep doing both," he said. The company's cash flow is "allowing us a lot more flexibility, which allows us to still look at M&A." He added: "As we see opportunities, as we still do, we will act on those."

Broad Jump

CA Technologies share price surged in after-hours trading on Wednesday.

\$44 a share 5:30 p.m. \$43



Source: Factset

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der effectively ended its hopes of clinching the deal.

Broadcom completed the move the next month and is now based in San Jose, Calif.

That could improve its odds of avoiding a tough U.S. government review of the CA bid. Nonetheless, about 7% of CA's revenue backlog as of March 31 was with government agencies in the U.S., according to the software company's last annual report, and that could become a flashpoint for regulators.

Broadcom was known as Avago Technologies Ltd. before Avago bought Broadcom in 2016 for about \$37 billion in cash and stock. Avago went public in 2009 after incorporating in Singapore, which is known for having a low corporate tax rate.

Broadcom Chief Executive Hock Tan, who took over at the company in 2006, has earned a reputation as one of the most aggressive and successful acquirers in the technology industry, even though he stum-

bled in his pursuit of Qualcomm.

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U.S. WATCH

ECONOMY

Transportation Costs Drive Producer Prices

A gauge of U.S. business prices rose broadly in June, driven in part by an increase in transportation costs that underscores the sector's climbing labor expenses.

The producer-price index, a measure of the prices businesses receive for their goods and services, rose a seasonally adjusted 0.3% in June from a month earlier, the Labor Department said Wednesday. When excluding the often-volatile food and energy categories, prices were also up 0.3%.

Rising prices for transportation and warehousing services helped push overall costs higher, rising 0.5% from the previous month. Trucking-freight prices rose 1.3% in June, the largest monthly increase in the category for records dating back to July 2009. Economists say the tight supply of truck drivers is putting pressure on prices.

"When you think of transportation costs, there's going to be the capital costs of providing the truck, there's going to be the energy costs, and then labor costs are quite a big chunk," said Blerina Uruçi, U.S. economist at Barclays.

—Sarah Chaney and Sharon Nunn

JUSTICE DEPARTMENT

Senate Confirms Criminal-Unit Leader

The Senate narrowly confirmed President Donald Trump's pick to lead the Justice Department's criminal division, over objections from Democrats concerned about his work for a Russian bank with ties to President Vladimir Putin.

The Senate's 51-48 vote for Brian Benczkowski came one year after he was nominated to the post and as the Justice Department continues to struggle with a lack of permanent, politically appointed leaders to oversee many of its most important units. Department officials say the high-

profile vacancies have strained resources and made it difficult to set and execute long-term priorities.

Mr. Benczkowski, 48, was a Justice Department official during the George W. Bush administration and later served as Republican staff director of the Senate Judiciary Committee under then-Sen. Jeff Sessions. He also helped manage Mr. Trump's transition team for the Justice Department.

Mr. Sessions, now attorney general, on Wednesday praised Mr. Benczkowski's "diverse public-service and criminal-law background."

The criminal division handles specialized prosecutions around the country and is at the helm of some of the highest-profile federal cases.

—Sadie Gurman

CONSUMER PROTECTION

White House Says It Will Focus on Fraud

Trump administration officials promised Wednesday to maintain a focus on fraud against consumers, particularly the elderly and service members, using the resources of several regulatory and law-enforcement agencies.

President Donald Trump signed an executive order to form a task force to strengthen the efforts of regulators to investigate and prosecute fraudulent schemes and recover proceeds for consumers, the White House said.

"By working together, we can achieve more effective and more efficient deterrents," Deputy Attorney General Rod Rosenstein said.

Participating in the initiative are the Justice Department, the Consumer Financial Protection Bureau, the Securities and Exchange Commission and the Federal Trade Commission, as well as state and local enforcement offices.

The effort comes amid criticism that the administration's move to ease financial-industry regulations threatens to harm consumers, particularly its overhaul of the CFPB, created under the Obama administration after the financial crisis to beef up protection for homeowners and bank customers.

—Yuka Hayashi

CORRECTIONS & AMPLIFICATIONS

The Environmental Defense Fund never opposed genetically modified organisms. It recently publicly stated for the first time that it "recognizes the use of biotechnology as a legitimate deployment of science in the search for effective solutions." A June 23 Review essay about GMOs incorrectly said the organization has opposed GMOs in the past and recently reversed its position.

JetBlue Airways Chief Financial Officer Steve Priest said the airline's new Airbus A220-300 planes will be "the next generation of aircraft that customers

will love." In some editions Wednesday, a Business News article about JetBlue's purchase of Airbus jetliners incorrectly quoted him as referring to customers as "passengers."

In Tuesday's Markets section, the results of Monday's Treasury auction of 13-week and 26-week bills were incorrectly transposed. The correct table is available at WSJ.com/Corrections.

The U.S. Marine Corps employs drill instructors. The Work & Family column on Wednesday incorrectly made reference to a Marine drill sergeant.

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

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REPRINTS & LICENSING

U.S. NEWS

FCC Chief Proposes Revamp Of Online Comments

BY JAMES V. GRIMALDI

The chairman of the Federal Communications Commission has proposed an overhaul of the agency's online comment system after millions of fake comments were posted about a recent rule change.

The FCC's Ajit Pai said in a letter to two senators that he was proposing "to rebuild and re-engineer" the commission's electronic comment system "to institute appropriate safeguards against abusive conduct."

Mr. Pai's move comes after The Wall Street Journal uncovered thousands of fraudulent comments on regulatory dockets at five federal agencies, including the FCC—some made with what appear to be stolen identities and posted by computers programmed to pile comments onto the dockets.

The Journal contacted thousands of people who said they didn't draft or authorize comments that were posted in their names.

Mr. Pai cited 7.5 million identical comments that came from 50,000 individuals whose addresses didn't appear to exist.

In the July 6 letter to Sens. Pat Toomey, a Pennsylvania Republican, and Jeff Merkley, an Oregon Democrat, Mr. Pai said he has asked Congress for permission to shift funds to pay for the comment-system overhaul.

Messrs. Toomey and Merkley wrote to Mr. Pai in May to complain that their names had improperly been used to post comments on Mr. Pai's repeal of Obama-era internet rules known as net neutrality.

The senators have opposing positions on the repeal, but they agree that the FCC's comment system is broken.

'The system of public comment is completely broken,' said Sen. Merkley.

"It is troubling that some bad actors submitted comments using false names," Mr. Pai said in the letter. "Indeed, like you, comments were submitted in my name and my wife's name that reflect viewpoints we do not hold."

Among the changes proposed by the senators and accepted by Mr. Pai was to require commenters to fill out a Captcha—a system designed to prove that humans rather than bots provided the information.

In an interview Tuesday, Mr. Merkley said that while he was pleased to hear of safeguards, he was disappointed that Mr. Pai didn't seem to take seriously his request that the use of his name to file a public comment be referred to the Justice Department for investigation. Mr. Pai said in his letter that he couldn't comment "on any such investigations."

To address the misuse of identities, Mr. Pai said in the letter that the victim could send the commission a statement that also would be put on the public record alongside the fake comment.

Said Mr. Merkley: "The system of public comment is completely broken and manipulated to the point that it has basically lost any integrity or value."

Alex Howard, an open-government advocate and founder of e-PluribusUnum.org, which has urged safeguards in the comment system, said the FCC fixes are a small step.

"Adding a Captcha to try to prevent spam, unfortunately, sounds like a solution from the last millennium to a decidedly 21st century set of problems," Mr. Howard said.

An FCC spokesman declined to comment beyond what was in the letter.



U.S. and South Korean soldiers conducting exercises in South Korea in September 2017. President Donald Trump last month canceled August exercises with South Korea.

JEON HEON-KYUN/EPA/SHUTTERSTOCK

Ending Exercises Saved \$14 Million

Pentagon calculation comes after president called South Korean maneuvers costly

BY NANCY A. YOUSSEF AND GORDON LUBOLD

At the Singapore summit with Kim Jong Un last month, President Donald Trump said he was canceling military exercises between the U.S. and South Korea, because they were provocative to North Korea and "tremendously expensive."

The cost? According to a new Pentagon analysis prompted by Mr. Trump's statement, the military exercises known as Freedom Guardian, which would have begun in August, would have set the U.S. military back \$14 million.

It is a fraction of the military's annual budget of \$700 billion, which increased 15.5% for fiscal 2018, and it is less than the cost of one new fighter plane. That has prompted some to say that the money saved isn't worth the impact on military readiness, and that the military may have to spend money in other ways to ensure pilots and sailors receive the real-time experience the exercises offer.

"It's penny wise and pound foolish," said Lawrence Korb, a senior fellow at the Center for American Progress, who served as assistant secretary of defense from 1981 to 1985. "It doesn't save you as much as you think and may cost you more."

The White House didn't provide further comment.

Others say Mr. Trump's fo-

cus on the cost of exercises has had the benefit of forcing the Pentagon to assess the price and make it public.

The military conducts hundreds of exercises a year. Some are tabletop exercises that use minimal U.S. military equipment and stress leadership instead. Others can involve tens of thousands of troops. Among the largest military exercises are Korea Foal Eagle and Key Resolve, month-long activities that consisted this year of 11,500 U.S. troops and 300,000 South Korean troops. The Pentagon said its major exercises can cost as much as \$20 million a year.

Todd Harrison, director of defense budget analysis at the Center for Strategic and International Studies, a think tank in Washington, said the military hasn't had to calculate the true

cost of exercises in the past.

"The president may have a point, because if you can't put a specific price tag on it, then it means no one has done the cost-benefit analysis to know whether or not an exercise is worth it," Mr. Harrison said.

At the Pentagon, Mr. Trump's focus on the cost of exercises marked a new turn. "We weren't being asked to justify the value or the return on investment on exercises like Freedom Guardian," one official said, referring to the joint annual U.S.-South Korean exercise.

Pentagon officials also note the U.S. retains the ability to reinstate exercises with South Korea, if the White House decides that North Korea's leader, Mr. Kim, has reneged on an agreement on denuclearization. "We will execute in accor-

dance with the directives from our national leadership, so we will be prepared for whatever our national leadership decides is necessary," said Army Col. Rob Manning, a Pentagon spokesman.

So far, U.S. military officials have said that if suspending the exercises could lead North Korea to denuclearize, that was a risk worth taking—for now. But they have also warned that U.S. military readiness will drop if such exercises aren't conducted for more than a year. Pyongyang has appeared unimpressed by the cancellation of exercises.

After Secretary of State Mike Pompeo visited Pyongyang on July 7, North Korea issued a statement describing the decision as a "highly reversible step which could be resumed anytime," as the U.S. military presence would remain intact.

Hacker Allegedly Tried to Sell Drone Data



BY DUSTIN VOLZ

A cybersecurity firm said an unidentified hacker tried to sell stolen documents allegedly related to the military's MQ-9 Reaper drone.

An unidentified hacker tried to sell purported U.S. military documents containing information about combat drones last month, a cybersecurity research firm said, after they were allegedly stolen from an Air Force officer's computer.

The hacker sought buyers for maintenance documents about the MQ-9 Reaper drone, a remotely controlled aerial vehicle used by the Pentagon and other parts of the government to conduct offensive strikes or reconnaissance and surveillance operations.

Discovery of the attempted sale of the stolen documents comes amid heightened concern about how U.S. military secrets may be insufficiently

protected from hackers. Military officials said last month that the Defense Department's inspector general was investigating a security breach after Chinese hackers allegedly stole data pertaining to submarine warfare.

There was no evidence the hacker who acquired the drone documents was affiliated with a foreign country or that he was intentionally seeking to obtain military documents, said Andrei Barysevich, a senior threat researcher at Recorded Future, the U.S.-based cybersecurity firm that spotted the attempted sale. Instead, the hacker scanned large parts of the internet for misconfigured Netgear routers and exploited a two-year-old known vulnerability.

Recorded Future said it has

notified the Defense Security Service and the Department of Homeland Security. A DHS spokesman said the agency was reviewing the information but referred further comment to the Air Force.

"We're aware of the reporting, and there is an investigation into the incident," said Erika Yepsen, an Air Force spokeswoman.

Posing as a potential buyer, researchers at the cyber firm contacted the seller, and during weeks of discussions were sent screen shots of the documents. Those documents included the name of an Air Force captain stationed at Creech Air Force Base in Nevada from whom the hacker is believed to have obtained the stolen drone files.

Motion Would Let Immigrants Choose in Family Separations

BY SADIE GURMAN AND ARIAN CAMPO-FLORES

The Trump administration plans to ask a judge to consider giving asylum-seeking parents arrested at the border a difficult choice: agree to remain in custody with their children throughout their immigration proceedings or release the children to authorities to be placed with a sponsor.

The proposal, which the government said it would soon outline in a motion for a federal judge in San Diego to consider, comes as officials work to reunite more than 2,000 migrant children who were split from their families during an effort to step up prosecutions of illegal border crossers.

An administration official said the government expects to have reunified all eligible children younger than 5 with their parents by early Thursday.

Federal officials have struggled to navigate between a pair of court orders, one of which requires families to be reconnected by the end of the month and another that says children can't be detained with their parents for more than 20 days. A Justice Department attorney, Scott Stewart, said the dueling orders, combined with the government's desire to prosecute all adults who illegally

cross the border, means parents will have to decide whether to stay together in detention or voluntarily separate. Department of Homeland Security officials said they would release some parents in the meantime, using monitoring tools including ankle bracelets to ensure they maintain contact ahead of court appearances.

President Donald Trump, Attorney General Jeff Sessions and other administration offi-

The proposal would formalize a tactic used by Immigration and Customs Enforcement.

cials have argued that nearly all immigrants caught crossing the border illegally should be detained and quickly deported. Administration officials have argued that allowing those immigrants to be released into the country while they await hearings that could take years is a "catch-and-release" policy that prevailed during the Obama administration, and leads to such people disappearing in the U.S.

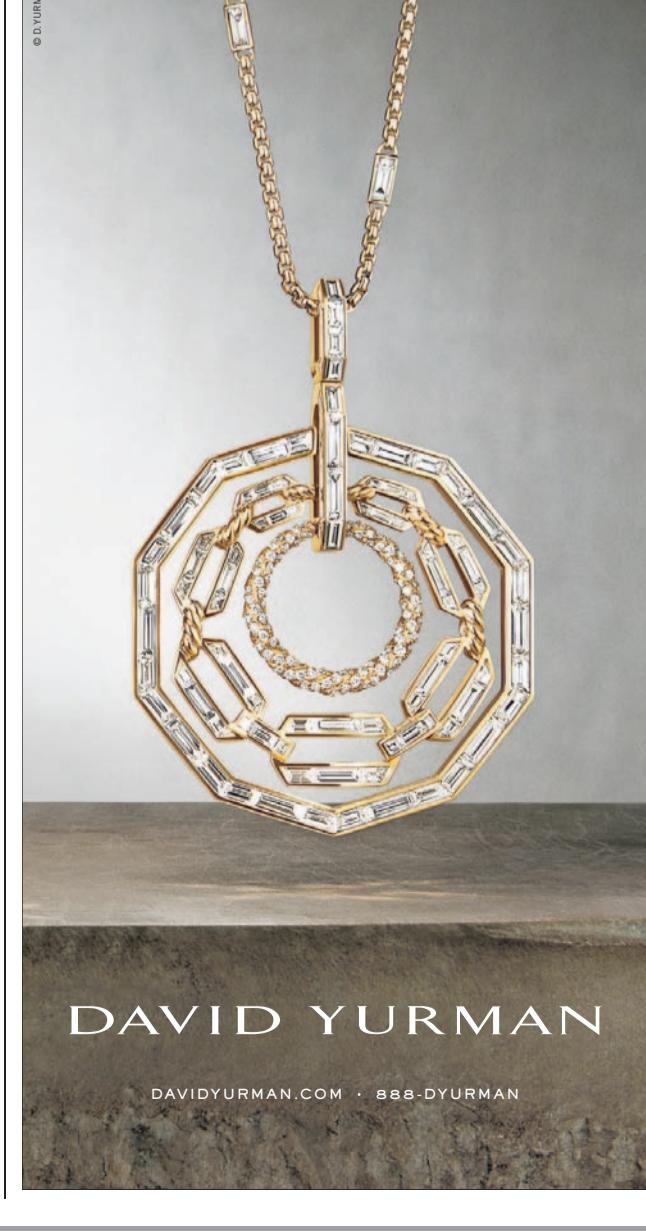
If the judge were to approve the motion, it would likely set

the stage for more large-scale detentions. It would also formalize an approach already in use by U.S. Immigration and Customs Enforcement. The agency started giving migrant parents who have been given deportation orders a form laying out their options. The new form is specifically for parents who were separated from their children at the border under the zero-tolerance policy.

The American Civil Liberties Union said it agreed with the government's interpretation of the two court orders and would be joining the government in filing its motion. The court case stems from a lawsuit brought by the organization.

Lee Gelert, deputy director of the ACLU's Immigrants' Rights Project, said he agreed with the government that parents should be the ones making the best-interest determination for their children, but added, "Neither ruling prevents the government from releasing the parent so that she doesn't have to make this horrible choice." And he said if the government detains families without consideration of whether they are a flight risk or danger, the group will sue again.

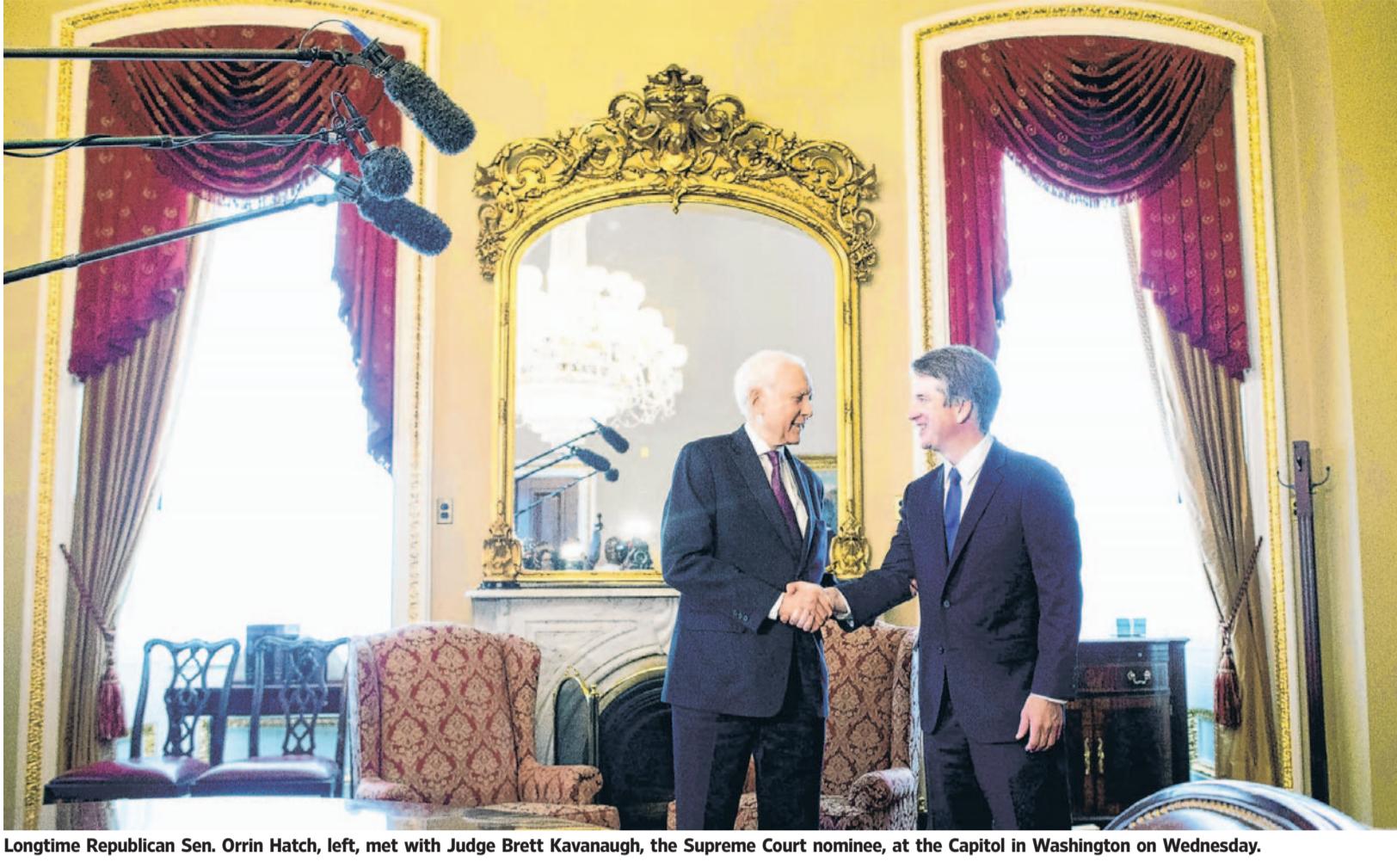
He said the government must make such a determination on an individual, case-by-case basis.



DAVID YURMAN

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U.S. NEWS



Longtime Republican Sen. Orrin Hatch, left, met with Judge Brett Kavanaugh, the Supreme Court nominee, at the Capitol in Washington on Wednesday.

Parties Spar on Timing of Hearing

GOP wants to install nominee on high court by October; Democrats seek his Bush papers

BY LOUISE RADNOFSKY
AND ANDREW DUEHREN

WASHINGTON—The first skirmishes in the battle over the nomination of Judge Brett Kavanaugh for the Supreme Court are about timing, as Republicans seek to hold hearings and install him on the court before the new term in October.

Senate Judiciary Committee Chairman Chuck Grassley (R., Iowa) has been noncommittal on exactly how swiftly he can move, as well as on how to handle requests to review potentially millions of documents that crossed the desk of the nominee when he was a White

House staff secretary for former President George W. Bush.

Judge Kavanaugh, who would succeed retiring Justice Anthony Kennedy, spent Wednesday on Capitol Hill meeting with members of the Judiciary Committee who will first determine his fate.

Sen. John Cornyn (R., Texas), the No. 2 Republican in the Senate and a member of the Judiciary panel, met with Judge Kavanaugh on Wednesday for about 25 minutes. Mr. Cornyn said he believed that “as much contact and interaction people can have with the judge, I think the better.”

Republicans need to steer his nomination through the party’s narrow 51-49 Senate majority, where Sen. John McCain (R., Ariz.) is absent while battling brain cancer.

Democrats are wrestling over how to fight the nomination—which would strengthen

the court’s conservative majority—and at the same time not hurt the political fortunes of centrist senators up for reelection in 2018 in states that President Donald Trump won.

The White House has yet to schedule meetings with Judge Kavanaugh and the three Democrats whose votes it hopes to garner: Sens. Joe Manchin of West Virginia, Heidi Heitkamp of South Dakota and Joe Donnelly of Indiana.

Meanwhile, California Sen. Dianne Feinstein, the top Democrat on the judiciary panel, said she anticipated the hearing would occur in September, after Labor Day. “Maybe it could be done sooner, but there are a lot of records we need to look at,” she said.

The prospect that the volume of the Bush papers could hold up the process was a late concern for the White House as it narrowed in on the pick.

Now, allies of the White House say Mr. Grassley must take a more assertive stance, for example by setting a short window of time for document review, to get Judge Kavanaugh seated by October.

Mr. Grassley on Wednesday said he is dubious of some of the Democrats’ document demands.

“A lot of them have said that they’re going to vote no for sure against this nominee,” he said on CNN. “Well, how much more do you need to know to vote no?”

Any shift in timing could push the final floor vote closer to senators’ planned departure for the last sprint in the campaign before November’s midterm elections.

Republicans also must win the votes of two GOP moderates. Work on that continued on Wednesday. Senate Majority Leader Mitch McConnell of Kentucky sat with Sen. Lisa

Murkowski of Alaska who, with Sen. Susan Collins of Maine, is a key GOP centrist in the fight, for about half an hour during a pair of votes.

Ms. Murkowski, who hasn’t met with Judge Kavanaugh yet, said in an interview that his record was more palatable to her than some of the other potential nominees on Mr. Trump’s list, but made no commitments to back him.

Democratic leadership aides have said they are supportive of their centrist senators’ desire to tread cautiously until the nominee’s prospects become clearer.

“I don’t have a lean. I think he seems to be a very fine person of high moral standards,” Mr. Manchin said on Wednesday. “I’ll be hearing from West Virginians and their opinion.”

—Siobhan Hughes and Natalie Andrews contributed to this article.

Health Law Is Issue in Fight Over Kavanaugh

BY STEPHANIE ARMOUR
AND KRISTINA PETERSON

The nomination of Judge Brett Kavanaugh to the Supreme Court is prompting a new round of fighting over the Affordable Care Act, as Democrats warn he could imperil the health law and Republicans say the issue is a distraction from his qualifications.

Almost any nomination to the high court spurs debates about abortion, affirmative action and similar social issues. In this case, Democrats see the health-care issue as a particularly effective way to galvanize opposition to the Kavanaugh nomination.

“They will have, if they get this nominee, a Supreme Court ready to rule against protections for people with pre-existing conditions,” said Sen. Chris Murphy (D., Conn.).

Organizations supporting the ACA plan to hold rallies and events in key battleground states such as Alaska, Arizona, Nevada and Ohio, hoping to mirror the strategy used to block Republican efforts to repeal the ACA last year.

GOP strategists say the Democrats’ arguments on the ACA are irrelevant to Judge Kavanaugh’s qualifications and will fail. The Republican strategy, in contrast, is to emphasize Judge Kavanaugh’s background as a respected jurist.

On the health-care issue, Democrats are concerned about how the Supreme Court with a Justice Kavanaugh would rule in a lawsuit filed last year in Texas by 20 GOP state attorneys general arguing that the ACA is unconstitutional, since Congress recently repealed a provision that imposes a tax penalty on individuals without health insurance. The high court, in upholding the ACA, cited Congress’s taxing power, but without that tax provision, the suit argues, it is no longer constitutional.

—Siobhan Hughes and Natalie Andrews contributed to this article.

Judge’s Prep School Stresses Service

BY MICHELLE HACKMAN

In his brief remarks accepting President Donald Trump’s nomination to the Supreme Court, Judge Brett Kavanaugh invoked the motto of his Jesuit high school: “Men for others.”

Mr. Kavanaugh and others say their experience at the all-boys school in a suburb north of Washington pushed them to take on volunteer activities, undertake service trips and consider public careers.

Should Mr. Kavanaugh be confirmed, he will be the second Supreme Court justice—and third high-profile official selected by Mr. Trump—to have traveled from Georgetown Preparatory School to the top levels of government.

Justice Neil Gorsuch, appointed to the court by Mr. Trump last year, graduated two years behind Mr. Kavanaugh at Georgetown Prep, and Jerome Powell, the Federal Reserve chairman, is also an alumnus.

That has thrust the school, long known around Washington for its work ethic and religious emphasis, into an unusual role in Republican politics. Where Sidwell Friends, another pri-

vate school in the Washington area, has served the children of Democratic scions—Presidents Bill Clinton and Barack Obama sent daughters there—the Jesuit high school is developing a record of turning out conservative government or military service, they say.

“They taught us not only to be competent, but to be compassionate—they were very serious about that,” said Thomas Hogan, a senior judge on the U.S. District Court for the District of Columbia and a 1956 Georgetown Prep graduate.

Judge Kavanaugh has stayed connected with his high school, inviting students each year to his chambers for private conversations.

Of the school’s motto, he said, “I’ve tried to live that creed.”

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U.S. NEWS

Judge's Ruling on Drugmaker Suit Stops Execution

BY ZUSHA ELINSON

A Nevada judge halted the execution of a convicted murderer hours before he was scheduled to die by lethal injection Wednesday because of objections by the company that makes one of the drugs.

It is the first case in which an execution has been halted by a lawsuit from a drugmaker, death-penalty experts said.

Scott Dozier was set to be killed Wednesday evening in the state's first execution since 2006 with a three-drug combination that included the sedative midazolam.

The drug's maker, New Jersey-based Alvogen, filed a lawsuit Tuesday accusing Nevada of acquiring the midazolam through "subterfuge" using an intermediary, arguing that the drug isn't approved for use in executions, and pointing out that it had been involved in botched executions in the past.

Clark County District Court Judge Elizabeth Gonzalez ruled Wednesday morning that the state can't use the drug in its execution of Mr. Dozier and set the next court date for Sept. 10.

Brooke Santina, a spokeswoman for the Nevada Department of Corrections, which was set to carry out the execution at Ely State Prison, said she didn't have any comment on the ruling. "All I know is that [the execution] is not happening tonight," she said.

Ms. Santina said the state didn't hide anything about its

purchase of the drug.

Halldor Kristmannsson, a spokesman for Alvogen, said the company supports approved uses of its drugs and doesn't condone using them in state-sponsored executions. The use of the drug played a role in a 2014 "botched" execution in Oklahoma in which a man regained consciousness and started speaking midway through the execution, according to the company's lawsuit.

"Alvogen is pleased with the court's decision and will continue to work through the judicial process to ensure Alvogen's products are not used in executions," said Mr. Kristmannsson.

Mr. Dozier, 47 years old, had waived his right to appeal and asked to be put to death. He was convicted of killing and dismembering 22-year-old Jeremiah Miller in 2002 in a drug deal gone bad in Las Vegas. He was also convicted of a separate 2001 murder in Arizona. His attorney didn't respond to requests to comment Wednesday.

Executions in the U.S. have been dropping for years. A combination of factors, including a dwindling supply of lethal drugs, has driven the slowdown.

Over the past decade, pharmaceutical companies have fought the use of their drugs in executions, said Robert Dunham, executive director of the Death Penalty Information Center, which takes no position on the death penalty but has criticized how it is administered in the U.S.

The ruling "is a significant statement about companies' rights to protect against use of their drugs in executions," said Mr. Dunham.

Nevada was set to use Alvogen's midazolam along with fentanyl and cisatracurium in Wednesday's execution.



In jail awaiting trial, Paul Manafort has a private bathroom, his own workspace and doesn't have to wear a uniform, prosecutors say.

Manafort Is a 'VIP' in Jail

BY ARUNA VISWANATHA

As Paul Manafort prepares for trial, the former Trump campaign chairman has been living in a large private cell with a personal bathroom, telephone and laptop, and he has told people he is being treated like a "VIP."

These details emerged in court filings Wednesday as Mr. Manafort's lawyers skirmished with the office of special counsel Robert Mueller, seeking to relocate and postpone Mr. Manafort's trial scheduled for July 25 in Alexandria, Va.

In an order made public Wednesday, U.S. District Judge T.S. Ellis ordered Mr. Manafort moved from his current jail in Warsaw, Va., to one in Alexandria, in response to his attorneys' complaints it was taking them a long time to get to their client. Warsaw is about 100 miles from Alexandria.

Mr. Manafort's lawyers said they didn't want their client moved, and rather had been

seeking a delay in the trial, but the judge reaffirmed Mr. Manafort's transfer.

At the jail in Warsaw, Mr. Manafort enjoys "unique privileges" including a "private, self-contained living unit, which is larger than other inmates' units, his own bathroom and shower facility, his own personal telephone, and his own workspace to prepare for trial," prosecutors wrote Wednesday in a filing arguing against any delay in the trial.

Mr. Manafort also doesn't have to wear a prison uniform, they said. The filing didn't elaborate on why, and an officer at Northern Neck didn't return a request to comment.

He has also developed workarounds on prison limitations, prosecutors wrote. While the jail doesn't allow prisoners to receive or send emails, they said, Mr. Manafort uses a second laptop to read and compose emails. His team then takes that laptop in and out of the jail, connecting it to the internet outside to send and receive Mr. Manafort's messages.

Mr. Manafort faces charges that he committed tax and bank fraud, largely before he joined the Trump campaign, in what is expected to be a closely watched test of the special counsel's inquiry. Mr. Manafort has pleaded not guilty.

In recent filings, Mr. Manafort's legal team asked Judge Ellis to move the trial to Roanoke, in southwestern Virginia, saying a fair trial wouldn't be possible closer to Washington, D.C., given the public attention the case has received there.

They also asked for the trial to be postponed, saying that with Mr. Manafort's recent imprisonment, "circumstances changed dramatically."

Last month, a federal judge overseeing a separate case against Mr. Manafort in Washington ordered him to jail after prosecutors accused him of

trying to influence the testimony of potential witnesses.

Mr. Manafort was taken to Northern Neck Regional Jail in Warsaw. The distance and the limits on his communications have "severely impacted the ability of the defense to effectively prepare" for trial, his lawyers wrote.

Judge Ellis responded Tuesday by ordering that Mr. Manafort be moved to the Alexandria Detention Center, in an apparent effort to make it easier for Mr. Manafort to meet with his lawyers.

But hours after that order, Mr. Manafort's lawyers said he actually didn't want to be moved. They cited concerns about his safety and the "challenges he will face in adjusting to a new place of confinement." Judge Ellis rejected those arguments, confirming his order that Mr. Manafort be moved to Alexandria and allowed to meet with his attorneys "at least eight hours per day" for the next two weeks.

Convicted killer Scott Dozier was set to be executed in Nevada on Wednesday.

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north of Lisbon, José crafts a deep, dark Alicante Bouschet with three gold medals and 445 five-star reviews at wsjwine.com. "Big, bold and silky smooth. Loved it!" reads a recent one.

A UNESCO World Heritage site, the Douro Valley is home to spectacular, terraced vineyards (left) and 15th generation winemaker Alvaro van Zeller. His barrel-aged Private Reserve showcases Touriga Nacional — the country's flagship grape — and pairs beautifully with red meats, game dishes and dark chocolate.

Further south in Alentejo, vineyards share space with cork forests (Portugal produces 50% of the world's wine corks). Here, Diogo Sépulveda blends Touriga Nacional and Alicante

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WORLD NEWS

China Seeks Ways to Hit Back at Tariffs

Beijing doesn't import enough from the U.S. to match Trump administration duties

By LINGLING WEI

BELJING—The U.S.'s plan to wallop China with new tariffs is putting Beijing in a bind, forcing it to retaliate in ways likely to cast doubt on its commitment to rules-based global trade.

The Trump administration's announcement that it plans to clamp 10% tariffs on a further \$200 billion in Chinese goods—from tech gear like routers to furniture and handbags—stoked anger and hand-wringing among Chinese officials on Wednesday. China doesn't import enough from the U.S. to match Washington dollar for dollar as it has in previous rounds, so Beijing is reviewing plans to hit back in other ways, said Chinese officials familiar with the plans.

Measures being rolled out include holding up licenses for U.S. firms, delaying approval of mergers and acquisitions involving U.S. companies, and ramping up inspections of American products at borders, the officials said. A Commerce Ministry statement on Wednesday described Beijing as "shocked" by the U.S. action and said China "has no choice but to take necessary countermeasures." It didn't elaborate.

Behind the scenes, however, officials described the mood as more cautious. Senior Chinese officials are weighing how far to press the retaliation without hurting other national interests, according to the officials. The retaliatory measures are the kind of nontariff barriers that U.S. and European businesses have long complained about, and Beijing is actively courting



A container ship in Hong Kong's East Lamma Channel. Chinese economists are assessing the impact of a trade war with the U.S. on China's economy.

allies in Europe and elsewhere to fight what officials call U.S. "trade bullying."

China also needs the U.S. for more than just trade. "The U.S. is not China's enemy as both countries face many common challenges," said one of the officials, listing climate change, terrorism and other problems. And the tariff battle threatens to sap an already weakening Chinese economy.

In recent days, Vice Premier Hu Chunhua, who oversees foreign investment, has instructed local governments to gauge how the biggest round of U.S. tariffs to date—25% duties on \$34 billion of Chinese goods imposed on Friday—is affecting Ameri-

can businesses operating in China, the officials said. In particular, authorities are looking for signs of U.S. companies potentially moving facilities out of China, the officials said. That would be a blow to Beijing's effort to attract foreign capital and keep people employed at a time of gathering economic gloom.

Last week, Liu He, President Xi Jinping's top economic envoy, instructed a group of prominent Chinese economists to hold a roundtable discussion on the impact of a trade war with the U.S. on the Chinese economy. Some of the economists, members of the China 50 Forum think tank that Mr. Liu founded,

expressed concerns that the trade brawl could embolden state companies with a stake in the status quo to try to block market-opening reforms Beijing is planning, according to people briefed on the event.

Internationally, China is trying to project itself as a responsible trading partner, turning to the World Trade Organization for intervention in the dispute with the U.S. and ratcheting up efforts to enlist European countries for support. Premier Li Keqiang and German Chancellor Angela Merkel expressed a joint commitment to free trade in public comments during talks in Berlin this week.

On the sidelines of the meet-

ing, German chemicals giant BASF SE got Chinese approval to build a \$10 billion production site in the southern province of Guangdong. That would be BASF's first wholly owned plant in China, which last month detailed a plan to ease restrictions on foreign investments in the country. Requests for similar wholly owned projects from BASF's U.S. competitors, however, so far have been snubbed by Chinese authorities, according to one of the Chinese officials.

Beijing recognizes that it needs to be careful with such favoritism, the officials said, and not turn the trade fight into an anti-U.S. crusade.

So far, authorities have avoided aggressively going after American businesses—or fanning nationalist sentiment to get the nation's one billion-odd consumers to boycott American products. In the past, such tactics have been deployed against other countries embroiled in disputes, such as South Korea. Western nations have long urged Beijing to level the playing field for foreign companies in the country.

"The Chinese government understands that a full-scale trade war does more economic harm to China and would work hard to avoid it," said Wang Tao, chief China economist at UBS Group AG.

U.S. Senate Moves to Curb White House on Trade

By SIOBHAN HUGHES

WASHINGTON—With the Trump administration announcing a new round of tariffs on China, the Senate took a symbolic step toward asserting its power over levies that President Donald Trump has already imposed.

The vote was viewed as a gauge of whether the GOP-controlled chamber had the appetite to try to rein in the party's leader.

Mr. Trump has often sought to placate congressional critics by framing his trade measures as helpful to the Farm Belt, a GOP stronghold, tweeting from Europe on Wednesday that U.S. "farmers have done poorly for 15 years. Other countries' trade barriers and tariffs have been destroying their businesses. I will open things up."

Senators voted Wednesday, 88-11, to instruct the lawmakers appointed to iron out differences with the House over a spending bill to also insert a provision giving a role to Con-

ZTE Set to Resume U.S. Supplier Ties After Paying Penalty

Chinese telecommunications giant ZTE Corp. was poised to resume business with its U.S. suppliers as the last major hurdle of the deal made to save the firm had been cleared.

The Commerce Department on Wednesday said it had reached an agreement with ZTE regarding the process by which the firm would deposit \$400 million into an escrow ac-

count as part of a penalty for its violations of an earlier settlement. Once ZTE deposits the money, Commerce will allow it to resume buying from the U.S. suppliers on which its business depends, it indicated.

ZTE representatives didn't respond to requests to comment.

The saga over the fate of the Chinese firm began in April when the Commerce Department banned U.S. companies from selling to ZTE as punishment for its failure to honor an earlier U.S. agreement to resolve its sanctions-busting sales to North Korea and Iran.

Because ZTE relies on U.S. suppliers to make its smartphones and to build telecommunications networks, the penalty was effectively a death knell.

The Commerce Department struck a new deal with ZTE on June 7 that would allow the company to resume buying from U.S. suppliers on the condition that it put the \$400 million into an escrow account and pay a \$1 billion fine, which it recently did.

A bipartisan group in Congress, however, has initiated a plan to preserve Commerce's initial penalty on national security grounds. —Kate O'Keefe

sert Congress's powers on trade, but hasn't been able to get traction for that measure in the Senate.

While the language adopted Wednesday is nonbinding, the vote—which was held the day after the U.S. announced planned tariffs of 10% on another \$200 billion in Chinese goods—gave senators the ability to send a signal to the White House that a majority of senators are uncomfortable with the president's path on tariffs.

Supporters expect Wednesday's vote will lay the groundwork for stronger future action. Republican leaders such as Sen. John Cornyn (R., Texas) have said Mr. Corker will receive a vote on a measure with more teeth to give Congress a say over national security tariffs.

"We got a strong vote for us to play a role," Mr. Corker said. "Now, there will be competing bills coming out to focus on how we deal with this, but I think there's tremendous interest in dealing with this issue."

Meanwhile, Republicans

competing for Senate seats in November were reluctant to be too critical of Mr. Trump's planned new tariffs.

"Let's face it, China is not dealing fairly with us in trade," said Rep. Jim Renacci (R., Ohio), who is hoping to capture the seat held by Sen. Sherrod Brown (D., Ohio), who generally has supported Mr. Trump on his trade agenda. "I'm not too comfortable with all the other ramifications, but at this point in time, I realize that he is in negotiations.... I want to give him his opportunity to negotiate to get the best deal for American workers and then let's see where we end up in a couple months."

Backers of the measure had earlier attempted to wedge into must-pass defense and farm bills a provision that would have limited Mr. Trump's power to use the 1962 Trade Expansion Act to impose tariffs based on national security concerns.

—Kristina Peterson and Andrew Duehren contributed to this article.

Consumer Goods Face Trade Hit

Continued from Page One other textile floor coverings" and "sewing machines"—shows just how much the U.S. looks to China for consumer goods, as the world's most populous economy has developed into the world's factory floor.

"They're not only hitting consumers' wallets, they're literally hitting wallets," said Jonathan Gold, vice president at the National Retail Federation, whose members rely heavily on low-cost Chinese products. He was referring to the inclusion on the tariff list of "travel goods," a category that includes wallets as well as luggage. The American Apparel & Footwear Association estimates that over 80% of that \$31 billion sector comes from China.

Still, the main targets in this round remain industrial products, such as semiconductor-related goods and telecommunications equipment.

The potential pain from disrupting the U.S.-China relationship has prompted a growing

backlash within President Donald Trump's own Republican Party over his trade policies, with the Senate voting Wednesday to try to curb his broad powers to curtail imports.

Many lawmakers are growing nervous, as Mr. Trump pressures both Beijing and allies in Europe. During a contentious NATO summit Wednesday in Brussels, the president demanded that Germany and others pay more for their defense to ease the financial burden on the U.S. He hinted the U.S. could rupture their 70-year postwar alliance if they didn't pay up.

In its escalating commercial conflict with Beijing, the Trump administration has so far tried to steer away from actions that would trigger obvious sticker shock on store shelves, focusing mainly on industrial components that would take months, if ever, before affecting the final price of goods.

That strategy, however, is proving increasingly difficult, as Mr. Trump doubles down on efforts to pressure China to alter its trading practices, vowing to counter any Chinese retaliation with even bigger retaliation of his own.

"The first set of tariffs was

calculated in terms of our industry," said Rick Helfenbein, head of the apparel trade

group. "This one is a deviation—we've been smacked right on the head."

A senior administration official said in unveiling the list Tuesday night that "we did try to take into account the potential impact on consumers." He added that the goal wasn't to raise the price of imports but "to encourage China to change its behavior."

As Mr. Trump subjects a growing portion of the U.S. economy to import restric-

tions—and the threat of countermeasures by trading partners against U.S. exports—the Senate voted 88-11 Wednesday on a mainly symbolic motion aimed at curbing the president's broad powers to impose tariffs.

The new \$200 billion import target list is the latest step in Mr. Trump's trade battle with China, launched earlier this year after a months-long administration investigation concluded that the Chinese government and Chinese

companies had systematically and improperly pressured U.S. companies to turn over valuable intellectual property.

As punishment for those practices, Mr. Trump imposed 25% tariffs on \$34 billion in Chinese imports on July 6, and has scheduled another \$16 billion to go into effect later this month.

China swiftly retaliated by imposing its own tariffs on U.S. imports, and the new \$200 billion list from the administration is intended as

counter-retaliation. Those tariffs wouldn't be imposed until after public hearings scheduled for late August.

Mr. Trump has said he is willing to impose tariffs on yet another \$200 billion of Chinese imports if Beijing retaliates again—which would mean the vast majority of what the U.S. buys from China would be hit by duties. China sent \$523.7 billion in products to the U.S. last year.

Even under the new tariff list, the biggest categories of Chinese consumer-product imports have been spared. The list doesn't mention smartphones such as iPhones or televisions. Finished shoes and clothing aren't included—about 70% of the U.S. footwear market is made up of Chinese imports. Neither are pharmaceuticals or medical devices.

Many trade groups representing affected industries said they were still poring over the list to assess what the impact would be, in particular whether U.S. trade officials had made good on pledges to focus on products that could be sourced from other countries, or whether the new costs on Chinese goods would be more disruptive.

—Jay Greene

and Heather Haddon contributed to this article.



Bicycle parts in Jinhua, China. Proposed new U.S. tariffs would hit consumer products, including bicycles.

AGENCE FRANCE PRESSE/GTY IMAGES

WORLD NEWS

May's Brexit Plan Aims to Bolster Supply Chains

BY JASON DOUGLAS

LONDON—At the Channel Tunnel terminal in Folkestone, southeast England, trains arrive every seven minutes carrying trucks packed with goods from across Europe, spilling vehicles directly onto motorways that lead to Britain's industrial heartlands.

The 25-mile undersea link between Britain and mainland Europe is critical to supply chains spanning the continent that require goods to arrive at their final destination exactly when they are needed.

With the clock ticking toward the U.K.'s planned exit from the European Union in March 2019, concern over the preservation of these delicate "just-in-time" systems after Brexit has moved from corporate boardrooms to Downing Street.

A new proposal from Prime Minister Theresa May to keep the U.K. closely tied to EU product regulations and customs arrangements—critical to safeguarding integrated supply chains and the jobs that depend on them—sparked turmoil in her government this week.

Her plan led to the resignations of Foreign Secretary Boris Johnson and David Davis, the minister in charge of Brexit negotiations, who favor a decisive break with the bloc—and say the British economy will flourish once it is free of EU regulation and London can make new trade deals on its own. Mr. Johnson said the proposals risked making the U.K. "a colony" of the EU.

Downing Street's embrace of a tight economic partnership in goods trade follows months of warnings from businesses about what they see as the risks to their carefully calibrated connections.

Executives worry that new

checks on goods and the people transporting them as they enter the U.K. would gum up terminals such as Folkestone and the nearby port at Dover. They warn that even short delays could make just-in-time supply chains all but unworkable, potentially requiring them to rethink the U.K.'s place in their European operations.

The Port of Dover, which handles as many as 10,000 trucks a day, calculated that a two-minute delay to traffic passing through its gates could quickly lead to a 17-mile backup on nearby roads. A similar gridlock could emerge from delays on the French side.

Mrs. May's new Brexit plan doesn't eliminate all concerns for businesses. The EU may not sign up to it and negotiations could founder, leaving the possibility that the U.K. could crash out of the bloc without any deal at all. The uncertainty "has forced companies to look at their supply chains," said Anastassia Beliakova, head of trade policy at the British Chambers of Commerce.

Airbus SE said its factories in the U.K. rely on the frictionless movement of parts across national borders to allow aircraft wings to be made in Broughton in Wales and landing gear in Filton in western England.

The aerospace giant, based in Toulouse, France, employs 14,000 people in the U.K. and buys components from 4,000 British suppliers. The company said delays caused by a "catastrophic" U.K. exit from the EU without a deal would be so costly that it would likely close its British operations. Even a negotiated exit would likely throw grit into the gears of the sensitive supply chains built up over decades, it said.

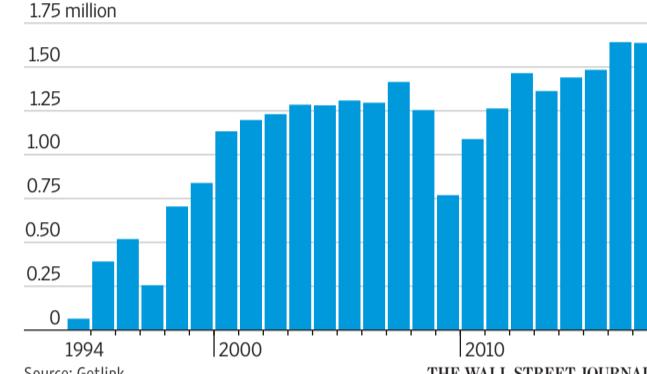
Such arrangements span industries. "In advanced manu-



A shuttle carrying trucks enters the Channel Tunnel at Folkestone, England, for the 25-mile journey to the European continent.

Tunnel Traffic

Number of freight trucks transported through the Channel Tunnel a year



Source: Getlink

facturing, these systems are almost ubiquitous," said Philip McCann, professor of urban and regional economics at the University of Sheffield. "Break one part of the chain, and the whole thing is in jeopardy."

The automotive sector is especially reliant on just-in-time delivery, shipping in millions of parts a day from European factories to assemble vehicles at U.K. plants. The sector accounts

for 11% of U.K. manufacturing output and employs 186,000 people directly in Britain.

"We need free and frictionless trade going forward, to make our just-in-time system work as it does now," said a spokeswoman for luxury car maker Jaguar Land Rover, a unit of India's Tata Motors Inc. The firm makes Range Rover and Discovery sport-utility vehicles at its plant in Solihull,

England; 40% of the parts used in production come from the EU and arrive on the assembly line almost exactly when they are needed, the spokeswoman said.

It isn't just manufacturing that operates on a just-in-time basis: 30% of all the food consumed in the U.K. comes from mainland Europe, according to government figures. Such supply chains are the reason British supermarkets are stocked with fresh produce all year. Lengthy customs checks would increase the risk of spoilage.

Freight traffic is carried through the Channel Tunnel on trains that can transport 32 trucks at 90 miles an hour, crossing in 35 minutes—and carrying, last year, more than 1.6 million trucks.

Trucks exiting the tunnel don't need to stop: Since the U.K. and France are both members of the EU's customs union and single market, there is no need to check whether tariffs have been paid on cargoes arriving in Folkestone or that they comply with EU regulations. The tunnel is the con-

duit for around a quarter of the U.K.'s merchandise trade with the EU, according to a 2016 study by Ernst & Young.

Mrs. May's Brexit plan seeks to prevent the need for border checks by creating a new free-trade area between the U.K. and the EU. The U.K. would mirror EU rules in its own law and collect one set of tariffs for goods entering Britain for sale in its own market and another set for products in transit to the EU.

A clearer British break with the EU's common customs arrangements and single rule-book for goods would mean new checks on both sides of the border, introducing delays in supply chains that depend on speed and precision.

Simply stopping traffic at the Channel Tunnel isn't even an option, said John Keefe, head of public affairs at Getlink SE, the Paris-based operator of the tunnel. "It's a rolling motorway. It would be like stopping a truck on the M1 in the middle of the fast lane," he said, referring to the U.K.'s major north-south highway.



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WORLD NEWS



President Trump gestures before the start of a NATO meeting in Brussels on Wednesday. Left, the British leader, Theresa May.

U.S. Leader Presses NATO

Continued from Page One

2025"—misstating the year and not mentioning his earlier proposal.

Mr. Trump's remarks on spending and his attacks on Germany created a strained summit, dashing the hopes of diplomats and some U.S. officials for a meeting that would showcase trans-Atlantic unity ahead of the U.S. leader's meeting with Russian President Vladimir Putin next week.

Mr. Trump, who left the NATO meeting shortly after making his 4% suggestion, capped the day by questioning on Twitter the point of the alliance, citing Germany's support for a Russian gas project.

Bulgarian President Rumen Radev described a tense response among leaders. "Everybody asked themselves how serious Trump is about the 4%," he said.

On Wednesday evening, at a working dinner for NATO leaders that was closed to reporters, Mr. Trump struck a more conciliatory tone, according to a European diplomat.

"It was much more consensual," the diplomat said, adding that the president spent

much of his time discussing his optimism about denuclearization in North Korea following his summit with leader Kim Jong Un last month.

At the dinner, allies told Mr. Trump that talks with Mr. Putin could be useful, but urged the president to stress the importance of international rules-based order, the diplomat said. Mr. Trump offered no detail on his plans for the Putin meeting.

A NATO official said that expectations were low for the summit and drew parallels to the Group of Seven meeting in Canada last month, which ended with Mr. Trump attacking the host nation's prime minister as "dishonest" and "weak."

"The mood ahead of the G-7 was also quite bad and still it ended worse than expected," the official said.

White House press secretary Sarah Sanders said the president made the same 4% suggestion at NATO last year. "President Trump wants to see our allies share more of the burden and at a very minimum meet their already stated obligations," she said.

A U.S. administration official said Mr. Trump's 4% comment caught his top policy advisers by surprise because he had never broached the idea with them. The official said getting 4% isn't feasible.

Mr. Trump said earlier Wednesday that the U.S. "in

actual numbers" was spending 4.2% of its GDP on defense. But figures released by NATO a day earlier put the U.S. spending share at 3.57%. Of NATO's 29 members, 15 currently spend less than 1.5% of GDP on defense. Eight members expect to hit the 2% target this year and a total of 18 by 2024, NATO officials said.

Mr. Trump began his visit by accusing Germany of being "captive to Russia" because of its support for Nord Stream 2, an offshore pipeline that would bring gas directly from Russia via the Baltic Sea.

Speaking in a meeting with NATO Secretary-General Jens Stoltenberg, Mr. Trump called

Russia's alleged election meddling efforts, which Mr. Trump has denied.

Later in the day, Mr. Trump also criticized Germany's military spending as "inappropriate." Chancellor Angela Merkel responded that Germany is the second-largest provider of NATO troops, after the U.S.

And recalling her own experience living in Soviet-controlled East Germany, she said, "I am very happy today that we are united in freedom...Because of that, we can say that we can make our independent policies and make independent decisions."

Russia accounted for 37% of Germany's annual gas purchases for the past two years, not 70% as Mr. Trump had claimed.

Mr. Trump and Ms. Merkel met later Wednesday on the sidelines of the summit. There, Mr. Trump struck a friendlier tone.

In Washington, the Democratic leaders of both chambers in Congress issued a rebuke of Mr. Trump's comments, with Sen. Chuck Schumer of New York and Rep. Nancy Pelosi of California calling them "an embarrassment."

Mr. Trump's criticism comes days before he is set to meet with Mr. Putin in Helsinki in an effort to reset U.S. relations with Moscow. He has met frequent criticism in Washington for appearing overly friendly toward Mr. Putin.

'Everybody asked themselves how serious Trump is about the 4%.'

Germany's support for the project "very sad," and said, "We're supposed to be guarding against Russia, and Germany goes out and pays billions and billions of dollars a year to Russia."

Mr. Trump has himself been accused of being in thrall of Moscow, and U.S. special counsel Robert Mueller is investigating whether Mr. Trump's associates colluded with Rus-

President Assails Pipeline Project

By EMRE PEKER

BRUSSELS—President Donald Trump slammed Germany's natural-gas imports from Russia as the NATO summit kicked off Wednesday, targeting a Baltic Sea pipeline project that has sparked discord within Europe and is splitting the alliance.

Germany is "captive to Russia" and enriches Moscow while benefiting from North Atlantic Treaty Organization protection, Mr. Trump said, criticizing the Nord Stream 2 project. The offshore pipeline, being developed by Russia's state-run POA Gazprom, is slated for completion next year.

"It should have never been allowed to happen," Mr. Trump said. Once Nord Stream 2 is completed, doubling Russia's export capacity to Germany, the Kremlin would "totally" control Berlin, he said. "It's a very bad thing for NATO."

Nord Stream 2 is "not subject to political sentiment," the company's representative to the European Union, Sebastian Sass, said in an email. The project follows "clearly defined legal requirements," he added. "We do not participate

in political speculation," he said in response to Mr. Trump's attack on the pipeline.

The emergence of energy issues at the NATO talks adds to Mr. Trump's criticisms of Europe. It also marks the elevation of a decades-old U.S. concern about Europe's energy dependence on Russia—increasingly recognized as a security risk after the Ukraine conflict.

Unlike other U.S.-Europe spats over trade and foreign-policy matters, including Iran's nuclear deal, however, Mr. Trump can count on some allies' support to counter Russia's bid to exert influence—especially in former Soviet Union satellites—through gas exports.

Polish Foreign Minister Jacek Czaputowicz criticized Nord Stream 2 as a "mistake" on Wednesday, while Baltic and Eastern European allies have been actively lobbying to halt it.

"On the Nord Stream issue, there are different views," NATO Secretary-General Jens Stoltenberg said Wednesday. "It's not for NATO to decide, this is a national decision."

Mr. Trump's threats against Nord Stream 2 also come just before he meets Russian President Vladimir Putin.

Shifting Sources

President Trump criticized Germany's support for a Gazprom pipeline, saying it will make the country more dependent on Russia for its energy needs.

Share of imports, by source



Sources: Germany's Federal Bureau for Economic and Export Controls; BP Statistical Review

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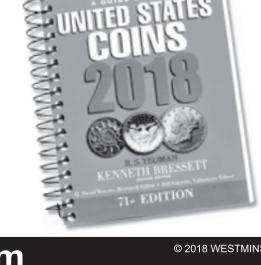
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WORLD WATCH

CHINA

Rights Campaigner Is Sentenced to 13 Years

China has sentenced a veteran pro-democracy campaigner to 13 years in prison on vaguely defined subversion charges, one day after releasing the widow of a Nobel Peace Prize laureate.

The People's Intermediate Court in the central city of Wuhan announced the sentencing of Qin Yongmin on its official website Wednesday.

On Tuesday, China allowed Liu Xia, wife of the late Nobel Prize winner Liu Xiaobo, to depart China for Germany after eight years under house arrest.

Ms. Liu's release heartened foreign governments and human rights campaigners who point out that she has never been charged with or convicted of any crime.

Mr. Qin's sentencing, however, underscores China's hard line against anyone challenging the ruling Communist Party.

Having already spent more than two decades in detention, Mr. Qin was arrested most recently in 2015.

—Associated Press

CANADA

Central Bank Raises Key Rate to 1.50%

The Bank of Canada said a strong labor market and on-target inflation supported its decision to raise the benchmark interest rate despite concerns over mounting trade tensions.

The central bank raised the key rate by a quarter of a percentage point to 1.50%, marking its fourth such increase since mid-2017.

Bank of Canada Governor Stephen Poloz said policy makers would take a gradual approach to future rate changes, but "higher interest rates will be warranted."

Mr. Poloz said mounting trade tensions with the U.S. were the biggest issue on the table ahead of the Bank of Canada's rate decision this week.

Talks to renegotiate the North American Free Trade Agreement stalled earlier this year, and Canada recently imposed retaliatory tariffs in response to U.S. tariffs on steel and aluminum.

—Kim Mackrael

WORLD NEWS

Besieged Rouhani Takes Hard Line

Iran president's shift to defiance toward U.S. wins support from military conservatives

By SUNE ENGEL RASMUSSEN

BEIRUT—For much of his presidency, Hassan Rouhani has been at loggerheads with Iran's military and conservative establishment, as he forged diplomatic ties with the West to break his country's international isolation.

But now with his political survival in question, Mr. Rouhani is sounding a lot like Iran's hard-liners.

During a visit to Switzerland last week, Mr. Rouhani responded to U.S. plans to enforce a global freeze on Iranian oil exports by threatening to disrupt the flow of Middle Eastern oil through the Persian Gulf. It was seen as a warning to the world that Iran could block the Strait of Hormuz, a waterway for about one-third of global seaborne oil trade—a threat made before by Iran's military, but not by this president.

Iran's military leaders, whose powers Mr. Rouhani has tried to curb, were suddenly praising the moderate president.

"I kiss your hand for expressing such wise and timely comments," Maj. Gen. Qassem Soleimani, commander of the Revolutionary Guard's elite Quds Force, said in an open letter to Mr. Rouhani that grabbed state media headlines. "I am at



Iran's President Hassan Rouhani, shown with Swiss President Alain Berset on July 2, threatened during his visit to Switzerland to disrupt the flow of Middle Eastern oil through the Persian Gulf.

your service to implement any policy that serves the Islamic Republic."

Mr. Rouhani's pivot comes at a time of crisis for his government. After President Donald Trump's withdrawal in May from the multinational agreement that checked Iran's nuclear program in return for lifting sanctions, Mr. Rouhani's bridge to the West is in danger of collapsing, while a flailing economy has triggered hundreds of protests across the country in recent months.

Banks and investors are heading for the exits.

ing for the exits.

Mr. Rouhani's 2013 election had ushered in hope among his supporters of shedding Iran's status as international pariah. He had staved off pressure from political forces opposed to diplomatic outreach—until now.

"Rouhani made a huge concession" to hard-liners, said Scott Lucas, an Iran expert and professor at the University of Birmingham. "This is the hardest line he has come out with, aiming at the Americans."

To some who supported Mr. Rouhani's candidacy, the rhetori-

cis is jarring.

"We voted for Mr. Rouhani because he promised to open the doors for international relations. Threatening to close the Strait of Hormuz is not reasonable and is not moderate," said a 31-year-old woman in Tehran. "We don't want to get isolated again."

Frustration has also mounted over Iran's lack of social and political freedoms. Iranian women have posted videos of themselves dancing or removing their law-mandated hijabs in public.

Amid the upheaval, former foes are calling for unity by trying to rally the public around defiance to the West.

Until recently, the military adviser to Iran's Supreme Leader Ayatollah Ali Khamenei openly called for Mr. Rouhani's impeachment. Then, in a late-June speech, the president took a more defiant tone, saying that, together, the Iranian people would defeat the U.S. "in the fight of wills."

The adviser, Yahya Rahim Safavi, said afterward that it was the duty of all Iranians to support the government, "and defuse the enemies' plots."

Mr. Rouhani's political fortunes ultimately rest with Mr. Khamenei. "The supreme leader is still backing Rouhani's position," said Ellie Geranmayeh, senior policy fellow with the European Council on Foreign Relations. "He wants to avoid a bigger conflict within the political establishment."

Some say voters shouldn't be surprised with Mr. Rouhani's shift in a system of which he has long been a part. During the 1980s, he held high-level security posts. In 1999, Mr. Rouhani, then secretary of the national security council, ordered the Revolutionary Guard to quash student protests in Tehran.

"The people who voted for Rouhani are now seeing the result," said a 32-year-old Tehran resident. The regime, he said, "comes together when it is needed for national security."

—Aresu Eqbali in Tehran contributed to this article.

World Bank Rankings Weren't Manipulated, Audit Shows

By JOSH ZUMBRUN

World Bank rankings assessing countries' competitiveness weren't manipulated for political purposes, an external audit found, though it faulted the organization for changing its methodology so frequently the rankings became confusing.

The audit, released on Wednesday, came after Paul Romer, then the World Bank's chief economist, raised concerns about the rankings this year.

Wednesday, came after Paul Romer, then the World Bank's chief economist, raised concerns about the rankings this year.

The report, "Doing Business," is one of the organization's most popular and widely disseminated publications for ranking countries on the competitiveness of their business environments.

"Concerns that World Bank

staff implement methodology changes to manipulate the Ease of Doing Business indicators of specific economies or to sway domestic politics in affected economies are entirely without evidence," the audit said. "However, frequent methodology changes reduce the value of the indicators to researchers, policy makers and the media."

In January, Mr. Romer, who

had been chief economist of the development bank for just a little over a year, expressed concerns in an interview with The Wall Street Journal that the bank had changed its statistical methods in ways that punished nations, particularly Chile. Mr. Romer said he couldn't be confident in the integrity of the process. He resigned from the bank that month. Mr. Romer

couldn't be reached to comment on Wednesday.

The bank said it "welcomes the thoughtful and thorough findings of the Doing Business external review, and we are gratified to see that the review found the previous allegations concerning the integrity of the report and the broader Doing Business team to be unfounded and without merit."

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IN DEPTH

Plant Fans Bond With Greenery

Continued from Page One

Hilton's attention with plants," she said. "When he waters plants I just kind of stay out of his way because there's a lot of cursing and a lot of frustration when something's not doing well. At the same time he also gets very excited when there's a new leaf."

She sticks to caring for the succulents, cacti and more low-maintenance snake plants in the house.

People have taken to platforms such as Reddit to own up to arguments with partners and roommates after plants accidentally wilted in their care. Adam Morrison, of Winnipeg, Manitoba, wrote in the relationships section for advice. "I accidentally killed a plant. My fiancée of four years is far more upset with me than I was expecting," he wrote.

Mr. Morrison opened the

window one winter night in 2015 and in the morning they found the plant had all but died. Mr. Morrison, now 28, said that while the plant cost only about \$10, he didn't know his then-fiancée, Erin Prokopanko, had grown attached. It was the first living thing the couple had taken care of together.

At the time, "I think it was just I was really struggling to see it from her perspective, because I kind of just thought of it like it's just like a plant," he said. They were able to save two stalks by putting them in water. The couple are now married.

"I feel bad about the situation now not realizing, but thankfully the plant did survive. We still have it. It's healthy and it's our biggest plant currently. So that's good," he said.

Lee Tilghman, a Los Angeles-based blogger, frequently displays her devotion to her houseplants on Instagram. Ms. Tilghman shared on the social media site that she has "bath time" for her plants. She tosses monstera, rubber trees and ivy into the bathtub for a



Hilton Carter, an artist, cares for nearly 300 plants, some of which he has named, at his Baltimore home and studio.

shower to make sure they are sufficiently watered.

"I sleep with plants next to my bed so they are the first thing I see when I wake up," she said in another post. Plants, she wrote, are "like pets, but without the commitment."

Her connection isn't forever. "I kind of like view them as things that come in and out of your life," she said. She sells some of her old ones on Craigslist.

"I probably go plant shopping once every two months,"

said Ms. Tilghman, who has more than 50 houseplants purchased from a farmers market. She likes the environment the plants create in her apartment, especially since she doesn't have outdoor space.

Antonio Johnson, 31, a production manager living in Brooklyn, has 40 houseplants and has no plans to stop buying in the near future. In the beginning, purchasing plants was a way for him to make his first New York apartment feel more like home, but it quickly

turned into what he calls an addiction.

He likes the sense of accomplishment that comes with collecting and maintaining plants. His friends have noticed the obsession and though no one has tried to stop him from buying more plants he said he gets "the look."

"It's not judging because it's not a bad addiction, but it's just like, 'Come on, dude. Don't you think you have enough?'" is the kind of the look," he said. "I think they're just happy that I'm happy, but yeah, the raised eyebrow I get a few times for sure."

Mr. Johnson said he feels certain plants serve as a representation of his personality. He described himself as being similar to a snake plant. "It will do well with you or without you and that I'm into," he said.

Puneet Sabharwal, CEO and co-founder of a Brooklyn-based plant subscription site called Horti, said the most popular plant subscription tier for the one-year-old company is called "Hoarder." That subscription ships customers a plant every month, as opposed to every other month like the

other two tiers. He said customers are now asking to subscribe to all three with the motivation of collecting more potted friends. "People love the idea of having as many plants as possible," said Mr. Sabharwal, who has 72 plants of his own in his apartment.

Mr. Sabharwal, 36, was motivated to acquire a number of plants after moving from India to New York. Taking care of something made him feel like he belonged. "It's almost like I have a jungle of these plants that already are a community and somehow I get integrated into that."

In addition to their nearly 300 plants, Mr. Carter and his wife, Dr. Vismans, have two cats and a dog.

"I find caring for animals a little bit easier" since they at least let you know when they're hungry, said Dr. Vismans. The animals "give me a lot of love back." Plants are different in that regard, she said—adding her husband would disagree. "He would be, like, 'these plants, they give so much love.'"

— Natalia V. Osipova contributed to this article.



Rescuers evacuate one of the boys trapped with their soccer coach inside a flooded Thai cave.

Thai Rescue Teetered

Continued from Page One

inside the deepest cavern had been pulled to safety, a piece of equipment that drained water to levels that made the escape manageable broke. Without the pump, torrential rains that night sent water levels soaring through the cave.

"It's lucky we completed our mission yesterday, because the cave is covered by water again today," Royal Thai Navy SEAL commander Rear Admiral Arpakorn Yookongkaew said on Wednesday.

The world waited with bated breath for days to hear the fate of the soccer team. Twelve members of the Wild Boars club and their coach, from the town of Mae Sai on the Thailand-Myanmar border, had become trapped more than half a kilometer underground on June 23 by flash floods. The group had explored parts of the cave before, and the outing had been planned as an afternoon adventure. The team moved further into the cave to find dry ground when waters cut off escape.

When they were found after 10 days by divers, so great were the challenges of bringing the group to safety through the treacherous and partly submerged passageways that many experts didn't expect Thai authorities to pull it off.

The rescuers were aided by a combination of luck and an outpouring of support from a motley group including military experts, international cave-divers, medical personnel and a Thai rock singer and her fan club.

The effort enlisted more than 900 police officers, 10 police helicopters, seven police ambulances, more than 700 air canisters and thousands of rescue workers. Volunteer cooks dished out more than 5,000 meals a day for the people on the ground. When divers needed wetsuits, air tanks and regulators, volunteers collected hundreds more than needed.

In the end, all the boys and their coach were carried and pulled out on stretchers by a team of 100-plus divers over three days beginning on Sunday.

"We're not sure if this was a miracle, science or what," the Thai Navy SEALs posted on their Facebook page on Tuesday,

the day the rescue was completed. "All the 13 Wild Boars are now out of the cave."

The boys and coach, who are generally in good health, will be quarantined for the next week while they are screened for unknown diseases, Thai health authorities said. Videos released by Thai officials showed family members, some weeping, waving at their sons through the hospital ward windows.

The Tham Luang cave system is an estimated 10 kilometers, or about 6 miles, of twisting limestone caverns. A rescue unit of Thai Navy SEALs arrived at the cave before dawn on June 25, and later that day had gotten as far as dry ground dubbed Pataya Beach, around 4 kilometers from the mouth of the cave. There they found footprints and shoes—signs that the lost group had passed by.

But the SEALs turned back, worried about coming rains and lacking enough air canisters to go further, officials said. They were only around 400 meters from the higher, drier area where the boys and their coach had taken shelter.

It would be a week before anyone could return. Heavy rains lashed the hills around the cave, gushing through the limestone and pushing the SEALs back toward the entrance.

Meanwhile, a group of cave-diving enthusiasts converged on Mae Sai with help and expertise.

One team—three U.K. cave divers who had participated in numerous rescues in Europe—came at the suggestion of a British spelunker who lives near the caves and had explored them several times.

Another group of Thailand-based cave divers was pulled together by Narinthorn Na Bangchang, a Bangkok-based actress and singer who saw the boys' plight on TV and decided she had to do something.

Ms. Narinthorn flew to Mae Sai the night of June 25 with Ruengrit Changkwan, an IT specialist and diving enthusiast who became a go-to person for the SEALs for information on cave-diving gear and techniques.

Diving in caves is considerably more difficult than in open water and requires specialist training, experts say. While divers in open water can return to the surface if they get into trouble, cave divers have to contend with dark, disorienting caverns, strong currents and low visibility in muddy water. In emergencies, cave divers can't easily return to the surface and need to monitor their air supplies.

Mr. Ruengrit suggested special harnesses favored by cave divers that let swimmers carry several air tanks strapped to their sides and left their hands free. He also showed the SEALs a type of regulator that isn't easily knocked loose from its air tank by bumps against rocks.

By June 27, he was teaching the SEALs the basics of cave-diving at a nearby resort. The Thai SEALs are "great, skilled people but they just train for combat and basic rescue," Mr. Ruengrit said. "They had never done anything in a cave."

Ms. Narinthorn helped procure the gear, putting out calls to her fan club over Facebook, for everything from helmets to guide lines. When Ms. Narinthorn asked for 200 regulators and air tanks, her fans and other donors sent more than 400, while others volunteered to drive the equipment from Bangkok to Mae Sai, she said.

Heavy rains made conditions in the caves perilous. Ben Reymentants, a Belgian diver based in the southern island of Phuket who was one of the people collected by Ms. Narinthorn, recalls that in some places in the cave the current was so strong it ripped off his mask when he turned his head.

In an attempt to lower water levels, engineers set up pumps to drain water. In the 2½ weeks the boys were trapped, they pumped a billion liters of water out into the surrounding farmland and river system, enough to fill an Olympic-size swimming pool 400 times over.

The rescuers were aided by an outpouring of expert support, and luck.

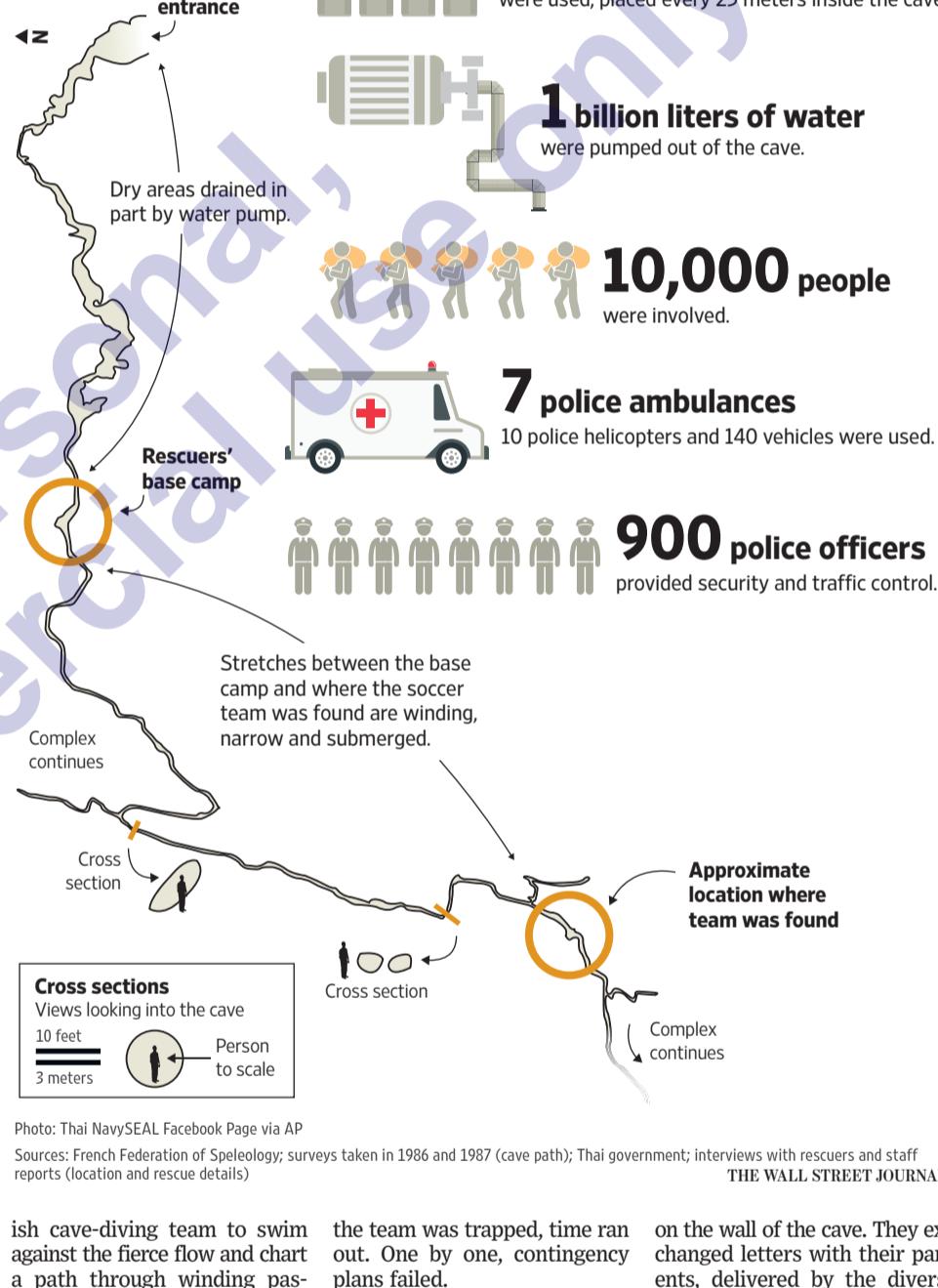
The pumping effort allowed rescuers to lower the water level in key areas, providing dry ground for staging areas and places where divers could refresh their supply of air.

Volunteer divers worked alongside the Thai SEALs to try to locate the boys' cave. They formed teams that pushed forward 200 meters at a time, supplied by other divers and volunteers who formed a "daisy chain" to pass tanks inside and place them at 25 meter intervals so the divers would have a constant supply of air.

Mr. Reymentants and a colleague took turns with the Brit-

Rescue Against All Odds

The dramatic recovery of the trapped soccer team was pulled off through a combination of luck and an outpouring of support from experts and volunteers.



ish cave-diving team to swim against the fierce flow and chart a path through winding passages, often feeling their way "like a catfish" because the water was so murky, he recalled.

At one point, he took a wrong turn and became stuck; his diving partner had to pull him out by the feet, he said. Another time, he thought it would be too dangerous and difficult to go on and was close to giving up, he said.

He persevered because it was clear that the Thai SEALs were preparing to go on, he said.

"We had to dive, we had to walk, we had to climb through stone and rock but we had to keep fighting," recalls Mr. Arpakorn, the SEAL Commander. "If we did not keep moving forward there would not be hope for the children."

British divers, working their way out from guide lines that Mr. Reymentants and his partner had strung, found the boys and their coach on July 2.

Three SEALs and a doctor went into the cave to stay with the boys; others built a supply line for food, water, medical supplies and necessities.

Rescuers had three plans in mind: drilling teams would find a way to bore a hole into the cave where the boys were taking shelter; or water pumps could take out enough water to allow the boys to walk out of the cave, assuming the weather held. A third option was that the boys would dive out, a perilous journey they might not survive.

By July 6, two weeks after

the team was trapped, time ran out. One by one, contingency plans failed.

Conditions in the cave piled on further pressure. Oxygen levels were down to 15% in the boys' chamber, well below the normal 21% in the atmosphere. A level of 12% is considered seriously hazardous to health.

Over the next two days, the operation to dive the boys out unfolded. Nitikarn Binkasun, a disaster rescue worker from Bangkok, said he was filling air canisters day and night, with 500-plus in the cave at any one time and another 200 in the queue to be refilled by a bank of compressors kept outside the cave. He said he had never done anything on so large a scale. "I didn't think anyone would be so crazy as to do this," he said.

Inside the cave, tragedy struck when volunteer diver Saman Gunan, a former SEAL, died when he ran out of air while laying air canisters for other divers. Navy Capt. Anand Surawan, who oversaw Mr. Saman's team, said he waited hours for the 38-year-old to return from the cave. At about 1 a.m. his diving partner trudged back alone. "We lost one life," said Capt. Anand, "but another 13 lives were still expecting us so we had to move forward."

Meanwhile, the Wild Boars, many of whom don't know how to swim, were schooled in the basics of diving and were building strength back. They drew the SEALs logo, featuring two sharks and an anchor, with the words "13 Wild Boars," in chalk

on the wall of the cave. They exchanged letters with their parents, delivered by the divers. The mood was upbeat.

The SEALs sent an Australian doctor and cave-diving expert in to assess the health of the group inside, finding them in remarkably good spirits, said Mr. Reymentants, the Belgian diver. The doctor decided the Wild Boars were strong enough to withstand a passage through the flooded chambers.

On Sunday, the extraction began. Thai SEALs and volunteer dive experts had created a plan that posted two seasoned cave divers, most of them foreigners, at nine stations along the way to the entrance.

Each boy was placed on a stretcher, wearing a wetsuit and full face mask, with an air tank at his side. Each pair of divers carried the stretcher along cave passages, through submerged tunnels and open chambers, meaning that the boys didn't swim or climb at all, said a person familiar with the operation.

The boys were medicated to keep them from panicking underwater, but weren't rendered unconscious, Thai officials said.

Four boys were brought out on Sunday, another four Monday and the final four and the team's coach on Tuesday. Aside from low body temperatures and a trace of pneumonia in some, all 13 were deemed in relatively good shape.

Soon after, the pump gave out.

—Wilawan Watcharasakwet and Warangkana Chomchuen contributed to this article.

GREATER NEW YORK

Comptroller Faults City for Payments

Nearly 200 vendors who owed thousands in taxes were paid for their services last year

BY KATIE HONAN

New York City made payments to nearly 200 contractors for their services last year, even though they each owed thousands of dollars in taxes, according to a new audit by City Comptroller Scott Stringer.

The audit found that the contractors owed a total of \$5.7 million in unpaid taxes in 2017. Most of those busi-

nesses had some payment vouchers held under a restraint process, but the city's Department of Finance didn't take a necessary step to collect the unpaid taxes and it eventually released the funds.

Mr. Stringer blamed the city's finance department for failing to collect the tax revenue and recommended that the agency deduct the owed money from payments to the contractors.

His office didn't identify the businesses, citing privacy concerns.

One contractor, which the audit didn't name, owed the city \$80,000 in back taxes but was paid more than

\$428,000 last year. The city can't recoup the money because the contractor has gone out of business, the audit said.

Scott Stringer blamed New York City's Department of Finance for not collecting the tax revenue.

Another business was paid more than \$20,000 by the city over 2½ years, while owing it more than \$27,000 in unpaid taxes. At one point,

the finance department stopped a payment to the contractor but later inexplicably released the funds, the audit said.

In a statement, the finance department said it agreed with many of the comptroller's recommendations. The agency said it plans to revise its vendor payment-suspension notice and would review all of the cases audited by the city.

"Levying a taxpayer's funds is a last resort, particularly because the vendors reviewed in this audit are small to mid-size businesses that could be adversely affected by seizing their payment too

quickly," said Jeffrey Shear, the deputy commissioner of treasury and payment services for the finance department.

New York City last year collected about \$1.3 billion in business-tax revenue, according to the audit. The outstanding tax dollars are small compared with the overall tax dollars collected by the city, but the lost money would be useful, Mr. Stringer said.

"Our audit identified a basic way the Department of Finance could get up to an additional \$5.7 million—that's enough to fund salaries for 71 teachers for a year, shelter 1,500 homeless New York City

families for one month or provide nearly 700,000 home-delivered meals to seniors," the comptroller said in a statement.

Mr. Stringer, a Democrat, recommended that the finance department retrain staff on how to use its financial-management system, which keeps tabs on who owes taxes.

Currently, the finance department can hold back payments to vendors who owe money, but it hasn't used the process since October 2014, the audit found.

It is unclear why the process hasn't been implemented.

Migrant Families Reunited in Manhattan

BY MELANIE GRAYCE WEST
AND ARIAN CAMPO-FLORES

Gustavo, a 3-year-old from Guatemala, and his two older brothers were brought to 26 Federal Plaza in lower Manhattan at 1 a.m. on Wednesday, waiting to be reunited with their mother.

It would be hours until they would see her for the first time since May, when they were separated at a Texas detention center and the three boys were sent to foster care in New York City.

When Gustavo—dressed in Spider-Man shorts and red light-up sneakers—saw his mother, María, he began to cry. "Mami, you were in another house," María said he told her, as she hugged him. "You came.... I love you very much, Mamita."

María, who has been in detention after seeking asylum at a port of entry in California, said being separated from her children was agonizing. "There wasn't a day, night, minutes, seconds that I couldn't stop thinking about them," said María, who declined to give her last name.

At least a handful of parents were reunited with their children in a similar fashion in the Federal Plaza building on Tuesday and Wednesday. Federal agencies have been rushing to reconnect 102 children under the age of 5 in the government's care with parents to meet a July 10 court deadline.

The Trump administration separated children from their parents after the families crossed the border to enter the U.S., many illegally.

In addition to María and her boys, Denis Rivas, 25 years old, was reunited with his 4-year-old son, Joshua, and Celia



Dennis Rivas held his 4-year-old son, Joshua, on Wednesday as he spoke with a volunteer at 26 Federal Plaza in lower Manhattan.

del Carmen Delgado Hernández, 33, cradled her sleeping 3-year-old daughter, Adela. All three parents were brought to New York to get their children and immediately were leaving to be with family elsewhere.

Sitting in a small windowless room, the parents appeared exhausted and emotional. The children were at turns withdrawn, tearful and clingy. Neither parents nor their children had eaten in a half day, according to volunteers helping them.

These parents, who had been in detention, were supposed to

be reunited with their children July 10, but complications with the required tracking ankle bracelets delayed the process, according to Andrea Sáenz, a lawyer with the nonprofit Brooklyn Defender Services.

Mr. Rivas, who is from Honduras, said he had been separated from his son for one month and two days. He wasn't able to make contact with him while in detention and repeatedly tried to call phone numbers provided by officials but none worked, he said. "I couldn't sleep at night, think-

ing about my son," he said. "I asked God for strength."

When Ms. Delgado Hernández was reunited with her daughter, the girl didn't seem to recognize her. Celia said she cried, while her daughter simply gazed at her. "It was like she was confused because she hadn't seen me and she's only 3 years old," Celia said.

The two crossed into the U.S. on April 20 and were separated at the end of April. Her aunt and uncle came to drive her and her daughter to Virginia. It was unclear whether Ms.

Delgado Hernández and Mr. Rivas crossed into the U.S. through a port of entry or illegally.

According to details in a federal complaint filed last month, María and her sons came from Guatemala after receiving threats of murder due to community organizing efforts. From there, they were transferred to a family detention center in Dilley, Texas.

María passed a credible-fear determination, the complaint said, but was told that the family would still be separated for, at most, a week.

Skelos Jury To Begin Weighing Evidence

BY GERALD PORTER JR.

A federal jury is expected to begin deliberations Thursday in the retrial of former New York state Senate Majority Leader Dean Skelos, who is accused of using the power of his office to intimidate companies into awarding his son payments and a no-show jobs.

Mr. Skelos and his son, Adam, are charged with eight criminal counts, including bribery and extortion. Mr. Skelos, a Nassau County Republican, is accused of implicitly threatening executives from three companies—Glenwood Management, Physicians' Reciprocal Insurers and AbTech Industries—with unfavorable legislative action unless they paid his son.

In 2015, a different federal jury found both men guilty of those crimes. A federal appeals panel vacated the convictions last year.

During closing arguments in Manhattan federal court this week, lawyers for both sides focused on the extent to which Dean Skelos requested employment opportunities for his son, and whether payments made to Adam Skelos were part of an illegal quid pro quo agreement.

Prosecutors said Dean Skelos took advantage of the companies, which relied on the state for legislation and other benefits. In return for the work and payments steered to his son, prosecutors said, Mr. Skelos voted in favor of legislation to benefit the companies.

Assistant U.S. Attorney Douglas Zolkind said the executives' fears that Mr. Skelos would somehow alter the legislation showed an implicit threat.

Defense attorneys argued that the company officials never feared Mr. Skelos, despite the claims of the officials themselves, who testified at the trial. Robert Gage, Mr. Skelos's lawyer, said the company officials were liars who were motivated by their non-prosecution agreements with the government.

John J. Kenney, Adam Skelos's lawyer, said his client earned his pay of more than \$70,000 for his work with the insurance company.

On Thursday morning, prosecutors are expected to present a rebuttal argument, and later that day, the jury is expected to get the case.

Mayor Denies Illegal Border Crossing Allegations

BY KATIE HONAN
AND ZOLAN KANNO-YOUNGS

New York City Mayor Bill de Blasio denied accusations by Customs and Border Protection that he illegally crossed the U.S. border while visiting Texas last month to protest the detention and separation of migrant families.

"It is another attempt to distract from an inhumane policy," Mr. de Blasio, a Democrat, said Wednesday at a news conference in Brooklyn.

The mayor said he followed protocol and respected border regulations, adding that the allegations are "ridiculous."

"I will not sit idly by as the president rips children from their families, and I will not let him continue his efforts to de-



Bill de Blasio tried to visit a Texas migrant detention facility in June.

stroy the lives of these young people," Mr. de Blasio said, referring to Donald Trump.

Customs and Border officials sent a letter to New York Police Department Commissioner

James O'Neill, saying Mr. de Blasio and his security detail—which is run by the NYPD—broke laws in Mexico and the U.S. by crossing the border.

Mr. de Blasio traveled to

Tornillo, Texas, with other mayors from around the U.S. on June 21 in hopes of touring a tent city housing children who had been separated from their parents at the border. The families were separated and detained under Mr. Trump's "zero-tolerance" policy for illegally crossing into the U.S.

Mr. de Blasio was denied access to the facility and wasn't provided a tour. As a result, he and Mayor Steve Adler of Austin, Texas, crossed into Mexico

to get a better view of the U.S. facility, a New York City Hall official said. Mr. Adler's office confirmed the visit.

Customs and Border Protection said Mr. de Blasio's team crossed from the U.S. to Mexico

through a legal checkpoint, according to another city official

who was briefed on the letter.

However, Customs and Border Protection said Mr. de Blasio broke U.S. law when he entered the detention center property from Mexico. He then violated Mexican law when he left the U.S. facility and returned to Mexico, according to the letter.

It is unclear whether there will be any repercussions if it is determined the crossings were illegal.

Customs and Border Protection didn't respond to a request for comment.

Eric Phillips, a de Blasio spokesman who went on the Texas trip, said: "The mayor crossed the border with the direct approval and under the supervision of the border patrol supervisor at this port of entry."

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GREATER NEW YORK

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NEW YORK CITY

Eight People Fall Ill With Legionnaires'

New York City health officials are investigating a cluster of Legionnaires' disease cases in one Manhattan neighborhood.

The city health department said Wednesday that eight people have been diagnosed with Legionnaires' in the lower Washington Heights area in the past week. No deaths have been reported. The department is testing water from all cooling-tower systems in the area of the cluster.

Legionnaires' disease is a form of pneumonia contracted by breathing in water droplets contaminated with the bacterium Legionella. Most cases can be traced to plumbing systems.

—Associated Press

MANHATTAN

Woman Found Dead In Trash Compactor

A 48-year-old woman has been found dead inside a trash compactor at a luxury apartment building in Manhattan.

Police discovered the woman just before 5 p.m. Tuesday at the 29-story Zeckendorf Towers near Union Square. Police said the woman was identified as Lara Prychenko. She was pronounced dead at the scene.

It wasn't clear how she ended up in the trash compactor.

—Associated Press

CORRECTIONS & AMPLIFICATIONS

Of 99 cases that completed a New York state court mediation pilot from May 2017 through January, 59 were settled. A July 5 article about New York's court system incorrectly said 50 were settled.

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

Fans Celebrate as Croatia Advances to World Cup Final

GOAAALLLL!: Soccer enthusiasts at the Croatian Center in New York City were jubilant Wednesday as Croatia defeated England, 2-1. It will take on France in the final.

ANDREW LAMBERTON FOR THE WALL STREET JOURNAL

School Entry Plan Draws Mixed Reaction

BY LESLIE BRODY

As New York City parents debate how to give all students fair access to good public schools, integration advocates in Brooklyn want to scrap middle schools' use of academic criteria to select students.

Some supporters of the proposal for District 15 from its Diversity Plan Working Group are optimistic they will prevail, partly because New York City Schools Chancellor Richard Carranza has questioned the rationale for accepting students by ability. Other parents are wary, saying they want their hard-working children to have the chance to earn their way into desirable schools.

District 15, which includes low-income immigrant neighborhoods such as Sunset Park and more-affluent areas like Park Slope, is one of the first in the city trying to change its

admission system to better integrate all of its middle schools. Its Diversity Group, which includes parents and city Department of Education officials, has tried to drum up support by hosting workshops and seeking community input.

The group's new draft recommendations to the department—which will be finalized in coming weeks—call for the elimination of screening for admission to the district's 11 middle schools, which serve about 6,000 students. Applicants for sixth-grade would rank their favorites. The department would try to give them their top picks, and offer seats by lottery to oversubscribed choices, after each school gives priority for 52% of its slots to students who are poor, homeless or English-language learners.

Michele Greenberg, a District 15 parent, calls this pro-

cess more fair than the current selective system, which she said discriminates against students with few resources. "Children shouldn't be rejected because they don't somehow fit," she said.

Department officials said

as course grades, test scores, behavior, attendance, punctuality and auditions. The department makes matches. Many parents complain this complex process brings massive anxiety.

Even so, a survey released by the working group found that 58% of 879 respondents considered it appropriate for middle schools to screen for admission this way. That included 62% of 321 respondents from Park Slope, where Mayor Bill de Blasio lives, and 42% of 162 respondents from Sunset Park.

Alina Rodriguez, a special-education teacher who works and lives in District 15, feels torn. As a mother, she believes her daughter would get into a strong middle school through selective admissions. But as a teacher, she wants her fifth-graders to have better access to high-performing options. Still, she worries many of them aren't prepared for more

rigorous choices. "I want them to be pushed but don't want them to fail," she said.

Screened admission has led to enrollment disparities by income and race. About 70% of the district's white students clustered at three top-performing, low-poverty middle schools last year, including M.S. 51, Math & Science Exploratory School and New Voices, according to state data. At two lower-performing schools, by contrast, nearly all students were poor and Hispanic.

Overall, 42% of the district's students in grades six through eight are Hispanic, 32% white, 12% black and 12% Asian, by city data. About half are low-income.

Andrew Robertson, a District 15 parent, said the proposal would equalize the playing field. "The people so frightened by the concept are the modern-day version of people worried about civil rights," he said.

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The Next Venice? Cleveland Steps Up

BY KELLY CROW

CLEVELAND WANTS to be known for more than its craft beers and Cavaliers—especially now that LeBron James is leaving town. This weekend, the Ohio city on the southern banks of Lake Erie will launch a major bid to become the world's next hotbed for contemporary art.

Organizers of a sprawling new exhibition, Front International: Cleveland Triennial for Contemporary Art, have invited more than 100 artists to install works throughout the city as well as in nearby Akron and Oberlin. The Cleveland Museum of Art and the Museum of Contemporary Art Cleveland will showcase many of the pieces, but other artworks will turn up in unconventional spots.

The triennial, which runs through Sept. 30 and is expected to be held every three years after that, is the brainchild of Fred Bidwell. A Cleveland collector who runs an art space called Transformer Station, he wants to add the Cleveland triennial to a global art circuit that has long included similar European shows such as the Venice Biennale in Italy and Documenta in Kassel, Germany.

"If Kassel can draw a crowd, surely Cleveland can," Mr. Bidwell said.

Triennial organizers are using 28 venues, including a 1925 steamship moored beside Cleveland's Great Lakes Science Center to show Los Angeles artist Allan Sekula's film about seafaring economies, "The Lottery of the Sea."

Several vendors in the city's West Side Market will serve Milwaukee artist John Riepenhoff's Cleveland Curry Kojiwurst, a sausage he created with help from a local chef and an urban farm. Mr. Riepenhoff's past art projects have included brewing his own beer and making his own cheese, and he said his latest recipe, which contains everything from paprika to saffron, aims to capture Cleveland's history "in a bite."

At the Cleveland Public Library, British-Nigerian artist Yinka Shonibare will wrap more than 6,000 books in African textiles to create "The American Library." Mr. Shonibare has already embossed half the book spines with notable names of first-, second- or third-generation U.S. immigrants, from Steve Jobs to Ohio Gov. John Kasich.

Even the Federal Reserve Bank of Cleveland will be used to display art. Wisconsin-born artist Philip Vanderhyden plans to bisect its gilded, three-story lobby with 24 video screens to show "Volatility Smile 3," his slinky, animated take on the uncertainties of money.

Mr. Vanderhyden said the video, which slices and twists historic symbols of wealth like coins and wheat, aims to subvert the intention of the lobby's Beaux Arts architecture, which was designed to stoke confidence in the reserve bank. Even so, he said the bank approved his proposal to take over the space. "The economists liked



Triennial works include Philip Vanderhyden's 'Volatility Smile 3,' above, at the Federal Reserve Bank of Cleveland, and Silas Hite and Jonn Herschend's video 'Theme Song for Cleveland and Akron,' which plays at the Rock & Roll Hall of Fame.

my exploration of fear," he said.

The triennial's artistic director, Michelle Grabner, said she wanted Front to "feel rooted in the Midwest," so she visited studios in places like Sheboygan, Wis., and Buffalo, N.Y., before coming up with her list of participants.

The regional focus highlights several Midwestern artists, including Allen Ruppersberg, who gained an international reputation in the late 1960s for papering walls with Day-Glo prints containing snippets of advertising texts and phrases like "It's Not Art (That Counts Now)." He was born in Cleveland, but Ms. Grabner said he has never exhibited locally—until now.

For the triennial, Mr. Ruppersberg scoured Cleveland's steel yards and lake-front byways for billboards and then took pictures from their vantage points. The works will be shown in lightboxes at the Cleveland Museum of Art.

The triennial is also re-creating a 12-story abstract mural by Julian Stanczak, a Polish painter who settled outside Cleveland after World War II. In 1973, he installed his striped piece on the side of a building in downtown Cleveland, and before he died last year, he gave Front permission to paint the same work in the same spot, at the corner of Prospect Avenue and Ninth Street.

Artists still living in the Cleve-



Yinka Shonibare's 'The American Library,' left, is installed at the Cleveland Public Library, and a 1973 work by Julian Stanczak, right, will be re-created in its original location in downtown Cleveland.



land area could also see their profiles boosted. Dale Goode, who sprays gold paint over bundles of wigs, rakes and other debris he finds in his Hough neighborhood, will show a glittering set at University Circle. Nearby, artist and Oberlin College professor Johnny Coleman will create a haunting installation and sound piece on the steps of an abandoned church in the neighborhood of Glenville.

Other artists from the Midwest used the invitation to investigate Cleveland, which picked up the pejorative nickname "Mistake on the Lake" after a loss of manufacturing jobs and urban blight in the 1970s.

Jonn Herschend, a multimedia artist born in Branson, Mo., but long based in San Francisco, said he was struck by how often he encountered Ohio natives in his travels who left the state but told him

they wanted to return home. "I'm from Missouri and have no desire to return, so this longing is not simply Midwestern," Mr. Herschend said.

As an artist whose works often take unusual formats like instructional videos or PowerPoint presentations, Mr. Herschend decided to capture this homesickness by producing "A Theme Song for Cleveland and Akron." He enlisted composer Silas Hite, whose uncle is Devo singer and Akron native Mark Mothersbaugh, and the accompanying video features a local marching band, a step group and a roller derby team. It will be played at Cleveland's Rock & Roll Hall of Fame.

Most of the triennial can be seen in three walkable sections in Cleveland and in Oberlin and Akron, each located about 40 minutes away by car. Architecture buffs should head to Oberlin, where Lisbon-based Juan Araujo's surreal paintings of midcentury homes will be hung throughout a 1949 Frank Lloyd Wright house. Nearby at the Richard D. Baron '64 Art Gallery, Chinese artist Cui Jie's futuristic urban scenes and sculptures, some of which she makes with a 3-D printer, will be on view.

The Akron Art Museum has devoted 6,000 square feet to 16 triennial artists, including Buenos Aires artist Ad Minoliti's "emoji-like" geometric murals that take on playful shapes like pigs and robots, said chief curator Ellen Rudolph. Another must-see: Gerard Byrne's "In Our Time," a wood-paneled radio station installation that broadcasts 1980s pop tunes, weather forecasts and news tidbits—some from Cleveland, others from Pittsburgh and beyond.

"He creates a vortex of place and time," Ms. Rudolph said. "It's mesmerizing."

THE MIDDLE SEAT

TRAVELERS BEMOAN REWARDS CARD CHANGES

BY SCOTT MCCARTNEY

AS HOTELIERS Marriott and Starwood prepare to combine their loyalty programs next month, changes to Starwood's widely used credit card are sparking anger among travelers.

Beginning in August, users of the Starwood Preferred Guest American Express card will earn one-third fewer reward points for most every dollar they spend. The changes, which come as Marriott merges Starwood's rewards program into its own after acquiring Starwood in 2016, could reduce loyalty rewards for heavy users by thousands of dollars annually.

"It's a pretty big hit," says Kevin Parker, a Santa Monica, Calif., attorney who uses credit card rewards for free travel around the world. The card he's pulled out for everyday spending the past 10 years "just doesn't make sense anymore," he says.

In the competitive credit card rewards world, there are premium

cards that people use for special benefits and high earning in specific categories like airline, hotel and restaurant purchases; airline cards that are good for avoiding baggage fees and gaining some boarding priority, and everyday cards that pay back well at the grocery store, department store, utility bill and everywhere else.

For many travelers, the best everyday spending card has been the SPG Amex. The points were a prized currency, often giving back about double the value that you'd get out of a basic airline card or cash-back card. You get a 25% bonus when you transfer points into airline miles at 35 airlines, including American and Delta, or you can use points for high-end resorts.

People who maximize credit card rewards can dramatically boost luxury when traveling. Your spending can result in free business-class international tickets, free hotel nights, access to airport lounges around the world, entry to special events like concerts or even

Please turn to page A12



LIFE & ARTS

THEATER

A Performer Who Contains Multitudes

The 'Orphan Black' actress makes her New York stage debut in 'Mary Page Marlowe'

BY BARBARA CHAI

ON THE BBC America television series "Orphan Black," Tatiana Maslany embodied nearly a dozen roles, winning an Emmy in the process. In the play "Mary Page Marlowe," she plays just one: a woman exasperated with the expectations of domestic life.

"I'm just acting like a person who is a wife and a mother," she tells her therapist in one scene. "I know what that means, I know the levers to pull to be that person. I'm a great actress."

It is a moment that hits close to home for the 32-year-old Ms. Maslany, who can be seen in the off-Broadway production at Second Stage Theater through Aug. 12.

"The whole scene that

I have in therapy is just like, who transcribed my thoughts?" she says with a laugh.

"Mary Page Marlowe," written by Tracy Letts, uses six actresses, including Ms.

Maslany, to tell the title character's story at different milestones. Ms. Maslany plays Mary Page at 27, when she is having an affair in a motel room, and 36, when she is trying to make sense of her life.

"There's something about getting to show the life of one woman with a group of women, at this time when we're forging a community of women who are fighting for all of us," Ms. Maslany says, a nod to the #MeToo movement. "It just feels really important to get to tell this story as a group, as opposed to the individualistic nature sometimes of performing."

She spoke with the Journal about "Mary Page Marlowe" and navigating her career and private life post- "Orphan Black." Edited excerpts follow.

This is your New York stage debut. Why did you choose this play?



'Who would no longer be in your life, if you chose something different?'

"August: Osage County" was the first play I ever saw on Broadway. It kind of blew my mind. His writing in "Mary Page Marlowe" just felt so revealing. Somehow he gets inside the mind of a woman in a way that felt very personal and private.

Is there a specific moment that really resonates with you?

In my scene, I say a lot of things about the roles that we play, women in our own lives, and how we can be strangers to ourselves. How the expectation of how we present in the world can actually alter our own internal understanding of ourselves, and that disconnect. I think it's something we can all actually really understand and feel.

Does the idea of playing multiple roles speak to who you are?

From 9 years old, I was acting and performing on stage or in front of the camera, and I was being directed by adults—men,

mostly. I think a lot of my understanding of myself came through that collaboration. So, it does create a bit of a fractured sense of who I actually am. I think that's why the child actor to adult actor transition can be daunting and difficult for people, because you spent your whole life being told who you are, and now suddenly you have to own that.

With five other actresses playing Mary Page Marlowe, do you consider your role as separate, or of a piece with their roles?

I definitely feel like we've been working toward the sense of us all

being a piece of each other. We've been doing a lot of vocal warm-ups together and breath work and physical work.

But also, what Tracy was seeking to explore most is how we can be different people at different points in our lives—how sometimes we don't even recognize ourselves if we look back. I even say that at one point: "It feels like a different person was going through that."

What's it like when you look back on your own life, considering the fame you've achieved in the past few years?

It's a strange new thing for me, certainly. I grew up doing this. I did it for almost 20 years before I



'I've always been just an actor working,' says Tatiana Maslany, who won an Emmy for 'Orphan Black,' below left. 'Then to suddenly be in this other realm, where people want an autograph or picture, it's a really bizarre feeling to navigate.'

got any sense of, I guess, fame. I've always been just an actor working, and that's always been the focus. Then to suddenly be in this other realm, where people want an autograph or picture, it's a really bizarre feeling to navigate. And the choices you make are really public.

At one point, the therapist asks your character: What would your life look like if you could make or remake all your choices in your life? Then there's a 30-second pause. Tell me about that moment.

That question is terrifying, you know? If you did actually own every choice, if you were responsible, if it wasn't just all happening to you, if you actually had volition in your life, what would you do differently?

What would it mean if you did do something differently? Who would you have lost? Who would no longer be in your life, if you chose something different? Even talking about it feels murky and scary to pin down. It's such a great, awful question.

Your scenes in particular show Mary Page's disconnection to herself. She seems profoundly disappointed with her life. Does that take a toll?

All of us Mary Pages have talked about the lack of catharsis in the play. A lot of the scenes end before they resolve, before the breath out. We're all kind of left in this tension.

says as it weighed perks, it opted for the free night over richer points-earning.

For average consumers not earning big point totals, "the card actually got richer," says David Flueck, Marriott's senior vice president, loyalty. "If you look at everyday spend and add in the free night certificate it's still one of the best and most-rewarding cards in the market," he says.

Marriott tried to preserve generous bonus points-earning for actual spending at Marriott hotels along with an easier path to elite status from the Starwood program, Mr. Flueck says. About 50% of the 6,500 hotels under the Marriott umbrella will go down in the number of points required for award stays; 30% will get more expensive in points and 20% will stay the same, Mr. Flueck said.

Overall, it's a slight decrease in what hotels cost in points.

American Express won't say how many SPG consumer and business cards are in circulation, but says the portfolio is the second-largest among co-branded cards after Delta co-branded Amex cards.

With the free night offered, plus increased payback on dollars spent at Marriott properties, "we are confident that our card members will see the value in our new and refreshed cards and the broader Marriott loyalty program soon," American Express said in a written

response to questions.

Travelers have generally been pleased with the way Marriott has integrated Starwood's loyalty program overall, but the card changes have drawn ire. Frequent flier and credit-card blogs are filled with posts from consumers angry about the devaluation of the SPG Amex card, which costs \$95 a year. Brian Kelly, founder and chief executive of The Points Guy, a travel advice site, says that while seasoned

travelers would never consider a cash-back card five years ago, the decreasing value of points has made cash more enticing. He notes an overlooked aspect—you can earn miles and points on travel you buy with the cash you get back.

"I'm the Points Guy but now more than ever they sure are making the case for cash-back," he says.

Mr. Kelly values Marriott points

at about 0.9 cents each and says

current Starpoints are the most

valuable currency out there at 2.7

cents per point. Mr. Flueck of Mar-

riott says he thinks estimates like

that are valid.

With Marriott points worth less than a penny, earning two points per dollar spent puts the payback on the SPG Amex at less than 2%.

That's not enough for Brandon McCoy, a Dallas attorney who's used the SPG Amex card extensively since 2006 for vacation hotels and first-class tickets on Luf-

Suddenly Less Rewarding

The Starwood Preferred Guest American Express card has been a favorite of travelers for everyday spending. But changes to Marriott's loyalty program in August will make it less rewarding.

| Spending required for: | Before Aug. 1 | After Aug. 1 | Percentage increase |
|--|---------------|--------------|---------------------|
| 25,000 airline miles on American, Delta, Alaska & others | \$20,000 | \$30,000 | 50% |
| Free nights at: | | | |
| Sheraton Boston | \$12,000 | \$25,000 | 108% |
| Alto Cupertino | \$12,000 | \$17,500 | 46% |
| W Chicago Lakeshore | \$12,000 | \$17,500 | 46% |
| St. Regis New York | \$30,000 | \$42,500 | 42% |
| Four Points RDU Airport | \$7,000 | \$8,750 | 25% |

Note: Card charges for everyday spending don't include bonuses for charges at Starwood and Marriott hotels. Award night prices based on new Marriott award chart, which includes some increases and some decreases

Source: the companies

THE WALL STREET JOURNAL.

thansa and Emirates.

For credit-card gamers, "I feel

like the Starwood card was the

perfect card and now it's not," he

says. He says he'll now use it pri-

marily for spending at Starwood

and Marriott hotels, where he can

get bonus points for those card

charges, rather than everyday

spending. That will reduce his

spending from close to \$100,000

in business and personal charges

on the card annually to just

\$10,000 to \$12,000 a year spent

on the hotels.

Both Mr. McCoy and Mr. Parker

are considering shifting everyday

spending to the Chase Freedom

Unlimited card, a no-annual fee

card that pays 1.5% back in Chase

points. Those points can be pooled

with a Chase Sapphire Reserve ac-

count—a popular high-end card

that pays a 50% bonus on points

redeemed for travel. So redeeming

for airline or hotel bookings, you

can get 1.5% plus a 50% bonus on

that, or 2.25%.

That alone is better than 2%

cash-back cards like Citi Double

Cash and Fidelity Rewards. But

savvy frequent fliers often transfer

Chase points to foreign airline fre-

quent flier programs where busi-

ness-class tickets are easier to

score and often cheaper than U.S.

airlines. You can end up with 5% to

6% back on your credit card spend.

Card Change Sparks Anger

Continued from page A11

hundreds if not thousands of dollars in cash back a year. You have to pay the balance every month to avoid finance charges, of course.

After Marriott acquired Starwood, the parent of Sheraton, Westin, W and other brands, the company decided that Starpoints, as they were called, were three times as valuable as Marriott Reward points. The two loyalty programs were operated separately for an interim period but you could transfer points between them at a 3-to-1 ratio: 10,000 Starpoints got you 30,000 Marriott points.

The SPG Amex card had paid one Starpoint for each dollar spent on everyday items. Beginning in August, each dollar spent will get you two Marriott points, not three. Before, you had to spend \$20,000 on the card to get 25,000 airline miles. Now you'll have to spend \$30,000 to get the same miles.

Marriott and Amex say they added a new benefit—a free night at a lower-priced hotel—that actually makes the card more valuable for average consumers, people who haven't been using the card a lot for everyday spending. Marriott



THE WALL STREET JOURNAL.

SPORTS

CROATIA 2, ENGLAND 1

Croatia Stuns England in Extra Time

Mario Mandzukic's 109th-minute goal ensured the Three Lions' tortured relationship with the World Cup will continue

BY JONATHAN CLEGG

Moscow

REWRITING HISTORY isn't supposed to be easy. But from the moment they arrived at the 2018 World Cup, England's national soccer team had made it look exactly that.

They cruised through the group stage. They breezed into the semifinals. They even found time to cure a deep-seated psychological hangup about penalties with England's first-ever shootout win at a World Cup.

It was as though England had simply decided to cast off the half-century of heartbreak and humiliation its national team had endured in its quest to recapture the World Cup for the first time since 1966.

But 52 years of hurt and the emotional baggage of 50 million people has a way of catching up with you. And in its first semifinal appearance in 28 years, with a place in the World Cup final seemingly within reach, England's serene progress through this tournament finally came up against an obstacle it couldn't brush aside.

The obstacle in question was Croatia, which clawed its way back from an early deficit to send a gripping semifinal into extra-time, where Mario Mandzukic's 109th-minute shot into the left corner of the net sealed a 2-1 comeback win that sent Croatia into its first World Cup final and ensured England's tortured relationship with this trophy will continue.

Croatia will play France in the World Cup final on Sunday. Football isn't coming home, after all.

"What our players did today, the stamina they've shown, the energy levels," Croatia coach Zlatko Dalic said afterward, "what we are achieving for our country and the region is something fantastic."

When it was over, Croatia's exhausted players summoned the energy for one final run, a length-of-the-field sprint toward the corner of the stadium where fans in red-and-white jerseys bounced up and down in ecstasy.

At the other end of the pitch, the English players adopted their



Croatia's Dejan Lovren, center, and Domagoj Vida, right, celebrate after the final whistle of Wednesday's match.

familiar positions, slumped with their heads in their hands, as the disappointment of another missed opportunity sunk in.

"At the moment, we all feel the pain of the defeat," England manager Gareth Southgate said afterward. "Did we expect to be in this position? I don't think realistically any of us did. But having got there, and playing the way we played, you want to take those opportunities in life."

For 45 minutes on a brisk night at the Luzhniki Stadium, it had looked as though England's route to the final would take this opportunity as effortlessly as they had all the others.

The game was less than five minutes old when England took the lead following a foul on Dele Alli on the edge of the box. The free-kick was perfectly located, right in line with the middle of the goal, and Kieran Trippier produced a perfect shot, right into the top right corner of the net. It was the earliest goal any team had scored

in a World Cup semifinal since 1966.

England's set-piece expertise was no secret. Trippier's goal marked the ninth time England had scored from dead-ball situations in this tournament, including three penalties. But in the early

Croatia will play France in the World Cup final on Sunday. Football isn't coming home, after all.

stages of the game, it was England's newfound prowess from open play that was a surprise.

Croatia's veteran defense had looked sluggish in Russia even before it had to go through back-to-back matches that lasted 120 minutes on its way to the semifinals. And as England looked to exploit those tired legs, knocking long

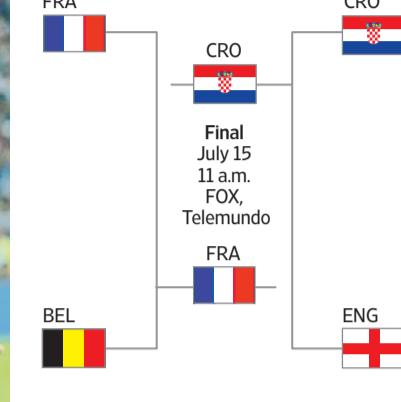
passes into space for Raheem Sterling to chase, it looked as though Croatia would be simply overwhelmed by England's speed and sharpness.

But Croatia knows a thing or two about English soccer and its capacity for self-destruction. More than a decade ago, Croatia was responsible for one of England's countless rock-bottom moments, a 3-2 defeat at Wembley that saw England fail to qualify for the 2008 European Championship.

Now, as England failed to capitalize on its early momentum, Croatia seemed to sense those scars might not be completely healed. As the game wore on, Croatia began to see more and more of the ball, England started to drop deeper on defense, and the possession-oriented style the English players had used to such positive effect in Russia quickly went out the window.

Not long into the second half, the game had settled into a pattern that will be familiar to anyone who has watched England at a World

World Cup Bracket



Cup in recent memory: 10 players in white jerseys launching long balls into the night sky, while their opponents knocked it from one side to the other, probing for an opening. It was less a question of if an equalizer would come than when.

The answer was in the 69th minute, when Croatia's pressure finally paid off. Sime Vrsaljko whipped in a cross from the right and as England defender Kyle Walker stooped to head clear, Ivan Perisic stole in front of him and prodded the ball beyond Pickford and into the England net.

"Maybe we dropped too deep at times," England captain Harry Kane said. "In big games, it's small margins."

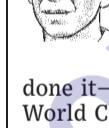
The goal seemed to shake England's newly emboldened sense of self-belief. In the 10 minutes after the equalizer, Croatia could have scored twice more, with Perisic nearly adding a second on a blistering low shot that came back off the right post.

England eventually stemmed the tide and even rallied in the early stages of extra-time. But when Mandzukic stunned England for a second time, there was no way back. It was the first time in this tournament that England had trailed in a meaningful game.

"I couldn't have asked them to give any more for me or for the country," Southgate said. "They have broken through a number of barriers over the last few weeks."

WORLD CUP | By Jason Gay

A Night on the Verge in London



London
What would it have been like, to be here in this country, in this city, on this night, if England had gone and done it—advanced to its first World Cup final in 5,000, I mean 52, years?

I was told it would resemble an apocalypse. I was told it would resemble "Apocalypse Now." (Really—those were two separate predictions.) I was told to expect dancing and singing and strangers kissing strangers and lunatics climbing on things you're not supposed to climb. I was told it would make the rowdy victory celebrations in the U.S. (Cubs fans! Eagles fans!) look like garden brunches.

And this would be just for winning a semifinal. It would be crazy. Or maybe there would simply be...shock.

"The whole place will just stop," Will Pritchard predicted. It was halftime of Wednesday night's England-Croatia showdown in Russia, and he was outside a pub in Clapham Junction. England had taken an early, unexpected lead, and it stood 1-0 with another 45-minute half to play.

This only made Pritchard edgy.

"I can't stop moving," he said. "I've been literally been shaking for three hours. I haven't done any work for days. I've dreamt a lot about the World Cup."

Referring to the England captain, he added: "Every morning, I think: *Harry Kane, in the final.*"

It was too good, and, at the moment, it was coming true. A police officer, trying to manage the overflowing pub crowd, asked us to move up the sidewalk. We stepped back toward the doors.

People here had allowed themselves to fall into the most vulnerable position a sports fan can reach: they believed. Sure, there remained some of that hard-wired English pessimism: This is infa-



mously a national team with heartbreak baked into the recipe, and Croatia was not going to be an easy out.

But as the 2018 Russia group stage gave way to the knockout round, gave way to that penalty kick win over Colombia (Penalty kicks! That never happens!), the faithful here let themselves think it could actually, really, truly happen.

Better still: France was now waiting for them in the final on the opposite side. France! This World Cup would be a Chunnel championship.

The nation had revived a corny pop song called "Three Lions (Football's Coming Home)" and all week, they'd been singing it ironically and unironically, an anthem to England's historic claim on the sport.

It's coming home, it's coming

hold out for...it's tough."

This is the part where I tell you what you already know: England did not win. Croatia evened the match in the second half, then scored in extra time. It finished 2-1. It will be Croatia's first World Cup final, a momentous accomplishment for that country and a monumental story unto itself.

In Clapham Junction, the end came quiet. I saw no screams or sobbing. Inside the Draft House pub, they applauded gently for the home team when it was over, like parents at a school play.

Down the street, I ran into Will Pritchard, who'd been so nervous when it was 1-0. I asked him how he felt now.

"Yeah, like [expletive], mate," he said. He said this politely, almost apologetically, then kept on moving on his way.

They really had believed. And though it hurt a little, or maybe even a lot, it had been worth it, just to get a shot at a once-in-a-generation memory. This is the hazard when a heart gets involved. And it was OK.

Perspective was in order, too: This was a young England team which had dramatically overachieved.

"It was a good campaign," Dylan O'Connor said.

"This is the most proud to be English I've ever been," added his friend, George Bearman. He is 22.

As the night wound down, I witnessed no apocalypse, no "Apocalypse Now." People shuffled quietly to the Tube and their homes. At a street corner, a group of excited kids tried to shake a passing car, as if somehow obliterated, but police quickly put an end to it.

England's World Cup is now a memory. Wimbledon reclaims attention. London moves on. Life continues.

President Donald Trump arrives here Thursday.

OPINION

A Kavanaugh Court

WONDER LAND
By Daniel Henninger

Donald Trump, the latest occupant of the polarized American presidency, has sent Brett Kavanaugh's Supreme Court nomination to a Senate so politically divided that the two parties rarely cast a vote for the other's legislation. Liberals believe that with Judge Kavanaugh's nomination, the Supreme Court is done as an institution of American government. Which leaves us with what for the conduct of politics?

The streets.

The American left is already there.

Impatient with the three branches of government established at the nation's founding, the left routinely takes its politics to the streets now to demand remedies for "inequality" or "injustice." Yet these inchoate demands have become so disconnected from the normal mechanisms of politics that no Congress, representing 535 elections, could possibly turn them into legislation.

For some on the left and indeed on the right, polarization has become a drug that produces a pleasurable political delirium. After Donald Trump's election, what emerged, even among senior congressional Democrats, wasn't just an opposition but "resistance," a word normally associated with armed underground movements.

Opinion polls began to note

the intensity of political separation during George W. Bush's presidency. It widened through the Obama years. We know where we are now. Pew reported two years ago that 70% of politically active Democrats and 62% of Republicans say they're "afraid" of the other party.

Liberals are in no mood to believe this, but I think it is possible that the Kavanaugh Court may give everyone a chance to step back from the political cliff. This isn't an appeal to rediscover the political center. It's an appeal against flying irrevocably apart.

Judicial restraint should produce a welcome pause in the culture wars.

The Democratic opposition to any Supreme Court nominee from Mr. Trump in 2018 has been about virtually one thing: the *Roe v. Wade* decision of 1973. That was 45 years ago. And that is about the time the culture wars began in America. There have been casualties since then, a lot of them.

Whatever one thinks about *Roe*, the court for the first time involved itself in a subject that for many Americans was profoundly and overwhelmingly moral (some might cite *Engel*, the 1962 decision banning school prayer).

Through the 1970s and '80s the religious right emerged as a politically active opposition

to America's cultural direction. But its rise produced a more powerful, media-driven counter-movement of aggressive secularism.

More than ever before, many matters that entered American politics, such as racial preferences or various disputes over free speech, were rerouted away from legislatures and into the judicial system, with both sides contending that the opposition wasn't merely wrong but immoral.

The Obama presidency expanded the alternative battlefield. Explicitly identifying its impatience with the legislative branch, the Obama White House ordered administrative agencies to execute contentious policies affecting sex and race.

The Supreme Court, in its 2015 *Obergefell* decision, written by Justice Anthony Kennedy, established gay marriage as a protected right. In a recent essay on these pages, Walter Olson made a definitive argument that this decision will survive in a conservative Supreme Court. *Roe v. Wade* will survive, too, not least to avoid social upheaval.

Shortly after the *Obergefell* decision, something else of cultural and political significance happened. Within months, the left began to agitate for transgender rights, another moral claim whose substantive meaning is a mystery to most Americans.

Liberals remain incredulous at Mr. Trump's election. But nearly half the electorate voted for him, and among the reasons is that today a lot of

people—across all income classes—feel they are really being jammed by the culture. Progressive jurisprudence had a lot to do with this. Liberals won their share of court decisions, but at a price: The courts in America became an agent of social discord.

It would be good for the country's stability if a Kavanaugh Court disincentivized the left from using the courts to push the far edges of the social envelope. This is not about turning back the clock. It is about how best to resolve bitter social and cultural disputes in the future. It is about no longer using the courts to make triumphal moral claims against the majority.

In the Kavanaugh Court, extending rights claims beyond their already elastic status is going to require more rigor than appeals to a judge's personal sensibilities or a theory of social organization developed in law journals.

Advocates for social change involving race, gender, identity and such will have to convince representative majorities, elected by voters, to agree with their point of view. Unlike in the past four decades, the high court will more often weigh in after, not before, the political process has happened.

The United States needs to settle down politically. Some day the sitting president may see the value in that for his own legacy. This nomination is a good start. A Kavanaugh Court will provide the country with a needed pause.

Write henninger@wsj.com.

Whom Do Red-State Democrats Fear Most?

By Karl Rove

It didn't take long for the political blowtorches to start flaming after President Trump introduced his newest Supreme Court nominee. At 9:03 p.m. Monday, the president entered the East Room of the White House. Describing the selection of justices as "one of the most profound responsibilities of the president," Mr. Trump announced that he would nominate Judge Brett Kavanaugh to fill the vacancy created by the retirement of Justice Anthony Kennedy.

By 9:18 p.m., Judge Kavanaugh had expressed his thanks for the honor and introduced himself graciously and thoughtfully to the American people. "If confirmed by the Senate," he said, "I will keep an open mind in every case, and I will always strive to preserve the Constitution of the United States and the American rule of law."

Five minutes later, a screed from Sen. Elizabeth Warren hit my email inbox, declaring that "You can count me as a NO vote" on Mr. Kavanaugh's confirmation. She also asked for a \$3 donation to her re-election campaign.

This was soon followed by an email from another 2020 Democratic presidential wannabe, Sen. Kamala Harris. She warned that the mild-mannered Mr. Kavanaugh "represents a fundamental threat to the promise of justice and equality."

The lamentations kept pouring in throughout the evening,

including from the national Democratic campaign committees, MoveOn, Tom Steyer, and other political opportunists. The emails had a fill-in-the-blank quality, repeating the same scary labels for Mr. Kavanaugh ("right-wing," "extreme," "far right"). It was obvious they had been pre-written to apply no matter whom Mr. Trump picked: Add the nominee's name, proof-check the pronouns, and hit send.

The days of bipartisan judicial confirmations now seem like ancient history. In 1993 all but three Republican senators

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Statements like former Virginia Gov. Terry McAuliffe's that

Judge Kavanaugh's nomination "will threaten the lives of millions of Americans for decades" remind the public how radical the Democratic Party has become.

In the end, Justice Kavanaugh is practically inevitable. A colleague of mine in the

George W. Bush White House, he is brilliant and decent. His qualifications are extraordinary. During the confirmation hearings he'll come across as serious, knowledgeable and resourceful.

None of that will matter to

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The 'resistance' wants to block Kavanaugh. What about Trump voters back home?

supported President Bill Clinton's first Supreme Court nominee, Ruth Bader Ginsburg. A year later, more than three-quarters of Republicans backed his second pick, Stephen Breyer.

But during the George W. Bush administration, Sen. Harry Reid worked to perfect poisonous tactics for obstructing judicial nominees. In 2005 only half of Democratic senators voted to confirm John Roberts as chief justice. By 2006 only four Democrats supported Samuel Alito's confirmation.

Today the Republicans' advantage in the Senate is razor thin: 51-49 if John McCain is well enough to vote. This has

been followed by an email from another 2020 Democratic presidential wannabe, Sen. Kamala Harris. She warned that the mild-mannered Mr. Kavanaugh "represents a fundamental threat to the promise of justice and equality."

The lamentations kept pouring in throughout the evening,

including from the national Democratic campaign committees, MoveOn, Tom Steyer, and other political opportunists.

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Democratic Socialists Used to Be Decent

By Michael S. Bernick

This is not your grandfather's democratic socialism," a Washington Post columnist gushes in a video celebrating the congressional primary victory of Alexandria Ocasio-Cortez, a member of the Democratic Socialists of America. As someone involved in democratic socialism in the 1970s, let me confirm that the columnist is right. But not in a positive way.

DSA is a successor group to the Democratic Social Organizing Committee, established in 1973 and led for years by Michael Harrington. I participated in the DSOC founding convention in New York in October 1973, serving as one of its first college co-chairmen, and was an active member for the next decade.

I do not want to romanticize DSOC. We were a fringe

political movement with scarcely more than a few thousand members. Like other groups on the left, we spent too much time on unrealistic policy schemes and narrow sectarian disputes.

Michael Harrington would be appalled at the boorish tactics of today's DSA.

But there was in DSOC an idealism, a commitment to democracy, and a recognition that decent people could disagree. Others on the left looked down with disdain on the "silent majority" who supported President Nixon and his policies. DSOC never did. Harrington strongly disagreed with Nixon's policies, but he respected the democratic process

and the dignity of American voters.

Today's DSA endorses the anti-Trump "resistance" tactics of personal harassment.

Last week a group stalked Senate Majority Leader Mitch McConnell as he left a Louisville, Ky., restaurant. The Louisville DSA chapter tweeted a video of the incident, noting that "several" of its members participated. The national DSA then retweeted it from its verified account. One man in the video shouts: "We know where you live, too, Mitch!"

OPINION

REVIEW & OUTLOOK

Dust Bowl Economics

When pork prices collapsed amid a global trade war during the Great Depression, the Roosevelt Administration in 1933 had an idea—slaughter six million piglets. Put a floor under prices by destroying supply. It didn't work. Now the Trump Administration may try its own version of Depressionomics by using the Commodity Credit Corporation (CCC) to support crop prices walloped by the Trump tariffs: Hurt farmers and then put them on the government dole. How about not hurting them in the first place?

That's the question as Mr. Trump escalates his trade war, on Wednesday proposing 10% tariffs on \$200 billion in additional Chinese goods. China says it is "shocked" by the new border taxes and will look to retaliate again—and no doubt U.S. agriculture will again be one of its main targets.

Enter the forgotten but alas not gone CCC, the financial institution that FDR charged with solving the problem of depressed markets caused by weak demand. Farmers were told to plant less in exchange for a floor under prices. The CCC financed the purchase of surpluses through nonrecourse "loans" to farmers, and held the crops in storage.

When market demand improved, the Agriculture Department was supposed to sell the stored commodities at higher prices. Nonrecourse meant that the farmer didn't have to repay the loan, and the USDA often couldn't unload the surpluses because demand didn't recover.

The Depression ended but the CCC kept going. In 2012 Congress put limits on CCC purchases of surplus commodities and on price supports after the Obama Administration used it for a costly 2009 disaster program without Congressional approval. But then out of the blue this year, Congress lifted the limits on CCC's power to remove surplus crops from the market to support prices.

Republicans made that change because the Trump Administration wants to use the CCC to mitigate the damage to U.S. crop prices from the Trump trade war. In a June 25 USA Today

Trump wants taxpayers to bail out farmers hurt by his trade war.

op-ed, Agriculture Secretary Sonny Perdue wrote that the Administration is ready to "begin fulfilling our promise to support producers, who have become casualties of these disputes." Too bad these U.S. casualties were caused by friendly fire.

Mr. Perdue cited "tools at our disposal to support farmers faced with losses"—and he means the CCC. Its borrowing authority at Treasury is limited to \$30 billion but it receives new appropriations when it has net losses for uncollected loans or commodities sold at a loss. The CCC's net loss was \$21.29 billion in 2016 and \$14.28 billion in 2017. And that's before Mr. Trump went to war with China, which retaliated with a 25% tariff on U.S. crops.

The American Soybean Association says U.S. growers exported \$14 billion or 31% of their 2017 crop to China. The Chinese Academy of Agricultural Sciences—a government think tank—says the tariffs could cut China's purchases of U.S. farm products by 40% and that the value of U.S. beef, cotton, soybean and cereal exports could fall by 50%.

Expectations of large, unsold U.S. farm surpluses are already depressing market prices. Soybean prices fell more than 10% between April, when the Chinese first threatened retaliation, and mid-June. John Thune (R., S.D.) noted at a June 20 Senate hearing that "corn, wheat, beef, and pork are all suffering market price declines as well due to current trade policies."

The bigger danger is that the need for Mr. Perdue's "help" is unlikely to be temporary. Brazil has been gobbling up market share from American farmers for years. In 2017 it supplied over 53% of China's soy imports while the U.S. supplied 34%, its lowest share since 2006. With the higher tariff, Beijing will turn even more to Brazil and Argentina for soy and grains; Australia and Chile for fruit, nuts and wine; and Canada and the European Union for some or all.

The CCC is a relic of Dust Bowl America. Today the American farmer is high-tech, productive and eager to compete. Mr. Trump's trade policy is creating a problem that didn't exist and next he may create another one to ease the pain he has caused.

Vindictive Justice Alito

The American Federation of Teachers holds its annual convention this weekend, and its agenda is one long brief for the Supreme Court's recent *Janus* ruling that non-members no longer have to subsidize the union's naked political advocacy.

Most of the 90 some resolutions promote such progressive objectives as single-payer health care, free college and opposition to the Dakota Access pipeline. The union's Berkeley affiliate wants President Trump's "immediate resignation or removal."

A resolution denounces Mondelez for moving Nabisco cookie production to Mexico and urges local affiliates to pressure "employers to sell or carry only Nabisco products made in free union workplaces in their schools and on their campuses." Who knew cookies were a subject of collective bargaining?

Another resolution calls "on school districts, colleges and universities to offer their students diverse views about military service and the Reserve Officers' Training Corps, bal-

Before *Janus*, here's what the teachers union did with your fees.

ancing arguments for military service and ROTC training with the arguments of critics of military service, including its health risks."

Another urges support for "anti-war groups."

Prior to *Janus*, public unions could spend non-member agency fees—typically 60% to 80% of dues—on member communications,

rallies and conventions under the pretext that these expenditures related to collective bargaining. But the AFT's resolutions support Justice Samuel Alito's majority opinion in *Janus* that nearly all public union spending is political, including their positions in collective bargaining.

Government unions are struggling to adapt to the post-*Janus* era when they can no longer conscript non-members to subsidize union political activities. The National Education Association, the other giant teachers union, is projecting a 14% decline in membership and is cutting its budget by \$28 million. Maybe unions should stop taking political positions that alienate so many workers.

Trump and the Russia Pipeline

President Trump is so prone to rhetorical excess that he sometimes hurts his own case even when he's right. A case in point is his shellacking of Germany Wednesday for supporting a new Russian gas pipeline.

"Well, I have to say, I think it's very sad when Germany makes a massive oil and gas deal with Russia, where you're supposed to be guarding against Russia, and Germany goes out and pays billions and billions of dollars a year to Russia," Mr. Trump said during a breakfast with NATO Secretary General Jens Stoltenberg.

"And the former Chancellor of Germany is the head of the pipeline company that's supplying the gas.... So you tell me, is that appropriate? [B]ecause I think it's not, and I think it's a very bad thing for NATO and I don't think it should have happened. And I think we have to talk to Germany about it."

While he then went over the top in saying "Germany is totally controlled by Russia," Mr. Trump's rant is an accurate summary of Berlin's role in the Nord Stream 2 project. The pipeline would link Russia and Germany via the Baltic Sea, doubling the capacity of the existing pipeline in that corridor, and bypassing other pipelines through Ukraine and central and eastern Europe.

The Kremlin hopes to increase the dependence of Germany and Western Europe on Russian gas while depriving Ukraine and other inconvenient states of the transit fees Russia must pay to use current pipelines. Moscow could then also shut off the gas at will to states Russia still considers its satellites.

The embarrassment for Berlin and NATO is that Germany is happy to help Vladimir Putin execute this plan. Usually hostages need to be

He's right about Berlin's energy dependence on Vladimir Putin.

taken instead of volunteering. Yet Gerhard Schröder, the former Chancellor Mr. Trump mentioned, is cashing in on his lobbying prowess to ease the project through Berlin as chairman of the Nord Stream 2 consortium and chairman of Russian energy giant Rosneft.

The most that current Chancellor Angela Merkel will admit is that the project is as much "political" as economic. In which case, why does she think it's appropriate to continue? Mr. Trump often comes in for criticism for his lack of commitment to NATO, including in these columns, but he's not the only one undermining the alliance.

Yet Mr. Trump's warnings about the pipeline's strategic dimension would be more persuasive if he weren't also as busy as Mr. Schröder playing down the strategic threat posed by Mr. Putin.

Mr. Trump's suspicion of, if not hostility to, allies also could backfire. One rear-guard attempt to disrupt the pipeline would have the European Union extend its energy-market regulations to pipelines such as Nord Stream 2 when only one end touches EU soil.

Supporters hope this regulatory burden would force Moscow to at least bear financial losses as a cost of its gas policy. Yet this anti-Nord Stream effort faces an uphill fight in Brussels, and Mr. Trump's lobbying carries less weight than it would if Europeans weren't now predisposed to distrust him on his overall commitment to NATO and trade.

Bluntness is underrated as a diplomatic tool, and Berlin deserves its Trumpian embarrassment over its pipeline follies. The main regret over his comments is that he undermines their diplomatic impact with his many other, less helpful, fulminations on European affairs.

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OPINION

Pruitt Leaves a Proud Legacy at the EPA

By George Melloan

Scott Pruitt wasn't chased out of the EPA because of his ethical lapses but because he was derailing the environmental left's radical effort to tighten its grip on the U.S. economy. Mr. Pruitt was implementing President Trump's executive order to scuttle Barack Obama's Clean Power Plan, which would have forced sharp cutbacks in the use of fossil fuels, at great cost to consumers and with little purpose.

His political offense wasn't ethics but his forthright challenge to the myth of renewable energy.

Under President Obama, the EPA's bureaucrats became the shock troops of a new "green revolution"—quite different from the one that revolutionized agriculture. Mr. Trump chose Mr. Pruitt to lead the counter-revolution. Accordingly, Mr. Pruitt scuttled the agency's encouragement of "sue and settle" litigation that effectively gave outside lobbyists the power to set EPA policies.

Further horror of horrors, the president pulled the U.S. out of the Paris Agreement, ending the long-standing collaboration between the EPA and the United Nations Intergovernmental Panel on Climate Change. Governments throughout the world have already spent hundreds of billions of dollars to meet

U.N. goals for reducing emissions of carbon dioxide. Last July, Danish scholar Bjorn Lomborg predicted the cost of implementing the Paris Climate Accord would hit \$2 trillion by 2030.

CO₂ is a natural component of the air we breathe and without it there would be no life on earth. The U.N.'s alarms about a CO₂ "greenhouse" causing global warming are based on dubious computer models. As the Cato Institute's Pat Michaels and Ryan Maue observed on this page last month, global surface temperature hasn't risen significantly since 2000.

The stakes are high. Government restrictions on carbon emissions have spawned a large renewable-energy industry specializing in solar panels and windmills. In places where those industries have best thrived, such as Germany and Australia, the result has been unreliable power at sharply higher cost. Germans pay roughly three times what Americans pay for electricity, according to the International Energy Agency.

The idea that "renewables" are some kind of modern planet-saving technology is preposterous. Other than fire, renewables were mankind's only energy sources for eons. Primitive people built their huts with solar-fired mud bricks. The 15th-century European explorers relied on the wind to fill their sails. "The Rime of the Ancient Mariner" described the well-known peril of being becalmed on the vast ocean with water everywhere, "nor any drop to drink." Modern mariners, with ships driven by fossil-fueled turbines, seldom face that problem.



ASSOCIATED PRESS

Former EPA Administrator Scott Pruitt.

It's hardly a new discovery that renewables don't work when the sun doesn't shine and the wind doesn't blow. What is less understood is that even when governments force public utilities to buy renewables, power companies still have to use fossil fuels or uranium to keep the grid up and running when the sun and wind are off duty. So renewable power is superfluous to power companies, but its cost reduces their ability to finance baseload power plants. The result is either higher electricity bills or an unreliable grid. Consumers get punished either way.

Even the Bonneville Power Administration, a grand government hydropower complex that provides the U.S. Northwest with 28% of its electricity, has been plagued with

this problem as the requirement to make way for government-subsidized wind and solar reduces its ability to utilize its system efficiently. Said a BPA statement in January: "Our power customers have expressed serious concerns that BPA's recent pattern of rising costs and rates is unsustainable."

Matters are even worse in some of the countries where parties of the environmentalist left have been more successful. At the behest of its Greens, Germany shut down not only coal plants but also some nuclear facilities after the meltdown at the badly designed Fukushima plant in Japan. High electricity costs were an important factor, along with the refugee influx, in Chancellor Angela Merkel's election debacle last year.

Australia's left used to boast that their nation had more solar panels per capita than anywhere else in the world. They said less about Australia's household electricity costs—also among the world's highest. When South Australia suffered blackouts in the summer of 2006, politicians began to realize something was amiss. Last October, Australian Prime Minister Malcolm Turnbull scrapped plans to set new renewables targets, and his government expects to have a new, more reliable, energy plan by next month. It may include such irreligious means as renewed use of the country's plentiful coal deposits.

Mr. Trump dumped the Paris Agreement to stop the U.S. from going the way of Germany and Australia. Mr. Obama had drunk the U.N. Kool-Aid, echoing the claim that global warming was an existential threat to the planet. His 2015 Clean Power Plan was designed to reduce CO₂ emissions from the electric-power sector by 32% from 2005 levels by 2030, notably through greater dependence on wind and solar.

When Mr. Obama launched the CPP (sans congressional legislation) it drew challenges from 150 entities, including 27 states, 24 trade associations, 37 rural electrical cooperatives and three labor unions, the EPA reported. Taking those complaints seriously, the Trump administration moved to scrap the plan. This will save up to \$33 billion in compliance costs by 2030, according to a new EPA estimate.

Mr. Pruitt's successor at the EPA, acting director Andrew Wheeler, will now take the sniper fire. But consider this: Enviro-shaman Al Gore warned in "Earth in the Balance" that the planet was in imminent peril from global warming fully 26 years ago. Yet temperature readings from weather stations and satellites today show that the earth's sundry climates are pretty much what they were then. Hyderabad still gets very hot in summer, as it has for centuries, and Yakutsk gets very cold in winter, ditto. San Francisco is pretty nice year-round, except for the fog and the politics.

Ms. Komisar, a psychoanalyst, is author of "Being There: Why Prioritizing Motherhood in the First Three Years Matters."

The Human Cost of Sweden's Welfare State

By Erica Komisar

American liberals sometimes hold up Sweden as a model of social order, equality of the sexes, and respect for parental responsibilities. Its welfare state offers excellent free or subsidized prenatal care, 480 days of paid leave for both natural and adoptive parents, and additional leave for moms who work in physically strenuous jobs. Swedish parents have the option to reduce their normal hours (and pay) up to 25% until a child turns 8.

A group of women berated my friend in a public park because her 2-year-old son wasn't in day care.

But all this assistance comes at a steep cost. At 61.85%, Sweden has the highest personal income tax rate in the world. That money pays for the kind of support many American women would welcome, but it comes with pressure on women to return to the workforce on the government's schedule, not their own. The Swedish government also supports and subsidizes institutionalized day care (they call it preschool), promoting the belief that professional care-givers are better for children than their own mothers.

If a mother decides she wants to stay at home with her child beyond the state-sanctioned maternity leave, she receives no additional allowance. That creates an extreme financial burden on those families, and the pressure is social as well. A 32-year-old friend told me that she was in the park with her 2-year-old son, when she was surrounded by a group of women who berated her for not having the boy in day care.

The Swedish government attempts to provide equal work opportunities for both sexes, which is laudable. But toward that end, it promotes the false idea that mothers are not uniquely important to

babies. Women who prefer to stay home with very young children are stigmatized as regressive and anti-feminist. The Feminist Initiative, a radical political party, touts day care as a way to "liberate women from their maternal instincts."

Sweden's maternity policies may be good for economic growth and egalitarian ideals, but not for the social or emotional health of young children. Ample scientific research shows that institutionalized day care is bad for very young children. The ratio of staff to children is too low, and the environment is confusing, overly stimulating and potentially harmful to a child's developing brain.

Ninety percent of Swedish children under 5 are in day care. This likely contributes to mental-health problems. In 2012 roughly 20% of Swedish adolescents reported at least five instances of self-harming behavior, and the teen suicide rate hit a 25-year high in 2013.

For all its concern about equality, Sweden has one of the most sex-segregated labor markets in the world. Nearly 80% of Swedish mothers work, compared with around 70% in the U.S. Swedish women are disproportionately employed in stereotypically feminine fields like nursing and day care and highly underrepresented in "masculine" fields like finance and engineering.

Only about 36% of management positions in Sweden are held by women—lower than in the U.S., Canada, France, Russia or Australia. The median wage for Swedish women is 13.4% lower than for Swedish men. And as of 2013, 72% of public employees were women. Many of the day-care centers meant to "liberate women from their maternal instincts" are staffed by mothers separated from their own babies by the need to work.

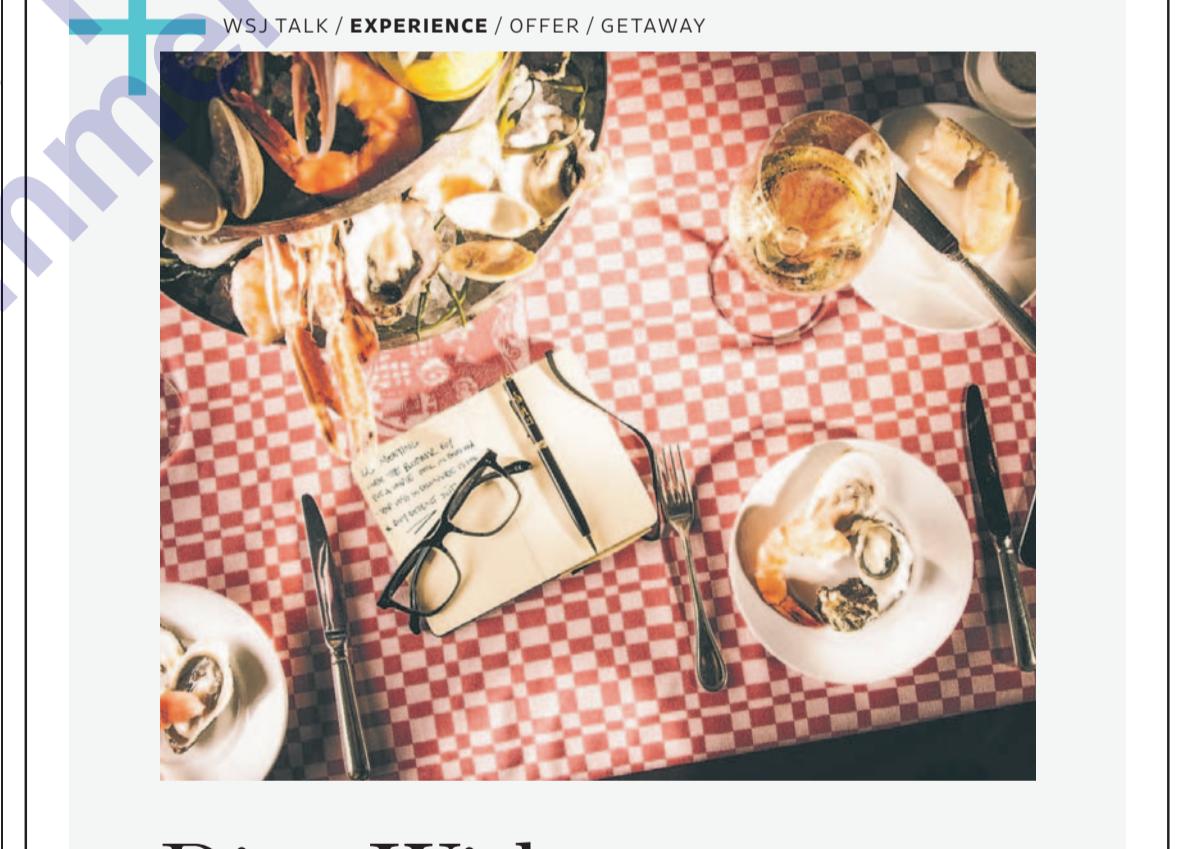
While Sweden has worked hard to eliminate material poverty, it is creating a society whose children are suffering from emotional poverty. Children need their parents, and very young children especially need their mothers. I worry that the U.S. is heading in the same direction.

Women increasingly value—or are pressured to value—career and professional achievement over family. Like Sweden, Americans have devalued parenting, and specifically motherhood, and are creating emotionally impoverished young people who have difficulty in sustaining intimate relationships and functioning as independent adults.

I consider myself a feminist, but what is pro-woman about denying

that the hard work of raising healthy, stable and loving children is important? Instead of forcing women to make choices for the economic benefit of the country, society should empower them to make choices in the best interests of themselves and their families.

Ms. Komisar, a psychoanalyst, is author of "Being There: Why Prioritizing Motherhood in the First Three Years Matters."



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Bidding Escalates for Control of Sky

Comcast raises its offer after Fox had sweetened its own earlier Wednesday

The battle for control of European pay-TV giant Sky PLC heated up Wednesday, with 21st Century Fox raising

By Keach Hagey in Sun Valley, Idaho, and Chip Cummins and Ben Dummett in London

its bid and cable company Comcast Corp. quickly countering later in the day, the latest jockeying in a cross-Atlan-

tic media deal showdown.

Comcast raised its offer for Sky to £14.75 per share, valuing the company at \$34 billion. That is a 5% premium to an offer Fox announced earlier Wednesday and 18% above Comcast's earlier bid. Comcast said its latest offer was recommended by Sky's independent directors.

Fox already owns 39% of Sky and is vying to consolidate ownership. Earlier Wednesday, Fox lifted its bid to purchase the rest of the company by more than 30% to £14-a-share, valuing Sky at \$32.5 billion.

The fight for Sky could affect the broader fight between Comcast and Walt Disney Co. to

acquire most of Fox's entertainment assets. Depending on how the auction for Sky plays out, Comcast could decide to focus its efforts on the European operator and drop its pursuit of Fox's assets, a person familiar with the matter said.

Fox has put up for sale entertainment properties including its Hollywood movie and TV studio, regional sports networks and a stake in streaming service Hulu. That deal also would include its Sky holding and other international assets.

Disney is currently in the lead for the Fox assets after reaching an agreement to pay \$71 billion in cash and stock, topping a \$65 billion all-cash-of-

fer from Comcast.

The role of the U.K. Takeover Panel, a regulatory body that polices corporate deal-making, is creating an unusual dynamic in the bidding war for Sky. As Disney and Comcast bid higher for the package of Fox assets, the implied value of Sky also rises, forcing both sides to raise their bids for Sky.

"You are basically bidding against yourself," said the person familiar with the matter.

The panel could force Fox to raise its bid further, based on a calculation of Sky shares derived from the Disney offer. The panel has said it would make a ruling on the matter,

but didn't say when.

If Comcast winds up only acquiring Sky, the company believes it would make strategic sense. "It's basically a mini-Comcast-NBCU," the person familiar with the matter said, referring to Comcast's purchase of NBCUniversal, which created a mix of distribution and content assets like those that Sky owns.

Before Comcast's latest move, Fox had said Sky's independent directors agreed to its new offer. Fox launched its bid for all of Sky more than 18 months ago. Since then, the deal has been embroiled in a U.K. government review, which was expected to draw to a close later this week.

Please turn to page B2

Big Board Opens Fire On SEC's Fee Study

BY GRETCHEN MORGENSEN

The New York Stock Exchange is stirring tension between some of its big listed companies and their largest investors over regulators' efforts to study the controversial practice of assigning fees and rebates to stock trades.

At issue is a Securities and Exchange Commission plan to study the system known as "maker-taker," in which exchanges charge fees for some trades and pay rebates on others.

Critics say it can distort brokers' decisions about where to send customer orders, and attracts high-speed traders whose rapid-fire strategies sometimes focus on capturing rebates.

The SEC, through a proposal known as the Transaction Fee Pilot, is seeking to assess how much those fees and rebates affect trading costs, and how they influence which exchanges investors choose to trade their shares, and at what prices.

Both the NYSE and Nasdaq Inc. oppose the regulatory proposal, saying it is flawed and doesn't accurately assess costs. If the SEC pilot program results in the elimination of rebates, it could reduce fees that generate significant revenue to the exchange.

In an email last month, the NYSE told its listed companies the proposal "could impact trading in your stock" and urged them to write their own letters arguing against it if they were concerned.

By early July, more than two dozen corporations had written letters to the SEC criticizing the pilot or asking to have their stocks excluded from it.

But many of these same companies' largest investors aren't buying it.

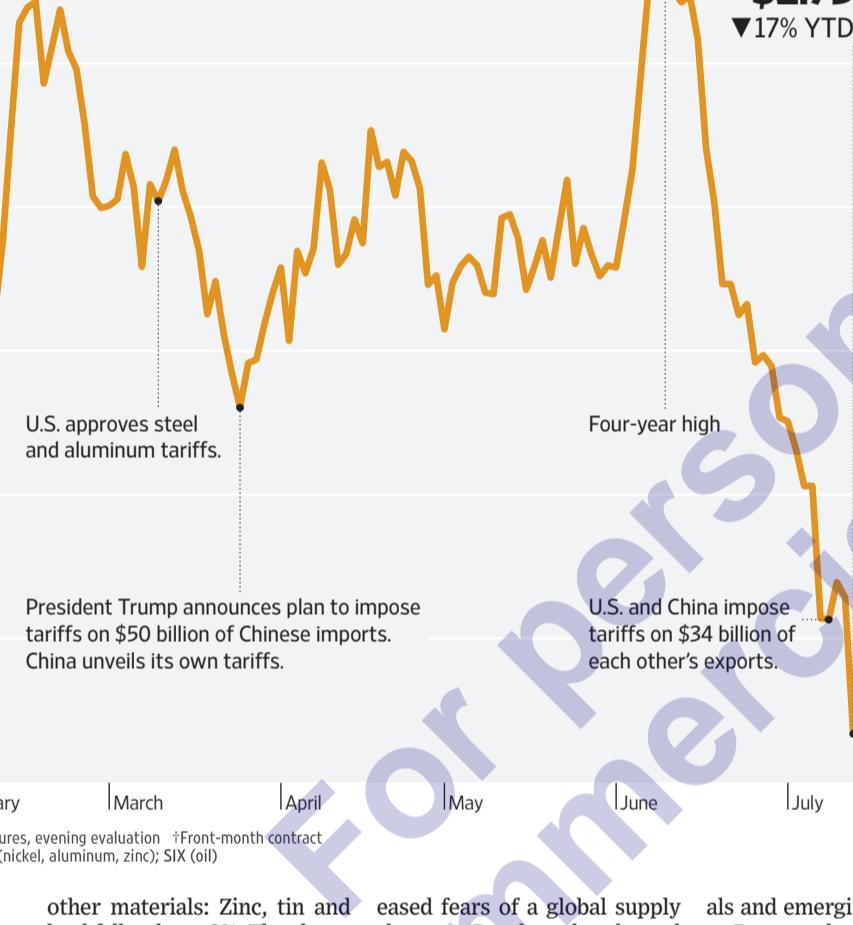
More than three-quarters of companies opposing the pilot program have at least one of their five top institutional investors supporting it, regulatory filings show. These include large investors of Apache Corp., Halliburton Co., Home Depot Inc. and Mastercard Inc.

By following the NYSE's direction, these companies are aligning themselves against some of their biggest investors. Because the NYSE also acts as regulator of its listed companies, it brings considerable leverage when it urges listed companies to oppose a

Please turn to page B10

Tariff Woes Throttle Copper, Other Metals

\$3.30 a pound



[†]London Metal Exchange three-month futures, evening evaluation. [‡]Front-month contract.

Sources: Thomson Reuters (copper); CQG (nickel, aluminum, zinc); SIX (oil)

BY AMRITH RAMKUMAR AND DAVID HODARI

A sell-off in industrial metals and other commodities intensified Wednesday, as the latest tariff threats from China and the U.S. escalated worries about the impact of a trade battle on the global economy.

Copper tumbled as much as 4% to its lowest level in nearly a year, before closing down 3.4%. Futures prices for the red metal have tumbled 17% from a four-year high in June, bringing it close to a bear market.

The trade tensions pounded

other materials: Zinc, tin and lead fell at least 2%. The slump extended to almost all corners of the commodities market, with materials from oil to cotton also getting hit. China is the world's biggest commodities consumer and accounts for roughly half of the demand of many metals such as copper, so concerns over its economy can swing materials prices.

U.S. crude plummeted 5%, its largest one-day drop since June 2017. The move was largely driven by Libya indicating it would resume export activities at its eastern ports, which

eased fears of a global supply shortage. But data also showed a larger-than-expected weekly drop in U.S. inventories, and oil futures still sank—a sign of investor skittishness in the commodities market.

Investors fear a far-reaching trade fight could slow commerce, which would weaken more economies that consume large amounts of materials. Other assets closely tied to growth like emerging markets have also struggled. It is a sharp reversal from 2017, when synchronized global growth propelled prices of raw materi-

als and emerging markets.

Because they get used in everything from construction to smartphones, commodities are often used by money managers as a bellwether for global growth. While robust U.S. economic and earnings expansion have kept stocks from tumbling, some analysts have become uneasy that the volatility in commodities signals future turbulence in other markets.

"It's one of those red flashing signals we need to pay attention to," said Kristina Hooper, chief global market strategist at Invesco. "Investors

should probably be more concerned than they are because typically Dr. Copper is a very good predictor of where the global economy is going."

On Tuesday, the White House said it would assess putting fresh 10% tariffs on \$200 billion in Chinese goods. China has threatened to match U.S. tariffs with its own countermeasures.

The recent downturn in metals prices is reigniting fears that a Chinese economic slowdown could spread. Similar anxieties sent stocks around the

Please turn to page B11

Please turn to page B10

New Dads Wary Of Taking Their Paternity Leave



JESSICA HILL FOR THE WALL STREET JOURNAL

Twitter Subtracts Suspicious Accounts From Follower Totals

BY SARAH E. NEEDLEMAN

Twitter Inc. said it is subtracting some accounts it has flagged for suspicious activity from the follower numbers of its hundreds of millions of users, part of the social-media company's efforts to clamp down on abusive activity.

Twitter is removing ac-

counts due to an unusual change in behavior such as the sudden sharing of misleading links, sensitive information and other types of problematic content. Removing the locked accounts will reduce follower counts by about 6% across the service, the company said.

Twitter said the move won't affect its numbers of monthly or daily active us-

ers, metrics closely watched on Wall Street as signals of engagement on the platform.

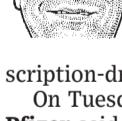
The company, which is slated to report second-quarter results July 27, last reported 336 million monthly active users.

Twitter's share price fell nearly 9% on Monday after the Washington Post reported Twitter was accelerat-

Please turn to page B2

HEARD ON THE STREET | By Charley Grant

New Pain in Drug Supply Chain



A small gesture on pricing is likely to have a big impact on the prescription-drug industry.

On Tuesday evening, Pfizer said it would defer planned price increases on about 10% of its prescription medicines after President Donald Trump spoke with CEO Ian Read and criticized the company on Twitter.

Pfizer had planned to raise the list prices of some drugs by as much as 9.4%, part of the annual price increases it and other drug companies impose every year on July 1.

List prices are sticker prices, before rebates and discounts granted to middlemen in the supply chain for drugs.

Pfizer's move is likely to have a modest direct impact on its profits. Middlemen such as drug wholesalers and pharmacy-benefit managers will feel a bigger effect.

The medicines in question comprise only a fraction of

Money Lost

At Merck & Co., more of drugs' list price goes to middlemen.



pact is likely to be temporary. Pfizer said the deferred price increases will still take effect by Jan. 1 or earlier if Mr. Trump implements his plan to overhaul prescription-drug prices.

While Pfizer doesn't pay rebates on most of its affected drugs, the fallout will likely extend beyond drug manufacturers, deep into industry supply channels. Manufacturers already have realized the diminishing revenue benefits of price increases in

recent years. For example, Merck & Co. raised its list prices by 6.6% in 2017, according to a company report. After the rebates and discounts it paid to various supply-chain companies, net prices actually fell by 1.9%.

Rebates and discounts comprised 45% of Merck's average list price last year; that figure was just 27.3% in 2010. Reports from other drug companies have shown a similar trend.

The benefits of list-price rises have instead flowed more to supply-chain companies, such as Express Scripts or McKesson. But while they tend to make money when drug prices go up, that has also forced them to face more pressure both from politicians in Washington and from new potential competitors like Amazon.com.

Shares of wholesaler AmerisourceBergen were down 1% on Wednesday, while McKesson shares closed nearly 3% lower.

Ahead of third-quarter earnings reports, that is one piece of news supply-chain investors didn't need to hear.

INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A - B

| | |
|---------------------------------|-----------|
| Amazon.com | B1 |
| American Express | B6 |
| AmerisourceBergen | B1 |
| Apache | B1 |
| AT&T | B12 |
| Bank of America | B12 |
| Beijing Bytedance Technology | B4 |
| BlackRock | B10 |
| Broadcom | A1 |
| C | |
| Cambridge Analytica | B4 |
| Cartesian Capital Group | B3 |
| Caterpillar | B11 |
| CBS | B3 |
| Cedar Fair Entertainment | B2 |
| Cheniere Energy | B10 |
| Chevron | B11 |
| Citigroup | B10,B12 |
| CME Group | B10 |
| Comcast | B1,B2,B12 |
| D | |
| Davis Selected Advisers | |
| Dunkin' Brands Group B2 | B10 |
| E | |
| Elliott Management | B12 |
| Express Scripts Holding | B1 |
| Exxon Mobil | B11 |
| F | |
| Facebook | B4,B6 |
| Fidelity Investments | B10 |
| Fitbit | B4 |
| Ford Motor | B3 |
| Fusing Global | B12 |
| G | |
| Gazprom | A8 |
| General Motors | B3 |
| Glencore | B6 |
| Guggenheim Partners | B10 |
| H - I | |
| Halliburton | B1 |
| Home Depot | B1 |
| Hyatt Hotels | B12 |
| Intercontinental Exchange | B10 |
| J - K | |
| JetBlue Airways | A2 |
| Katanga Mining | B6 |
| M | |
| Mastercard | B1 |
| McKesson | B1 |
| Merck | B1 |
| Millstein | B10 |
| Morgan Stanley | B10 |
| N | |
| National Amusements | B3 |
| Netflix | B2 |
| News Corp. | B2 |
| P - R | |
| Papa John's International | B3,B12 |
| Pfizer | B1,B3 |
| Restaurant Brands International | B3 |
| S | |
| SeaWorld Entertainment | B2 |
| Six Flags Entertainment | B2 |
| Sky | B1,B12 |
| Starbucks | B12 |
| State Street | B10 |
| T - U | |
| 3M | B11 |
| Twitter | B1,B6 |
| 21st Century Fox | B1,B2,B12 |
| Uber Technologies | B4 |
| V | |
| Vanguard Group | B10 |
| Viacom | B3 |
| W | |
| Walt Disney | B2,B12 |
| Weinstein | B4 |
| Wells Fargo | B12 |
| Whirlpool | B11 |
| Y - Z | |
| Yum! Brands | B12 |
| ZTE | A6 |

INDEX TO PEOPLE

A - B

| | |
|-----------------------|--------|
| Appiah-Baomah, Sam | B6 |
| Belciano, Bob | B6 |
| Burns, Mark E. | B4 |
| D - F | |
| Doyle, Patrick | B12 |
| Fischer, Leonhard | B6 |
| Fowler, Susan | B4 |
| G | |
| Gellasch, Tyler | B10 |
| Gertler, Dan | B6 |
| Gutierrez, Philip | B3 |
| H | |
| Hao, Zhou | B3 |
| Hatheway, Larry | B11 |
| Hayward, Tony | B6 |
| Herzer, Manuela | B3 |
| Hoffmann, David | B2 |
| Hooper, Kristina | B1 |
| Hornsey, Liane | B4 |
| J | |
| Janci, Isabel | B10 |
| K | |
| Kamal, Kash | B11 |
| Kasiarz, David | B6 |
| Khosrowshahi, Dara | B4 |
| Kirtley, Olivia | B3 |
| Korff, Tyler | B3 |
| L | |
| Low, Jho | B10 |
| M | |
| Macedo, Alex | B3 |
| McCullagh, James | B11 |
| McDonald, John | B12 |
| McGuinness, Janet | B10 |
| McGratty, Christopher | B12 |
| N | |
| Nugent, Oliver | B11 |
| P | |
| Perry, Robert | B10 |
| R | |
| Redstone, Shari | B3 |
| Redstone, Sumner | B3 |
| Richards, Ronald | B3 |
| Ritchie, Steve | B3 |
| Roberts, Brian | B2,B12 |
| S | |
| Saucer, John | B11 |
| Schnatter, John | B3,B12 |
| Schwartz, Alan | B10 |
| Skolnik, Daniel | B6 |
| Subramanyam, Rajeev | B6 |
| T | |
| Tabatabai, Darius | B11 |
| Travis, Nigel | B2 |
| U - W | |
| Uruçi, Blerina | B2 |
| Weinstein, Harvey | B4 |
| Y - Z | |
| Yu, Peter | B3 |
| Zimmerman, Richard | B2 |
| Zuckerberg, Mark | B6 |

Dunkin's New CEO Is McDonald's Alumnus

BY AUSTEN HUFFORD AND JULIE JARGON

The owner of Dunkin' Donuts and Baskin-Robbins said Chief Executive Nigel Travis is ending a more than nine-year tenure during which he took the company public and extended the domestic and international reach of its brands.

Dunkin' said Mr. Travis as executive chairman will focus on the continued development of the company's international businesses.

Mr. Hoffmann, 50, joined the company in October 2016 as president of Dunkin' Donuts U.S. He was also in charge of global franchising and store development for the ice cream and coffee brands.

Mr. Hoffmann, who said he has spent a lot of time visiting franchisees, has repositioned Dunkin' Donuts to focus more on beverages than food, emphasizing coffee to go. He led a major menu simplification effort at the chain to reduce kitchen complexity and boost profits.

Bidding Heats Up For Sky

Continued from page B1

Sky is one of the crown jewels of Rupert Murdoch's media empire. It could help both Disney and Comcast compete with tech giants like Netflix Inc. Sky produces its own content, while its satellite and broadband offerings reach millions of European households. Both Disney and Comcast view Sky as a route to expand their media and distribution channels overseas.

Under the terms of Fox's latest bid, the company would have the option to lower the threshold of shareholder support required to approve the deal to just over half. At the moment, it requires support from 75% of Sky's non-Fox shareholders.

The deal, though, continues

Sky High

Sky shares remain higher than both Comcast and Fox offers, suggesting investors are betting on a continued bidding war.

Sky daily share price



to keep the door open for a more streamlined approach—should the two sides decide to change the structure under U.K. law. Such a change would allow a simple majority of all shareholders to wave the deal

through.

A number of hedge funds, including American activist investor Elliott Management Corp., have bought into Sky, and would likely oppose any bid they felt undervalued Sky.

In Sun Valley, Elite Watch Dueling Bids

The bidding in the U.K. was a key topic a world away amid the desert hills of Sun Valley, Idaho, where media and technology's elite gathered for the annual Allen & Co. conference. Media executives spent much of the conference's first full day trying to decipher whether Comcast Chief Executive Brian Roberts intends to continue the chase for the Fox assets.

Mr. Roberts arrived at the conference in full deal mode. On Tuesday evening, he approached the press scrum in front of the main lodge as if he had something to get off his chest, then thought better of it at the last moment. On

Wednesday afternoon, he was holed up in the lodge as Comcast put finishing touches on its sweetened offer for Sky.

Cedar Fair's Stock Drops 8% As Parks Get a Slow Start

BY COLIN KELLAHER AND WAVERLY COLVILLE

Shares of Cedar Fair Entertainment Co. fell 8% Wednesday after the theme-park operator reported a slower-than-expected start to its summer season.

The Sandusky, Ohio, company said net revenue from the start of the year through July 8, a period that represents about 40% of its total operating days for 2018, fell 2% to about \$563 million, as guest visits slipped 3%.

Cedar Fair stock is down about 16% over the past 12 months. Shares of Six Flags Entertainment Corp. also moved lower, falling 1.3%, and shares of SeaWorld Entertainment Inc. slipped 0.7%.

Cedar Fair said early-season attendance at its seasonal amusement and water parks hasn't met expectations. Virtually all revenue from its seasonal parks is realized during a 130- to 140-day operating period beginning in early May, with the major portion concentrated in July and August.

However, the company said strong attendance and revenue trends at Knott's Berry Farm in Buena Park, Calif., which is open all year, continued through the July Fourth holi-



Attendance has been strong at Knott's Berry Farm in California.

day weekend.

Cedar Fair President and Chief Executive Richard Zimmerman said that although early-season attendance was below expectations, the company has been considering how to increase revenue in the second half, including adding more events in November and December.

Mr. Zimmerman said customers are responding well to new attractions, staying longer at the parks and spending more on food, merchandise and extra-charge attractions.

Cedar Fair owns 11 amusement and water parks, including California's Great America in Santa Clara, Cedar Point in Sandusky and Dorney Park and

Twitter Subtracts Accounts

Continued from page B1

ing efforts to crack down on spam accounts. The stock recovered after the social network's finance chief, Ned Segal, in a tweet said most suspended accounts aren't active, so they don't show up in those metrics. Shares rose slightly Wednesday.

In a blog post Wednesday announcing the move, Twitter cautioned that the removal of some accounts down the road, part of its efforts to clean up conversation on the platform, could have an impact on active user numbers.

Most people using Twitter will lose "four followers or fewer" as part of the moves this week, the company said, while celebrities and others with large numbers of followers "will experience a more significant drop."

Following Twitter's announcement, Unilever PLC marketing chief Keith Weed tweeted the company's move against fake followers is a "great step forward."

Twitter continues to face repeated challenges in dealing with suspicious activity. Russian trolls remained active on the social network well into 2018, a Wall Street Journal analysis found.

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BUSINESS NEWS

Papa John's Founder Quits After Racial Slur

By WSJ STAFF

Papa John's International Inc. said Wednesday that its independent directors have accepted the resignation of John H. Schnatter as chairman.

In a news release, the company said Olivia Kirtley will serve as lead independent director. Papa John's will appoint a new chairman in the coming weeks.

On Wednesday, Forbes reported that Mr. Schnatter used a racial slur and violent imagery on a May conference call with a marketing agency. Mr. Schnatter confirmed the incident in an emailed statement to the magazine.

He stepped down as chief executive at the end of last year after a tumultuous few months at the pizza chain. Steve Ritchie, who had been chief operating officer at Papa John's since 2014, became CEO in January.

Mr. Schnatter founded Papa John's in 1984 and turned it into a 3,400-unit chain in North America, with a further 1,600 outlets overseas. He stepped down as CEO once before, in 2005, after a multiyear sales slump and returned three years later after product quality began to slip, the company said.

In 2010, he shared the CEO job with another executive, before assuming the sole CEO position again a year later.

Pfizer Plans To Shuffle Its Divisions

By ALLISON PRANG

Pfizer Inc. is organizing itself into three different businesses as it continues to mull the future of its over-the-counter medicines unit.

The drugmaker said Wednesday it will have an innovative medicines business; a consumer health-care division, which includes the company's over-the-counter drugs; and an established medicines division, which would have brands such as Viagra and Lipitor.

The company said the innovative medicines and consumer health-care divisions will make up around 75% of Pfizer's revenue.

Pfizer has been reviewing strategic options for the consumer health-care business, which sells brands like Advil pain medicine, Centrum vitamins and ChapStick lip balm, since last year. The company expects to make a decision regarding the business this year.

Pfizer said the changes will go into effect next year and don't affect its 2018 guidance or its capital-allocation plans.

Shares of Pfizer fell less than 1% on Wednesday. The stock has gained 2.7% so far this year.

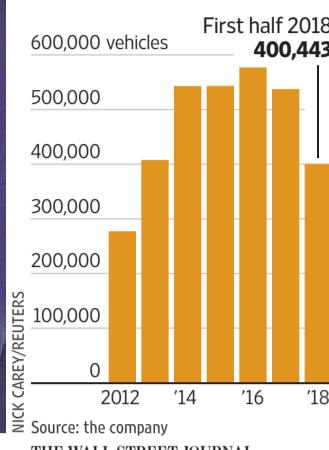


Despite the uncertain outlook, manufacturers are still predicting the market will grow 3% in 2018.

Ford in Reverse

The U.S. auto maker's first-half sales in China were its lowest since 2012.

Sales in the first half of each year



Source: the company

THE WALL STREET JOURNAL.

Ford's Sales Slide 26% in China

Trade tensions rise as company seeks a revival in world's largest car market

By TREFOR MOSS

SHANGHAI—Ford Motor Co.'s sales in China plunged 26% in the first half, and there is little relief in sight as U.S.-China trade tensions worsen.

The country's auto market overall grew by 5.6% from 2017's first half, with sales

reaching 14.1 million vehicles, according to figures released Wednesday by the government-backed China Association of Automobile Manufacturers.

Ford sold just 400,443 vehicles, the U.S. auto maker's poorest first-half showing in China since 2012. By comparison, **General Motors Co.** booked a record first half, with its China sales increasing 4% to 1.84 million.

Both U.S. auto makers face a potentially turbulent second half. The U.S. government on Tuesday signaled its intention to escalate its trade dispute with China by

imposing tariffs on \$200 billion in Chinese goods—on top of already planned or implemented tariffs on \$50 billion in goods.

While there are no signs yet of Chinese consumers turning against American products, backlashes against Japanese and South Korean goods in the past suggest Detroit is vulnerable if the U.S.-China confrontation continues.

"There will definitely be some impact on the Chinese auto market" should the U.S. impose its threatened tariffs, said Xu Haidong, assistant secretary-general

of the manufacturers association. The uncertain outlook means the manufacturers association is sticking to its 2018 growth forecast of 3%, despite stronger-than-expected growth in the first half, Mr. Xu said.

China's auto-parts industry could suffer from the next round of U.S. tariffs, which include a threatened 10% levy on automotive components.

For Ford, trade tensions are escalating just as it seeks to revive its fortunes in the world's largest auto market. Its Lincoln premium brand was the only

bright spot for Ford, with sales rising 4% in the January-to-June period. But those Lincolns are exported from the U.S. and are subject to a 40% tariff after Beijing last week retaliated against new U.S. tariff measures.

Ford and GM build most of their cars for China through joint ventures with domestic partners, avoiding tariffs. Ford exported nearly 65,000 Lincolns to China last year, along with nearly 19,000 Ford models including Explorer SUVs.

—Lin Zhu in Beijing contributed to this article.



DREW ANGERER/GETTY IMAGES

A former companion of her father, Sumner Redstone, sued Shari Redstone, above, and her son.

Shari Redstone Wins Dismissal Of Federal Racketeering Suit

By KEACH HAGEY

The federal racketeering lawsuit that a former companion of Sumner Redstone brought against his daughter, Shari Redstone, and her son was dismissed by a federal judge on Tuesday.

Judge Philip Gutierrez wrote that Manuela Herzer didn't have standing to bring a suit claiming violations of the Racketeer Influenced and Corrupt Organizations Act, a law created to prosecute the mafia.

In the suit filed last October, Ms. Herzer claimed that Ms. Redstone and her son, Tyler Korff, conspired with Mr. Redstone's nurses and staff members to eavesdrop on Ms. Her-

zer and Mr. Redstone's communications with his attorneys, to break into her computer to plant documents and gather information, and to spy on her with security cameras in Mr. Redstone's mansion, among other actions.

She alleged that this was all done "as a direct means of gaining control of his estate plan and his media companies."

Mr. Redstone, 95 years old, is the controlling shareholder of **Viacom Inc.** and **CBS Corp.** through his family's **National Amusements** holding company.

Ms. Herzer, a one-time girlfriend of Mr. Redstone's, lived in his Beverly Hills mansion from 2013 until 2015, when she was thrown out and written out of his estate plan.

Judge Gutierrez also dismissed Ms. Herzer's claim that Ms. Redstone and Mr. Korff had violated the Electronic Communications Privacy Act, though he said on this matter that Ms. Herzer could file an amended complaint.

Ms. Herzer's attorney, Ronald Richards, said this helped make the judge's decision "a great win for Herzer overall."

"The judge recognized that the direct wire-tapping allegations could be plead and that they would survive a legal challenge," he said. "Tyler and Shari are still very much defendants and the case against them is long from over."

Canadian Chain Tim Hortons Expands Overseas

By JAEWON KANG AND DAWN LIM

Tim Hortons, the iconic Canadian coffee chain named after a national hockey star, is headed to China.

The brand's owner has launched a joint venture to establish about 1,500 outlets in China over the next decade. Its first Chinese location could open as soon as next year.

The move is part of a strategy to rejuvenate a business that faces plateauing growth. Tim Hortons is betting that a brand long associated with Canadian national identity can be reinvented for Chinese consumers.

Restaurant Brands International Inc., the conglomerate that owns Tim Hortons as well as the Burger King and Popeyes fast-food brands, is joining with private-equity firm **Cartesian Capital Group** to expand the chain in China.

"We've been flat in sales over the last few quarters in the U.S. and Canada. That's something we're working on," Alex Macedo, the president of Tim Hortons, said in an interview.

"We feel really good about the China opportunity right now."

Tim Hortons's push into China will ratchet up a race by multinational chains to win over coffee drinkers in the world's most populous country.

Starbucks Corp. is already China's largest coffee chain by market share with more than 3,300 locations. Local independent operators also are jumping into the fray.

Tim Hortons's coffee and beverage menu in China will be based largely on its Canadian offerings, whereas the food options will be tailored to local tastes. It isn't clear if the brand's signature sugary doughnuts will be sold in China.

"We need to take the core qualities of the brand and adapt it to a Chinese consumer," said Peter Yu, Cartesian Capital's managing partner.

Cartesian Capital, a \$3 billion New York firm, was part of a joint venture formed in 2012 to ramp up Burger King's presence in China. The number of stores has risen to about 900, from about 60 roughly six years ago, said a person familiar with the matter.

Rising numbers of affluent Chinese customers are willing to spend more for higher quality food and greater convenience, fueling a restaurant boom in the country.

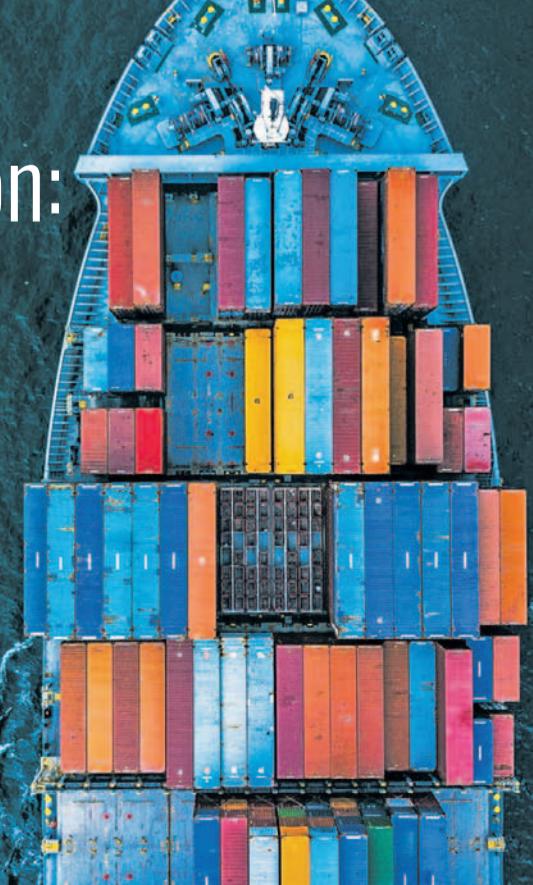
The coffee category is expected to grow at a faster rate than the broader food-service industry in China, said Bain & Co. partner Zhou Hao, who covers consumer and retail mergers and acquisitions at the consulting firm.



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Marianne Rowden, President and CEO of the American Association of Exporters and Importers, will moderate the discussion on July 18 at 2 p.m. EDT with the following panelists:



Rufus Yerxa
President,
National Foreign
Trade Council



Amie Ahanchian
Managing Director,
Trade & Custom Services,
KPMG LLP



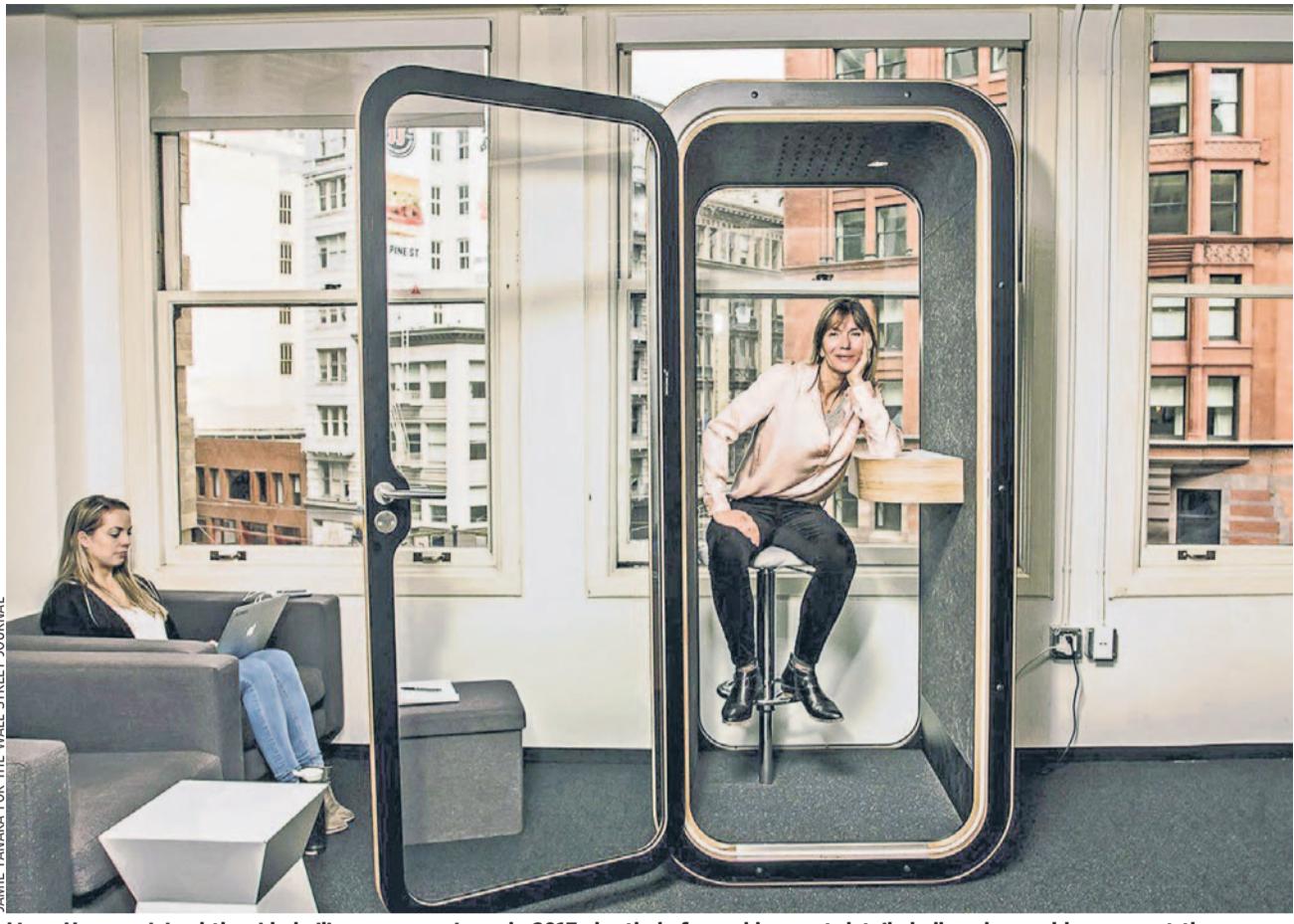
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TECHNOLOGY & MEDIA

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Liane Hornsey joined the ride-hailing company in early 2017 shortly before a blog post detailed alleged sexual harassment there.

Uber HR Chief Exits After Bias Probe

BY GREG BENSINGER

Uber Technologies Inc. pushed out its human-resources chief after an internal investigation into her department's handling of racial-discrimination claims, according to people familiar with the company's actions.

The departure of Liane Hornsey, who joined Uber in early 2017 from SoftBank Group Corp., was announced to staff Tuesday in an email from Uber Chief Executive Dara Khosrowshahi. The email, reviewed by The Wall Street Journal, praised her as "talented, creative and hard-working."

The people familiar with the company's move said Ms. Hornsey resigned under pres-

Test-Driver Jobs Cut in Two Cities

Uber Technologies Inc. is cutting more than 100 test-driver jobs from its autonomous vehicle program in Pittsburgh and San Francisco months after a fatal crash involving one of the robot cars.

sure, following internal reports that she turned a blind eye to charges by anonymous employees of racial discrimination at the ride-hailing firm.

Ms. Hornsey was the subject of a probe by one of Uber's outside law firms into those claims, they said.

Uber on Wednesday said it wants to focus on more highly trained drivers who can man the vehicles on both test tracks and public roads. Uber in May eliminated about 300 similar jobs in Tempe, Ariz.—the site of the crash that killed a pedestrian—and closed its operations there after the governor barred testing the vehicles on public roads.

—Greg Bensinger

Ms. Hornsey didn't respond to requests to comment. Her departure and the investigation leading to it were reported earlier by Reuters.

Ms. Hornsey was hired by Uber co-founder and former CEO Travis Kalanick shortly before an explosive blog post

February 2017 by former Uber software engineer Susan Fowler detailing alleged sexual harassment and discrimination at the Silicon Valley startup.

Ms. Hornsey took a lead on responding to those allegations, and established new anonymous complaint systems. She vowed to increase minority and female hiring.

Uber grappled with nearly a year of scandal and legal headaches, propelled by Ms. Fowler's allegations.

Mr. Kalanick was pushed out in June 2017, partly due to the findings of a report Uber commissioned from former U.S. Attorney General Eric Holder detailing a litany of allegations, which led to 20 firings.

By JONATHAN RANDLES

A judge approved a discounted sale of Harvey Weinstein's bankrupt film-and-television studio to private-equity firm Lantern Capital Partners on Wednesday, allowing it to close a deal that has been pending for more than two months.

Lantern shaved \$21 million from the original \$310 million purchase price for **Weinstein Co.** following a dispute over costs tied to completing the deal and assuming the entertainment company's contracts including participation agreements with actors, writers and producers.

The transaction is anticipated to close Friday.

The revised sale was approved following a settlement over the purchase price between Weinstein Co., Lantern and a committee representing trade creditors and women who have filed lawsuits against the company over alleged misconduct by Mr. Weinstein.

Before the settlement, Lantern and Weinstein Co. had sought to reduce the price by \$23 million.

"It's been a long and, at times, rocky road since we filed these cases...in mid-March," Paul Zumbro, a bankruptcy lawyer representing Weinstein Co., said at a court hearing Wednesday.

Judge Christopher Sontchi of the U.S. Bankruptcy Court in Wilmington, Del., said he would approve the sale at the reduced price.

Weinstein Co. collapsed af-

ter allegations of sexual harassment, assault and rape were published in the New York Times and New Yorker magazine against Mr. Weinstein.

He has pleaded not guilty to criminal charges and denied allegations of nonconsensual sex.

The studio filed for chapter 11 protection with the proposed deal to Lantern in hand.

Judge Mary Walrath approved the original version of that deal in May after Weinstein Co.'s advisers said they were unable to attract better offers for the studio's assets in bankruptcy.

Judge Walrath had previously said she would be traveling overseas during the second week of July.

When the sale to Lantern is completed, Weinstein Co. lawyers will turn to formulating a liquidation plan which would distribute proceeds from the deal and insurance to creditors.

The creditors committee has agreed as part of the settlement with Lantern to work with the studio in formulating a liquidation plan, lawyers said at Wednesday's hearing.

When the settlement with the creditors committee was announced last week, Lantern Co.-Presidents Andy Mitchell and Milos Brajovic said, "This significant milestone is a very productive and positive step, and we are grateful to be part of the solution."

—Peg Bickley contributed to this article

Second Charged In Fitbit Scheme

By AUSTEN HUFFORD

U.S. securities regulators said a second person was involved in a 2016 scheme to file a fake takeover notice to manipulate the share price of **Fitbit Inc.**

The Securities and Exchange Commission said Wednesday it filed civil charges against Mark E. Burns, a 30-year-old resident of Norfolk, Va. He couldn't immediately be reached for comment.

The SEC said Mr. Burns and his colleague Robert W. Murray bought call options on Fitbit stock and then filed a sham notice that a Shanghai-based company intended to launch a bid to take over the fitness-tracker maker. The two then sold their options, generating quick profits, according to the SEC.

Mr. Murray was sentenced in March to two years in prison and ordered to return \$3,914.08 in illegal gains after pleading guilty last year to criminal charges filed in the U.S. District Court in Manhattan.

The Manhattan U.S. attorney's office said Wednesday that it hadn't filed criminal charges against Mr. Burns.

Call options are a type of contract that lets owners buy stock at a specified price at a future date and can be used to bet that a stock will rise in price.

The SEC alleges that in November 2016 Mr. Burns spent \$3,640 to buy call options on Fitbit stock, while Mr. Murray spent \$887. Minutes later, Mr. Burns, Mr. Murray or someone working with them filed the fake Fitbit takeover notice with the SEC, the agency says.

The two then sold their options, with Mr. Murray making \$3,118 in profit and Mr. Burns netting \$13,008.

Later, Fitbit sent out a statement saying it hadn't received a takeover bid.

The SEC is asking for Mr. Burns to pay back the gains in addition to paying a fine.

Facebook Grants Researchers Data Access for Election Study

By DOUGLAS MACMILLAN

Facebook Inc. will give a newly formed group of academics "full access" to data on its 2.2 billion users for the purpose of identifying areas of research about the effects of social media on elections and democracy, the group said Wednesday.

Social Science One, a group formed earlier this year with backing from nonprofits including The John S. and James L. Knight Foundation and The Charles Koch Foundation, said it would start accepting proposals from researchers for funding.

Facebook is participating in the effort as part of what company officials have said is a renewed commitment to transparency and stamping out abuses on the platform.

In making the alliance, Facebook is continuing to work with outside researchers even as it grapples with the fallout from revelations that data-analytics firm **Cambridge Analytica** improperly accessed and retained user data. That data was initially gathered by a psychology professor at the University of Cambridge.

The founders of Social

leaks.

The group says it will remove personally identifying information from any of the data sets it gives to outside researchers and that no data will ever leave Facebook's servers. It will also closely monitor any studies that involve sensitive user information.

But to determine which data sets to release, a half-dozen primary researchers will have broad access to

Facebook continues to grapple with the fallout from Cambridge Analytica

Facebook's proprietary user data, said Gary King, a social-science professor at Harvard University and one of the co-chairs of the research group.

"We would have the same access that employees would have," Mr. King said in an interview.

A Facebook spokesman said the researchers with database access are contractually bound not to disclose any data about the company or its users, and that their

activity will be monitored for potential privacy breaches.

Social Science One plans to make grants to other groups of researchers who request access to select sets of user data from Facebook.

The group's first research project involves combing through one million gigabytes of information about the links users have clicked on over the past year to find patterns about fake news.

Giving researchers access to data raises questions around user privacy, but it also gives the public a valuable glimpse into Facebook's practices, said Eric Goldman, a law professor at Santa Clara University.

"There's no way to really hold internet companies accountable without getting access to their data," Mr. Goldman said.

Social Science One said Facebook wouldn't have the ability to review or reject any studies that result from the researchers' work.

Facebook is still attempting to locate the app developers who had access to large amounts of user data and find out how they used the information between 2007 and 2015, when the company officially cut data access for all apps.

Later, Fitbit sent out a statement saying it hadn't received a takeover bid.

The SEC is asking for Mr. Burns to pay back the gains in addition to paying a fine.

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BANKING & FINANCE

Guggenheim to Buy Millstein Firm

By JUSTIN BAER

Guggenheim Partners has agreed to buy **Millstein & Co.**, the advisory firm led by famed restructuring banker Jim Millstein, people familiar with the matter said.

Mr. Millstein will serve as co-chairman of Guggenheim's securities business with Alan Schwartz, the people said. Mr. Schwartz, the former chief executive of Bear Stearns Cos., has led a push by Guggenheim, a financial conglomerate with interests in asset management and insurance, into investment banking.

First at law firm Cleary, Gottlieb, Steen & Hamilton and later at Lazard Ltd., the in-

vestment bank, Mr. Millstein has played a key role on some of the biggest and most-complicated workouts, bankruptcies and turnarounds, from the Republic of Argentina to WorldCom Inc.

He joined the Treasury Department in 2009 to spearhead the government's crisis-era investment in insurer American International Group Inc. AIG received more than \$132 billion in taxpayer support to avert collapse but has since repaid the U.S.

Mr. Schwartz had been seeking a merger with Mr. Millstein for several years, the people said. The deal's timing was driven in part by a belief shared by executives at both

firms that debt markets may soon face a reckoning, creating a flurry of restructuring activity as the world's economies slow.

Global debt jumped to a record \$247 billion at the end of March, the Institute of International Finance said this week. In the U.S., corporate bonds rated triple-B, the lowest rung above junk, now account for about half of the investment-grade debt market.

Guggenheim's research team has predicted the U.S. economy would slip into recession in early 2020.

Mr. Millstein's firm has about 30 restructuring advisers, and those resources were stretched near their limits

when Millstein & Co. was advising the Commonwealth of Puerto Rico on its debt restructuring, according to one person familiar with the matter. Joining with Guggenheim's 30 restructuring advisers will allow the combined firm to pursue more large and complicated deals at once, the person said, and allow Mr. Millstein to tap the industry-specific expertise of Guggenheim's sector bankers.

Millstein & Co., founded in 2011, has offices in Washington and New York. Its clients have included Caesars Entertainment's operating unit, which filed for bankruptcy protection in 2015, and US Airways Group Inc. in its bid to

acquire American Airlines's parent company as it worked through bankruptcy proceedings.

Financial terms of the agreement couldn't be learned, and a final deal could still fall apart.

Guggenheim has more than \$305 billion in assets and ambitious plans for both its asset-management arm and an upstart investment bank. Led by Guggenheim investment chief Scott Minerd, the money-management arm oversees \$250 billion of that total—up from just \$35 billion a decade ago.

Mr. Schwartz will also remain executive chairman of Guggenheim Partners.

Morgan Stanley Executive Departs

By LIZ HOFFMAN

A **Morgan Stanley** executive overseeing brokers who catered to celebrities left the firm this week after several employees claimed harassment at branches he managed in Los Angeles.

A spokesman for the firm confirmed the departure of Robert Perry, who had been at Morgan Stanley's brokerage and a predecessor firm since 1993.

Mr. Perry ran four brokerage branches in Los Angeles that are among Morgan Stanley's most lucrative, overseeing more than 125 brokers whose clients have included Elon Musk and pop star Katy Perry, according to people familiar with the matter.

Mr. Perry couldn't be reached for comment.

At least four women have filed lawsuits or engaged in private-arbitration proceedings over the past year and a half claiming sexual harassment, workplace hostilities and poor management at branches Mr. Perry oversaw, according to court records and people familiar with the matter. The suits say the firm ignored problems and, in some cases, transferred affected employees to other offices.

Mr. Perry isn't accused of harassment himself. He left the firm after an investigation by Morgan Stanley into his behavior and management style, according to people familiar with the matter.

Mr. Perry is named as a defendant in one employee lawsuit, from 2017, that says he failed to investigate when a trainee told him that a broker she had been involved in a relationship with cut off her access to client files.

Mr. Perry took a leave of absence from the firm earlier this year and later returned, people familiar with the matter said.

Morgan Stanley has 600 brokerage branches around the country and they produce about 45% of the firm's revenue. Wealth management is the centerpiece of Chief Executive James Gorman's turnaround plan for the firm, an effort that has revived Morgan Stanley's fortunes.

In one Los Angeles branch overseen by Mr. Perry, a Morgan Stanley employee had a glass of water poured on her head by a broker in full view of the office, according to a court filing from another employee.

An employee, Ivy Xiao, said in a separate lawsuit that one of her managers put his hand under her skirt and another asked her to send him explicit pictures. When she refused, he took her off client accounts they shared, she said; she was later transferred to another Morgan Stanley office.

Puerto Rico Utility CEO Quits Over Pay Flap

By ANDREW SCURRIA

The chief executive of Puerto Rico's bankrupt electric power monopoly has resigned after less than four months on the job, a disruption to the utility's leadership as it struggles to rebuild a shaky power grid and tackle a \$9 billion debt load.

Walter Higgins, who was appointed in March to lead the Puerto Rico Electric Power Authority, known as Prepa, resigned effective July 14, citing personal reasons and pushback from politicians about his compensation, according to people familiar with the matter.

His resignation creates more uncertainty around Prepa's strategy for overhauling the U.S. territory's indebted, hurricane-damaged power system. Gov. Ricardo Rosselló and Puerto Rico's fed-

eral financial supervisors have said they want parts of the utility privatized to end its monopoly structure and to lower costs for consumers.

Mr. Higgins will remain on Prepa's board while current board member and former General Electric Co. executive Rafael Diaz-Granados assumes the CEO role, a Prepa spokesman said Wednesday.

Mr. Higgins, the former CEO of Bermuda-based Ascendant Group Ltd., was hired at a \$450,000 salary with the potential to earn double that amount if he met certain performance benchmarks, a compensation package that was criticized by some Puerto Rico officials.

In an email to Prepa employees reviewed by The Wall Street Journal, Mr. Higgins said "the politics related to my compensation" had made it impossible for his employment



Prepa has come under intense criticism for its disaster-response after Hurricane Maria struck last year.

day.

The resignation comes at a critical time for Prepa, one of the largest and most troubled U.S. utilities. Prepa's generation plants and distribution lines were dilapidated after years of inadequate maintenance when Hurricane Maria struck Puerto Rico last year, knocking out power for millions of customers.

Prepa has come under intense criticism for its disaster-response, particularly its decision to hire private contractors instead of relying on crews from other mainland U.S. utilities.

The rickety grid and outdated power plants have made the reconstruction process costly and tedious.

Hundreds of customers in Puerto Rico's mountainous regions still haven't had service restored with another hurricane season having arrived.

contract to be honored.

Lawmakers had moved in recent weeks to scale back his compensation while Puerto Rico's Secretary of Justice questioned if certain bonus payments were legal.

Mr. Higgins couldn't be reached for comment.

Prepa's spokesman said Mr. Diaz-Granados would be paid a \$750,000 salary as CEO, a figure that also sparked an outcry from lawmakers Wednes-

CME, Cheniere Start LNG Measure

CME Group Inc. said that it is launching a liquefied-natural-gas futures contract, as industry participants continue their efforts to revolutionize this market by providing a global benchmark to help price and trade the commodity.

Intercontinental Exchange Inc. and S&P Global Platts in May launched a futures contract based on U.S. LNG exports.

The two attempts come as increasing shipments of LNG from the U.S. and elsewhere have helped create a spot, or short-term, market.

A widely used futures contract could help integrate regional markets and become a benchmark like Brent and West Texas Intermediate. That will make it easier to price LNG, while offering investors a vehicle to speculate on its price. The CME is launching its product with Houston-based **Cheniere Energy** Inc.

—Alistair MacDonald



LINDSEY JANES/BLOOMBERG NEWS

does not harm the very investors and issuers that it seeks to serve."

Apache submitted its letter on June 7, well after four of its five top shareholders had expressed support for the program. Those holders—**BlackRock Inc.**, **Davis Selected Advisers**, **State Street Corp.** and **Vanguard Group**—together hold nearly one-quarter of Apache's shares.

An Apache official declined to say whether the company had spoken with its shareholders about the program.

At Halliburton, its five largest investors, holding about 27% of its shares, wrote letters supporting the pilot. A Halliburton spokesman didn't respond to a request for comment about whether it had talked with

shareholders.

Home Depot's top three shareholders holding nearly 19% of its shares, said they favor the pilot. Isabel Janci, Home Depot's investor-relations chief, wrote the company's letter criticizing the SEC's proposal. She is a former senior director of investor relations at **Intercontinental Exchange** Inc., which owns the NYSE.

A spokesman for Ms. Janci said her previous role "gives her a unique and well-qualified understanding of how this all works." In an interview, Ms. Janci said she hadn't yet spoken with the shareholders about the SEC pilot. "Because of the complexity of the market and solutions that are proposed I wouldn't say we are diametrically opposed to our

investors," she said. "We all agree that market structure reform is needed."

Janet McGinness, corporate secretary at Mastercard, also wrote in opposition to the transaction pilot. The company's two top outside shareholders are BlackRock and Vanguard, holding 12.5% of Mastercard's stock.

Ms. McGinness was corporate secretary and general counsel at the NYSE from 2006 to 2014 according to her LinkedIn profile. A spokesman for Ms. McGinness declined to say whether that association shaped her opposition to the SEC pilot.

The SEC issued the proposal in March, saying the results of the two-year pilot would "facilitate a data-driven evaluation of the need for regulatory action in this area." The commission asked market participants for their views. As of early July, the SEC had received more than 100 comment letters.

Institutional investors overseeing more than \$8 trillion in assets have written in support of the pilot. They include BlackRock, **Fidelity Investments** Inc., State Street and Vanguard, and public pensions such as the California Public Employees' Retirement System and the State of Wisconsin Investment Board. **Citigroup** Inc. also backs it.

Singapore: Hong Kong Rebuffed 1MDB Arrest

By P.R. VENKAT

SINGAPORE—Singapore police said they asked Hong Kong two years ago to arrest Jho Low, the alleged mastermind of the multibillion-dollar corruption scandal at Malaysian investment fund 1MDB, but were turned down.

The statement didn't explain why Singapore thought Mr. Low was in Hong Kong at the time or why its request was turned down.

Hong Kong's Department of Justice and police declined to comment.

Singapore is investigating whether money allegedly stolen from the fund was laundered through its banking system. Its police said Mr. Low remains "a key person of interest" and that they continue to seek his arrest.

Mr. Low, a Malaysian financier close to that country's former prime minister, Najib Razak, has previously denied wrongdoing. He didn't respond to a request for comment.

The government of Prime Minister Mahathir Mohamad, who took office earlier this year, has kick-started probes into the matter, including arresting Mr. Najib and renewing efforts to

find Mr. Low.

The U.S., Switzerland and Singapore are looking into allegations that billions of dollars were stolen from 1MDB and moved illegally through global banks. U.S. investigators suspect at least \$4.5 billion was siphoned from 1MDB's accounts and used to buy mansions, a yacht and to fund a Hollywood production company. U.S. Justice Department lawsuits allege Mr. Low was the ringleader of the purported theft.

Singapore police said Wednesday they issued an arrest warrant in April 2016 for Mr. Low on charges of money laundering and receiving stolen property. They said they asked Hong Kong to carry it out.

"Singapore's request was declined by the Hong Kong authorities," a spokesman for Singapore police said.

Malaysia's new government arrested Mr. Najib and charged him with breach of trust and abusing his position in connection with the case. Mr. Najib has pleaded not guilty.

—Gaurav Raghuvanshi, Natasha Khan and Chester Yung contributed to this article.

Opposing Views

Some companies and their large investors differ on a Securities and Exchange Commission proposal to assess trading fees.

Some of the companies that oppose the plan and the stakes in those firms of large investors who support it:

| | |
|-------------|-------|
| Halliburton | 27.1% |
| Apache | 24.5 |
| Home Depot | 18.6 |
| Mastercard | 12.5 |

Source: SEC filings

THE WALL STREET JOURNAL

MARKETS & FINANCE

Average Gasoline Price Nears \$3 a Gallon

Drivers in May paid the most since 2014, increasing worries on economic growth

BY STEPHANIE YANG

The highest retail gasoline prices in years are the latest development to raise concerns about one of the longest-running U.S. economic expansions on record.

DRIVERS across the U.S. in May paid as

much as \$2.96 a gallon on average, the most since 2014. Prices climbed to \$3.63 in California and \$3.39 in Washington, states where prices tend to be higher because of factors such as higher taxes, environmental regulations and a lack of pipelines that transport oil west. As of Monday, the national average was \$2.86 a gallon.

With wages in the U.S. climbing, Americans have so far been able to weather the higher prices. But analysts say that if average gas prices hit \$3.50 or even \$4 a gallon as global oil prices rise, that could dent growth by eating into disposable income and spending.

Some analysts say the recent run-up hasn't pinched Americans too much. Drivers aren't yet reshuffling plans or changing their habits.

But U.S. airlines have already increased ticket prices,

and over time higher energy and manufacturing costs can eat into company profits, slowing hiring. Industrial giant 3M Co. and appliance maker Whirlpool Corp. are among those that have cited higher material costs as challenges. Despite improved incomes, consumers boosted spending only modestly in May, under-shooting expectations.

The U.S. economy has entered its 10th year of expansion, one of the longest on record, but a Wall Street Journal survey shows that a majority of economists think a recession could come in 2020. Rising energy prices can also feed into inflation, which could prompt the Federal Reserve to raise interest rates more aggressively.

Inflation data for June are due Thursday morning. The consumer-price index reflects costs of everything Americans pay for, including gasoline.

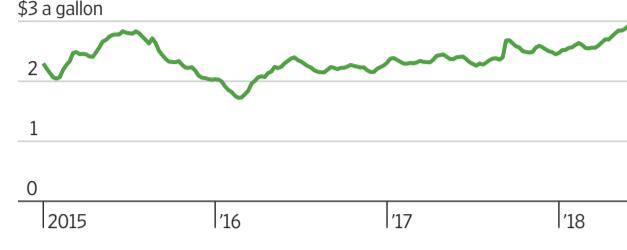
"People are on the lookout for a downturn," said Joseph LaVorgna, chief economist for the Americas at Natixis. "Tight monetary policy combined with rising energy costs is typically not a good development for U.S. households."

While the stock market and employment trends remain strong, threats loom with the U.S.-China trade dispute. On Friday, both countries slapped levies of \$34 billion on each others' exports. Late Tuesday, the White House said tariffs are planned on an additional \$200 billion in Chinese goods.

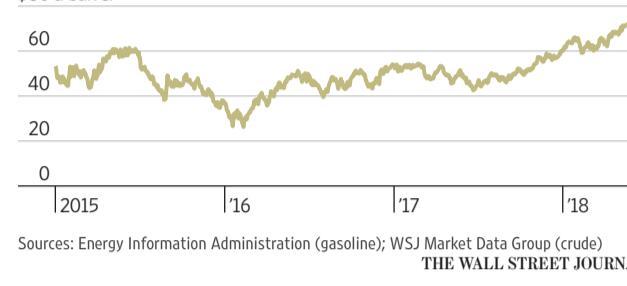
Pumped Up

The crude-oil rally has driven gasoline prices to their highest level in years.

U.S. average gasoline price, weekly



U.S. crude-oil futures, front-month contract



Sources: Energy Information Administration (gasoline); WSJ Market Data Group (crude)

THE WALL STREET JOURNAL.

Crude Tumbles 5% On Libya's Plans

U.S. crude had its worst day in a year despite a larger-than-expected weekly drop in inventories after Libya indicated it would resume export activities at its eastern ports, potentially easing fears of a global supply shortage.

Light, sweet crude for August delivery fell \$3.73, or 5%, to \$70.38 a barrel on the New York Mercantile Exchange, its largest one-day percentage drop since June 2017 after it rose in eight of the 10 sessions entering Wednesday.

Brent crude, the global benchmark, dropped \$5.46, or 6.9%, to \$73.40, its worst day since February 2016.

Libya's state-run National Oil Corp. lifted force majeure on eastern oil ports Wednesday af-

ter the ports were handed back from an armed faction, paving the way for a resumption of full production. Analysts estimate that could add hundreds of thousands of barrels of oil a day to the market.

"We were ripe for a correction—here it is," said John Saucier, vice president of research and analysis at Mobiust Risk Group in Houston. "I really think this is your classic long liquidation technical sell-off."

Oil prices extended their losses even after U.S. stockpile data showed inventories fell 12.6 million barrels last week, a much larger drop than analysts had expected.

Traders were also weighing news that Saudi Arabia told the Organization of the Petroleum Exporting Countries on Wednesday that its oil production rose last month.

—Amrit Ramkumar and Sarah McFarlane

Cullagh, an analyst at Energy Aspects. "Ultimately, the price of crude isn't playing ball at the moment," he said.

Average gas prices are still below their peak of \$4.11 in 2008, when prices eventually topped \$5 a gallon in parts of the country, expediting an economic downturn. Gasoline again reached the \$3.50 to \$4 range between 2011 and early 2014. But then, growth in the economy was robust, helping drivers pay more at the pump.

Stocks Fall as Tension Builds and Oil Slides

BY BEN ST. CLAIR AND DANIELLE CHEMTOB

U.S. stocks slumped as concerns over escalating trade tensions and falling oil prices outweighed optimism about the coming earnings season.

The Trump administration said late

WEDNESDAY'S MARKETS

Tuesday it would assess 10%

tariffs on

an additional \$200 billion in Chinese goods. The tariffs, which wouldn't come into effect for at least two months, cover a variety of Chinese products, including consumer goods.

China called the move "totally unacceptable" in a statement attributed to an unnamed ministry spokesman and vowed to roll out unspecified countermeasures.

The Dow Jones Industrial Average lost 219.21 points, or 0.9%, to 24700.45. The S&P 500 declined 19.82 points, or 0.7%, to 2774.02 and the technology-heavy Nasdaq Composite dropped 42.59 points, or 0.5%, to 7716.61. The indexes snapped a four-session winning streak but remain modestly higher for the week.

"Every time a trade headline comes out, it seems to suck the oxygen away from everything else the market is paying attention to," said Jeff Mills, co-chief investment strategist for PNC Financial Services Group.

The energy sector in the S&P 500 fell 2.1% as oil prices suffered their steepest decline in more than a year. U.S. crude dropped 5% to \$70.38 a barrel after Libya indicated it would resume export activities at its eastern ports. Shares of Exxon Mobil slipped \$1.07, or 1.3% to \$82.59, and Chevron dropped 4.07, or 3.2% to 123.52.

Despite the sharp declines, many investors remain bullish

on the energy sector, which has seen the largest increase in earnings estimates for the second quarter, according to FactSet.

"If oil can stay in range of high \$60s to mid \$70s, it's kind of a sweet spot for the economy in general," Mr. Mills said.

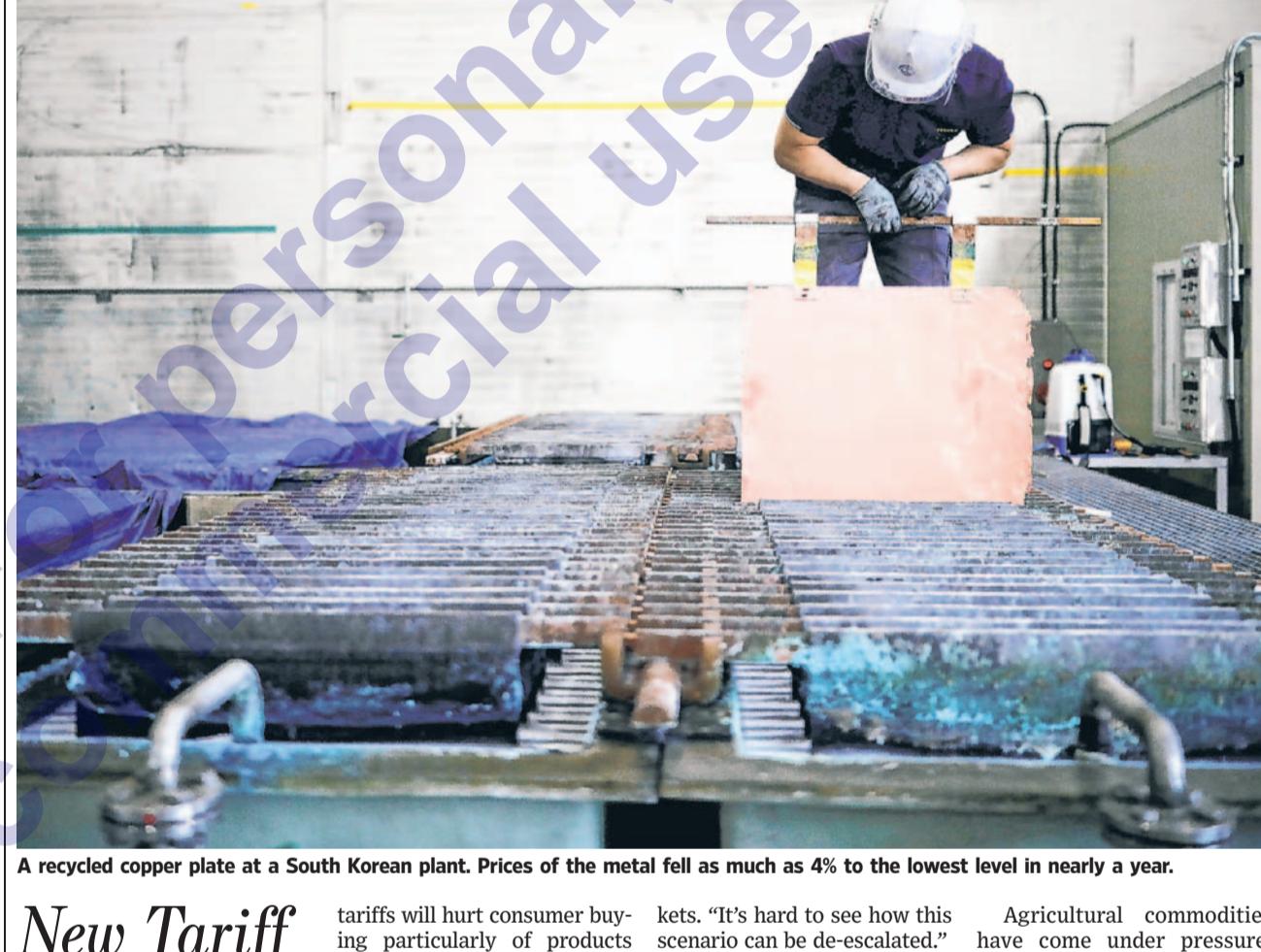
Commodities prices also were pressured by a strengthening dollar; the WSJ Dollar Index, which measures the U.S. currency against 16 others, added 0.8%.

Copper futures declined 3.4% to around one-year lows. The metal, which is seen by many analysts as a barometer for global economic health, has been hit especially hard amid the growing trade worries.

Ten of the 11 sectors in the S&P 500 ended lower, with materials and industrials stocks the biggest decliners after energy shares. Those sectors declined 1.7% and 1.6%, respectively. The utilities sector, which is considered a defensive play because of its hefty dividend payments, was the only group trading higher, with a gain of 0.9%.

Caterpillar was among the biggest losers in the Dow, falling 4.49, or 3.2%, to 136.76. The heavy-equipment manufacturer has said tariffs would increase its material costs.

U.S. stocks have generally been more resilient to the trade tensions than their Chinese peers. In the past, they have rebounded relatively quickly from trade-related pullbacks, partly because the fallout on corporate earnings is expected to be fairly limited. The Shanghai Composite, meanwhile, has declined 16% this year, versus a 3.8% gain for the S&P 500, and the Chinese benchmark slumped 1.8% on Wednesday but was up 0.7% early Thursday, when Japan's Nikkei was also up 0.7%.



A recycled copper plate at a South Korean plant. Prices of the metal fell as much as 4% to the lowest level in nearly a year.

New Tariff Threats Hit Metals

Continued from page B1

world tumbling in late 2015 and early 2016, with copper slumping below \$2 a pound. On Wednesday, copper traded below \$2.75 for the first time in nearly a year.

Some analysts expect China to suffer more than the U.S. if the trade fight escalates. Recent data showing weakness in the nation's economy have added to these worries: Growth in China's manufacturing sector slowed in June from the previous month.

Analysts are concerned that

tariffs will hurt consumer buying particularly of products where heavy metals are a major ingredient, such as cars and air conditioners.

Air conditioners are a real growth area for the Chinese copper market," said Oliver Nugent, a commodities strategist at ING. They "account for about 25% of demand in the country."

China has also become a major trading hub for metals, with traders saying that activity there can dictate investor sentiment later in the day in London and the U.S. Lately, selling by Chinese traders has pushed others to also head for the exits.

"We've seen [the Shanghai Futures Exchange] selling in free fall, and that's spilled over into [London Metal Exchange] futures," said Kash Kamal, an associate at BMO Capital Mar-

kets. "It's hard to see how this scenario can be de-escalated."

Some analysts think the metals market could rebound if Chinese economic data improve and compromises on trade calm investors. Copper and other metals also struggled for momentum last summer before surging in the fall alongside other risky assets.

In one potentially optimistic sign, speculators have eased off copper. Hedge funds and other speculative investors have cut net bets on higher copper prices for three straight weeks, leaving the market in a less vulnerable state, Commodity Futures Trading Commission data show.

One worry is that the rout could spread to bigger commodities markets like oil. Some investors trade resources such as oil and copper in a single basket.

Agricultural commodities have come under pressure, with some such as soybeans already directly affected by the tariffs between Washington and Beijing. Other soft commodities like coffee and sugar have also slid.

The rising dollar adds another alarming sign for commodities investors. Economic momentum has shifted to the U.S., sending the dollar to its highest level in a year. A stronger dollar makes commodities more expensive for overseas buyers. On Wednesday, the WSJ Dollar Index added 0.8%.

"You've got a lot of selling pressure building on itself," said Darius Tabatabai, a portfolio manager at Arion Investment Management. "When we get a move like this, it can accelerate in the short term."

Treasurys Climb as Trade Concerns Brew

BY AKANE OTANI

U.S. Treasury prices rose Wednesday as fresh proposals for tariffs by the U.S. stoked fears that a global trade rift could be worsening.

The yield on the benchmark 10-year U.S. Treasury note settled at 2.844%, compared with 2.873% Tuesday.

Yields, which fall as bond prices rise, slipped overnight after the White House said it was looking at assessing 10% tariffs on an additional \$200 billion in Chinese goods—spur-

ring Beijing to say it would retaliate with more tariffs of its own. The latest steps by the U.S. and China pressured global stocks while driving up demand for U.S. Treasurys, which tend to do well when investors feel shaky about the economic outlook.

The yield on the 10-year Treasury note pared its fall after Labor Department data showed producer prices rising more than expected, suggesting inflation could be firming.

The producer-price index, which measures prices that businesses receive for their goods and services, rose a seasonally adjusted 0.3% in June from May—more than the 0.2% that economists surveyed by The Wall Street Journal had expected. Wednesday's PPI data, coming a day before the scheduled release of June data on consumer prices, put pressure on Treasurys, whose fixed payments carry less purchasing power when inflation rises.

With headline and core inflation expected to accelerate,

GAM Investments.

The yield on the 10-year Treasury note had risen in three of the past four trading sessions.

AUCTION RESULTS

Here are the results of Wednesday's Treasury auction. All bids are awarded at a single price at the market-clearing yield. Rates are determined by the difference between that price and the face value.

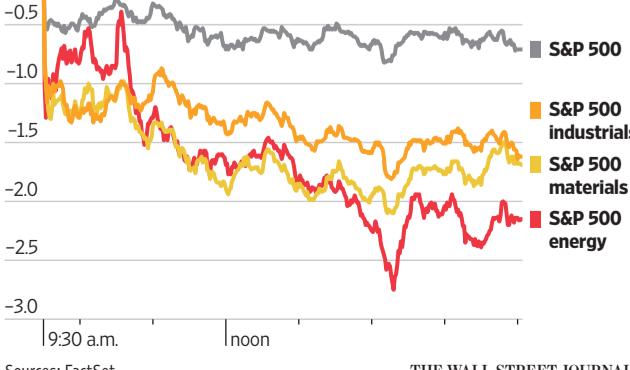
NINE-YEAR, 10-MONTH NOTES

Applications \$56,551,296,200
Accepted bids \$22,085,574,700
"noncompetitively" \$6,786,600
"Foreign noncompetitively" \$0
Auction price (rate) 100.131750 (2.85%)

Bids at clearing yield accepted 2.875%
Cusip number 142728N7
The notes, dated July 16, 2018, mature on May 15, 2028.

Renewed Jitters

Energy, materials and industrials shares were the biggest decliners in the S&P 500 Wednesday after the Trump administration said it would assess tariffs on a further \$200 billion in Chinese goods.



Sources: FactSet

THE WALL STREET JOURNAL.

MARKETS

Banks Face High Bar to Lure Investors

Strong earnings are expected, but shares may need more than that to halt slump

By RACHEL LOUISE ENSIGN

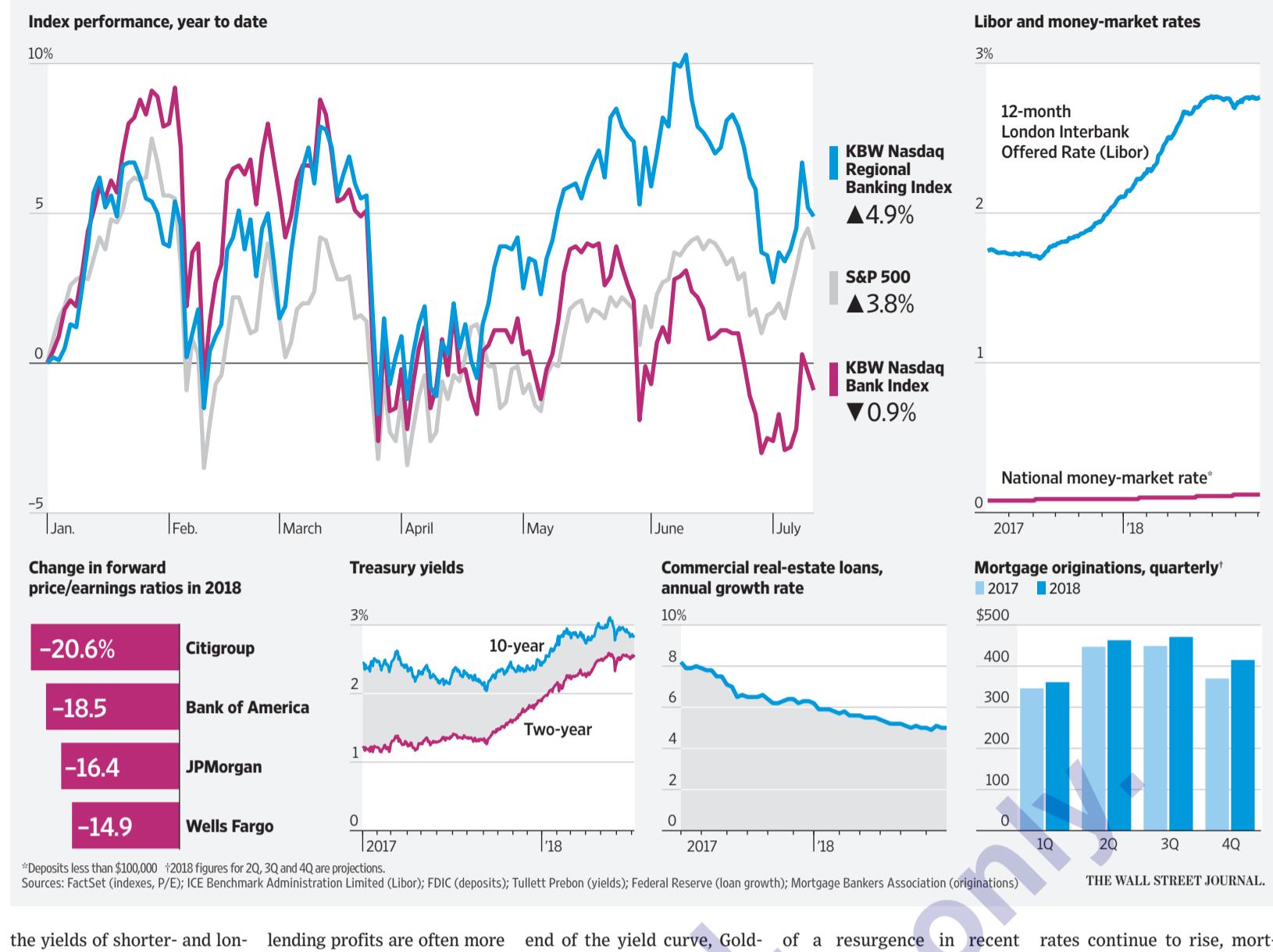
Big banks are expected to report another quarter of strong profits starting Friday. But that might not be enough to get skittish investors interested in bank stocks again.

A broad index of big bank stocks is roughly flat since the start of the year, lagging behind the 3.8% gain of the S&P 500. Shares of major lenders including **Bank of America Corp.**, **Wells Fargo & Co.** and **Citigroup Inc.** have performed even worse and are in the red for 2018. That marks a big shift in sentiment from the period between the 2016 presidential election and the end of 2017, when the KBW Nasdaq Bank index rose 42%, outpacing the broader market.

Smaller bank stocks have done somewhat better in 2018, lifted by the prospect of mergers in this part of the market where buyers pay a premium, according to Keefe, Bruyette & Woods Inc. analyst Christopher McGratty.

Since earnings are projected to be higher than in years past, while share prices have stayed flat or declined, the big four U.S. banks now trade at lower price/earnings valuations. "Sentiment doesn't seem too positive," Bernstein analyst John McDonald wrote this week, citing investor concerns that the end of the economic expansion is near and bank earnings are peaking. Still, he wrote, it is likely "the good times could also continue for a while."

Investors have grown wary of bank stocks, analysts say, because of a bond-market development known as the flattening of the yield curve: a narrowing of the difference in



*Deposits less than \$100,000 †2018 figures for 2Q, 3Q and 4Q are projections.

Sources: FactSet (indexes, P/E); ICE Benchmark Administration Limited (Libor); FDIC (deposits); Tullett Prebon (yields); Federal Reserve (loan growth); Mortgage Bankers Association (originations)

the yields of shorter- and longer-term Treasurys.

A flatter yield curve can be bad for banks because they earn less on loans and securities tied to longer-term Treasurys. The narrowing also potentially signals problems ahead for the economy.

But some analysts think worries about the yield curve and the subsequent retreat from bank stocks is overblown. That is because bank

lending profits are often more closely tied to differences in measures of short-term rates rather than short- and long-term ones. For example, many loans to businesses are pegged to the London interbank offered rate, or Libor. That metric has risen far more than the amount banks are paying to money-market depositors, boosting lending profits.

Roughly two-thirds of bank exposures price off the short

end of the yield curve, Goldman Sachs Group Inc. analysts noted in a report this week. Because of this, they added, worries about the flattening yield curve are "largely overstated for bank earnings."

Meanwhile, broader loan growth, a major factor in profitability, has started ticking back up after a long decline that began in 2016.

Especially important, business lending has shown signs

of a resurgence in recent months after a two-year slowdown in growth.

A catch is that commercial real-estate lending growth, which many banks relied on as a major source of new loans, has continued to decline. Bank executives have warned of potential credit issues in this area for years, but those have yet to materialize.

Additionally, mortgages remain a concern. As interest rates continue to rise, mortgage originations are expected to fall due to a sharp drop-off in refinancing activity. That is expected to hit lending growth as well as noninterest income.

Despite such concerns, most analysts are fairly upbeat about banks' coming earnings reports. They expect firms to at least meet market expectations, which could bolster share prices that have been pricing in a more dire outlook.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

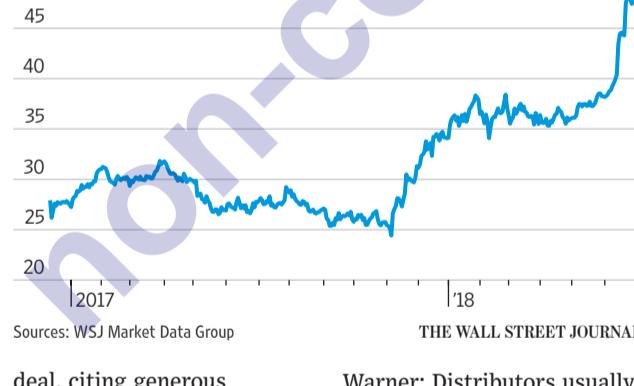
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Disney, Comcast Raise the Stakes

Sky High

Fox share price since its initial bid to acquire Sky



deal, citing generous valuation multiples. Fox's bid equates to roughly 14 times Sky's 2017 earnings before interest, taxes, depreciation and amortization. That compares with 13 times historic Ebitda for AT&T's acquisition of Time Warner, according to FactSet. Even this is arguably a flattering comparison for Sky, which is more a distributor than a creator of content like Time

Warner: Distributors usually fetch lower valuations.

Comcast has been exploring tie-ups with strategic investors that could boost its firepower. This week the world's media moguls gather for the annual Allen & Co. conference in Sun Valley, Idaho, which could give Comcast boss Brian Roberts further opportunities to make his pitch.

Legal technicalities have also buoyed Sky shares in recent weeks, but Fox seems to have negotiated these into the background. As the deal is currently structured, Fox won't be able to use its Sky shares to vote on the takeover.

However, Sky has now agreed that Fox can change the structure in a way that allows it to use its shares. This takes negotiating leverage away from hedge funds like Elliott Management, which are among Sky's key independent shareholders. The fresh bid may also satisfy the U.K. takeover regulator, which was under pressure from the same hedge funds to rule that Fox had to boost its offer for Sky.

Buying Sky shares used to look like a no-lose bet. Now it is hard to argue how much higher they can go after Comcast's bid.

It has been a sweet ride for Sky investors. It's time to cash in.

—Stephen Wilmot

OVERHEARD

Is this the final straw?

Actually, no. Despite headlines from Starbucks that it will be phasing out plastic straws by 2020 and pledges from others such as Hyatt Hotels, disposable packaging isn't disappearing.

The international campaign to ban plastic straws with the rallying cry #stopssucking is making headway, but one of the biggest straw manufacturers is doing just fine. Shares of Chinese plastic cutlery and straw maker Fuling Global are up 7.1% in the past year. Fuling says it supplies five billion straws a year to U.S. consumers.

Getting around polluting straws may mean manufacturing more expensive ones made from biodegradable materials or creating more complicated new receptacles, possibly resembling sippy cups. That would mean more profits for Fuling. The company, which opened a big plant in Pennsylvania two years ago, will only be pleased to oblige American suckers.

Founder Is Liability at Papa John's

Any way you slice it, "Papa" John Schnatter has become a major liability for his eponymous pizza chain.

Although he stepped down as chief executive at the end of 2017 following an acrimonious few months with the National Football League, of which Papa John's was then the official pizza sponsor, he remained closely associated with the brand, appearing in commercials and on the packaging.

A report in Forbes on Wednesday that Mr. Schnatter used a racial slur and violent imagery on a May conference call with a marketing agency sent the chain's shares further into the red, and on Wednesday night the company said he had resigned as chairman.

Domino's chief Patrick Doyle stepped down last month under far different circumstances. An investor would have made 24 times his or her money since Mr. Doyle took over in 2010. In their most recent quarters, Domino's had same-store sales growth of 8.3% while Papa John's logged a decline of 5.3%.

The divergence between the two chains is about a lot more than bad public relations. Domino's has invested in technology such as mobile ordering and in improving taste while often offering customers better value. Yum Brands' Pizza Hut, which took over the NFL contract and posted a 1% rise in same-store sales in its most recent quarter, also is investing heavily in technology.

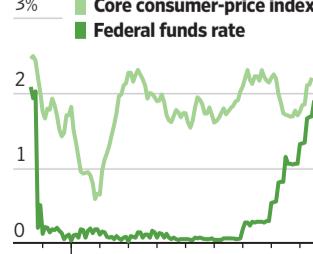
The pizza wars involve as much momentum and strategy as any gridiron contest. Mr. Schnatter's nearly 30% stake complicates things, but his repeated fumbles should mean he stays on the sidelines permanently.

—Spencer Jakab

Trade Fight's End Depends on Economies, Not Politicians

Rising Pressure

U.S. policy rate vs. year-over-year change in inflation



turns negative, it signals a recession is near, often because the Fed has had to raise rates sharply to control

inflation.

The U.S. is already running out of things to put tariffs on that won't push consumer prices higher. This time, goods such as apparel, furniture and television components are in the crosshairs. U.S. wages, a reliable leading indicator of future inflation, already are rising. Average weekly earnings in the private sector rose nearly 3% year-over-year in June on a six-month moving average basis, their fastest pace since 2011. If past relationships hold, that means core inflation could be rising by 2.5% a year by mid-2019, even without an escalating trade war.

If inflation does slip the leash—right around the time

President Donald Trump is seeking re-election—price-boosting conflicts with the U.S.'s largest trading partner might start to look less wise, particularly if oil prices also remain high.

China has the opposite set of problems. Inflation remains in check, but growth is looking vulnerable. Investment rose just 6.1% on the year in the first five months of 2018, the worst showing this millennium. A crackdown on shadow banking has starved vulnerable companies of cash. And exports are slowing, even before tariffs hit.

If growth keeps heading lower, China may have to unleash another significant do-

mestic stimulus, spelling the end of President Xi Jinping's deleveraging drive—a politically disastrous outcome. China might be more willing to offer real concessions on trade sooner to head off that possibility.

For now, neither economy is in the danger zone, meaning the escalation of trade tensions will likely continue in the short term.

The climate, though, is poised to change in both economies, whether or not Messrs. Trump and Xi know it. Whichever country finds the temperature getting unbearable first will likely be the first to crack in a trade war.

—Nathaniel Taplin