

THE WALL STREET JOURNAL.

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Last week: DJIA 24271.41 ▼ 309.48 1.3% NASDAQ 7510.30 ▼ 2.4% STOXX 600 379.93 ▼ 1.3% 10-YR. TREASURY ▲ 15/32, yield 2.847% OIL \$74.15 ▲ \$5.57 EURO \$1.1683 YEN 110.71

What's News

Business & Finance

Facebook disclosed it gave companies special access to user data, in contrast with previous public statements about when it curbed outsiders' access to personal information. **A1**

◆ Dell is nearing a deal involving a share swap that would once again make the PC and data-storage giant a public company. **B1**

◆ The WSJ Dollar Index rose 5.1% in the second quarter and many observers think the rally will continue into the second half. **B1**

◆ Insurers and reinsurers weathered a costly 2017, emerging with bigger capital cushions as they head into this year's storm season. **B1**

◆ The diverging fortunes of two small steel companies show how trade conflicts are rippling through the U.S. economy. **B1**

◆ Businesses panned California's new consumer-privacy legislation, saying it threatened a wide spectrum of activity. **B5**

◆ Amazon's acquisition of PillPack puts the online giant into the highly regulated realm of health-data collection and protection. **B3**

◆ Tesla built its 5,000th Model 3 sedan, hitting a long-delayed goal of interest to investors. **B2**

◆ Target plans to add cash-recycling machines to stores, boosting automation. **B4**

World-Wide

◆ North Korea is completing a major expansion of an important missile-manufacturing plant, according to researchers who have examined new satellite imagery of the site. **A1**

◆ Trump said he sees his threat to impose auto tariffs as his biggest weapon to extract concessions from trading partners. **A1**

◆ Leftist López Obrador won Mexico's presidential race on Sunday, moving the country's politics to the left. **A6**

◆ The U.S. economy completed one of its strongest quarters of this expansion, while the rest of the world appeared to stumble. **A2**

◆ Trump said the legality of abortion could be decided by the states after the appointment of a new Supreme Court justice. **A4**

◆ Germany's interior minister told leaders of his party he was willing to resign over his immigration showdown with Merkel. **A6**

◆ Iran's political leadership is facing more unrest as it comes pressure from a U.S. effort to cut off the country's oil sales. **A7**

◆ At least nine Americans have been evacuated from China after complaining of abnormal aural sensations. **A7**

◆ Former national security adviser McMaster is joining a Stanford University think tank. **A4**

JOURNAL REPORT

M&A on pace for record year

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Leftist Wins Mexico's Presidential Race With Promise of Change



FRESH CAMPAIGN: Mexican President-elect Andrés Manuel López Obrador greeted supporters after winning a decisive majority in the race on Sunday. The former mayor of Mexico City ran on a campaign to upend the country's corrupt status quo. **A6**

Facebook Details Data Sharing

Company discloses more firms than previously known got special access

By GEORGIA WELLS

Facebook Inc. disclosed it gave dozens of companies special access to user data, detailing for the first time a spate of deals that contrasted with the social network's previous public statements that it restricted personal information to outsiders in 2015.

The deals with app develop-

ers, device and software makers—described in a 747 page document released to Congress late on Friday—represent Facebook's most granular explanation of exemptions that previously had been revealed by The Wall Street Journal and other news organizations.

The disclosure comes as lawmakers have demanded accountability at Facebook for allowing companies access to data on its billions of users without their knowledge, and questioned how far the universe of firms extends.

Facebook said in the disclosure that the special deals

were required to give app developers time to become compliant with changes in its policies, and to enable device and software makers to create versions of the social network for their products.

The company disclosed it was still sharing information of users' friends, such as name, gender, birth date, current city or hometown, photos and page likes, with 61 app developers nearly six months after it said it stopped access to this data in 2015.

Facebook said it gave the 61 firms—which ranged from the dating app Hinge to shipping

giant United Parcel Service Inc.—a six-month extension for them to "come into compliance" with the 2015 policy.

In addition, five other companies "theoretically could have accessed limited friends' data" because of access they received as part of a Facebook experiment, the company said in the document.

Ime Archibong, Facebook's vice president of product part-

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◆ Amazon delves into health data..... **B3**

◆ Businesses criticize new California privacy law..... **B4**

Trump Sees Car Tariffs as Big Trade Weapon

By JACOB M. SCHLESINGER

WASHINGTON—President Donald Trump said he sees his threat to impose global auto tariffs as his biggest weapon to extract concessions from trading partners, shedding more light on his broader trade policy strategy.

"You know, the cars are the big one," Mr. Trump told Fox News in an interview broadcast Sunday. "We can talk steel, we talk everything. The big thing is cars."

Mr. Trump was referring to the prospect of imposing 20% tariffs on imported vehicles in the name of national security, a proposal his administration is studying.

The U.S. car market is much bigger than the steel market, which Mr. Trump has previously targeted for tariffs. The economies of Mexico, Germany and Japan in particular are much more dependent on exporting vehicles to the U.S.

Mr. Trump's comments show the significance he places on cars in his broader effort to pressure countries spanning from China to Germany to Canada to give the U.S. what he considers more favorable trade deals.

Some of Mr. Trump's supporters worry such tactics will only intensify the wave of retaliatory measures already slamming into the U.S. economy following earlier tariffs. Several Republican lawmakers

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◆ Economy steamed ahead in second quarter..... **A2**

◆ Fortunes diverge in trade conflicts..... **B1**

Pyongyang Expands Weapons Facilities

By JONATHAN CHENG

SEOUL—North Korea is completing a major expansion of a key missile-manufacturing plant, said researchers who have examined new satellite imagery of the site, the latest sign Pyongyang is pushing ahead with weapons programs even as the U.S. pressures it to abandon them.

The facility makes solid-fuel ballistic missiles—which would be able to strike U.S. military installations in Asia with a nuclear weapon with little warning—as well as re-entry vehicles for warheads that Pyongyang might use on longer-range missiles able to hit the continental U.S.

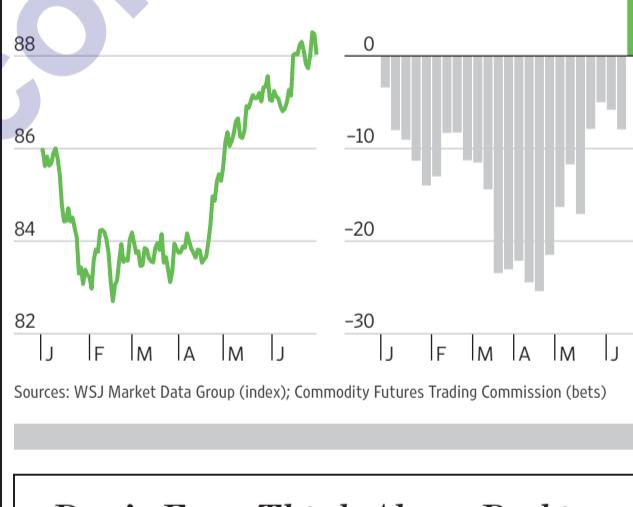
New images analyzed by the Middlebury Institute of International Studies at Monterey, Calif., show that North Korea was finishing construction on the exterior of the plant at around the time North Korean leader Kim Jong Un met with U.S. President Donald Trump in Singapore last month. The U.S. is pushing Pyongyang to dismantle its nuclear, chemical, biological and ballistic-missile programs.

Last week, 38 North, another organization that monitors North Korea, published satellite images of the country's main nuclear-research center in Yongbyon, showing that Pyongyang was rapidly upgrading its facilities there.

At the Singapore summit, Mr. Kim pledged to "work toward complete denuclearization of the Korean Peninsula," without specifying a timeline or committing Mr. Kim to any immediate actions on his weapons programs. However, Mr. Trump told reporters afterward that North Korea would "start that

Strong Dollar Defies Skeptics

The dollar's durable rally is upending investments around the globe, while attracting more overseas money to the U.S. **B1**



Don't Even Think About Parking Your Pickup Truck Here

* * *

America's favorite vehicle can't sit outside homes in Flossmoor, Ill.

By DOUGLAS BELKIN

FLOSSMOOR, Ill.—Five years ago, Luke Lambert and his wife bought a red brick house on a tree-lined street in this Chicago suburb. Two years later, he bought a blue 1966 Ford F-100 pickup with plans to fix it up.

Then he got a phone call from the police: Pickups can't park in Flossmoor's residential areas unless garaged or being unloaded. His garage wasn't big enough, so he parked at his wife's grandmother's about 10 miles away. Now he is leading a crusade to overturn Flossmoor's 43-year restriction on America's most popular vehicle.

"They think of the town as

Just keep it out of sight

elite, but it's really elitist," says Mr. Lambert, 34, a digital-media-company manager. His pickup-driving father, ticketed last year for parking at Mr. Lambert's house, borrows a sedan to visit from Wisconsin.

The ban's supporters say it keeps the village of 9,500 distinct. "I think it's elitism, sure it is. We are saying this is how we want to run our town," says James Tier-

nan, 64, an insurance salesman who has lived in Flossmoor most of his life and drives a 2009 Mercedes-Benz CLK 550 sedan. "If you don't like the rules, why move here?"

Commercial-truck restrictions aren't uncommon in the

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China Targets Taiwan's Tech Secrets

Mainland firms aiming at chip markets are accused of stealing employees, data

By CHUIN-WEI YAP

HSINCHU, Taiwan—In late 2016, an engineer at Taiwan Semiconductor Manufacturing Co., the world's largest contract chip manufacturer, received a call from a Chinese rival company asking if he would be interested in a job as chief engineer to advance work on chips used in mobile phones and game consoles.

The offer was notable, according to a court in Taiwan, because the engineer had no expertise in that type of chip.

What he did have was access to records. Over a two-week period, he illegally downloaded, printed, then photocopied—using a company copier—reams of TSMC's trade secrets he planned to send to the Chinese rival, state-owned Shanghai Huali Microelectronics Corp., according to

the Taiwanese court. The engineer, Hsu Chih-Peng was intercepted in a TSMC probe days before he was to start his new job, said the court, which in November handed Mr. Hsu a suspended 18-month prison sentence on charges of stealing company secrets.

Huali didn't respond to requests for comment, and Mr. Hsu's attorney declined to comment on the case.

Taiwan, a self-governed island that makes two-thirds of the world's semiconductors, is ground zero in a covert war for the technology that increasingly powers the modern global economy.

Taiwanese government officials and company executives say China is deliberately targeting Taiwan, whose manufacturers make chips for the biggest American companies,

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U.S. NEWS

THE OUTLOOK | By Nick Timiraos

Fed Takes New Look at Portfolio Size

After the last recession, the Federal Reserve built up a mammoth \$4.5 trillion portfolio of mostly mortgage and Treasury securities in an effort to boost financial markets and the economy.

Officials could soon take up an important debate about how much to let that portfolio shrink.

Last year, they started a program to let securities in the portfolio mature without reinvesting the proceeds in other securities, putting it on a path to shrink to \$3 trillion by 2020. Some officials are now wondering if they can end this "run-off" process sooner than planned and manage monetary policy with a larger portfolio in the long run.

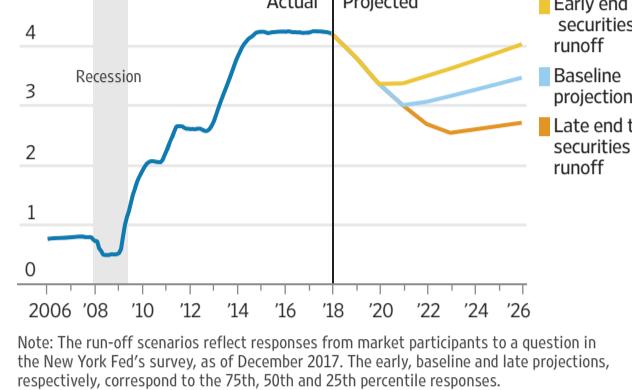
The Fed's asset purchases were meant to drive down long-term interest rates and drive up asset prices, but they left many investors and policy makers jittery because the consequences of the experiment—positive and negative—were unknown.

So far, it has managed to put the program in reverse without creating much tur-

When Could Run-Off End?

Projections of domestic securities held by the Federal Reserve over the coming years vary, depending on how many reserves the Fed believes it needs to keep in the banking system. If the Fed decides to operate with a large level of bank reserves, it means holding a larger securities portfolio, and vice versa.

Domestic securities held by the Federal Reserve



Note: The run-off scenarios reflect responses from market participants to a question in the New York Fed's survey, as of December 2017. The early, baseline and late projections, respectively, correspond to the 75th, 50th and 25th percentile responses.

Source: Federal Reserve Bank of New York

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bulence in markets.

When officials agreed last year on the run-off, they didn't say how long they would continue the process, leaving the impression it could last several years.

But developments in short-term money markets of late raise the question of "how long we ac-

tually want our balance sheet [wind-down] to go," Boston Fed President Eric Rosengren said in an interview last week. It's possible the portfolio won't have to shrink "dramatically more" from its \$4.3 trillion in June, he said.

The decision hinges on complex monetary plumbing.

In the old days before the financial crisis, the Fed kept

its portfolio relatively small, at less than \$1 trillion. The size of the holdings was dictated in large part by the amount of deposits banks kept on reserve with the central bank. More of these deposits—known as reserves—meant a bigger securities portfolio, and fewer deposits meant a smaller portfolio.

The Fed, in turn, shifted reserves up and down in incremental amounts to adjust short-term interest rates.

The crisis changed everything. Interest rates were cut to zero and the portfolio soared, flooding the banking system with reserves. The Fed also changed the way it managed interest rates. Rather than shifting the amount of reserves up and down in small amounts to affect interest rates, it left reserves very large and started paying interest on them directly to banks.

Fed officials at first intended to go back to the old way of doing things, with a small portfolio of reserves and securities, meaning a lot of runoff. But some are starting to think they might not want to shrink reserves and securities too much. Instead

they would stick to the new system of paying interest on

a large pool of reserves outstanding.

Advocates for retaining the current setup say it gives the Fed more operational flexibility.

Maintaining the existing framework "certainly looks like that's the way we're headed, but we should still have the debate," said St. Louis Fed President James Bullard in an interview.

Mr. Rosengren said he favors maintaining the current system.

The Fed has to resolve these issues sooner than expected because shrinking the portfolio is draining reserves from the system. This might be putting mild and unexpected upward pressure on short-term interest rates, though officials don't think that is the case right now.

Lou Crandall, chief economist at financial-research firm Wrightson ICAP, estimates the Fed will want to operate with around \$1.5 trillion in bank reserves, down from \$1.9 trillion in June.

That would require an end to the portfolio runoff next year, which would remove one source of uncertainty for investors.

ECONOMIC CALENDAR

TUESDAY: The Reserve Bank of Australia releases a policy statement, likely announcing no change in **interest rates**. A recent report showing housing prices fell for the first time in about four years is expected to deter the central bank from raising interest rates any time soon.

The Swedish Riksbank releases a policy statement. The Riksbank at the end of May said **high household indebtedness** was making the Swedish financial system vulnerable.

WEDNESDAY: U.S. markets closed for the Independence Day holiday.

THURSDAY: The U.S. Federal Reserve releases **minutes of its June meeting**—at which officials raised their benchmark interest rate for the second time this year and penciled in two more increases by year's end. The minutes should provide more details of their internal discussions about the economic outlook and the path for rates.

FRIDAY: The U.S. Labor Department releases the **June jobs report**. In May, the unemployment rate edged down to 3.8%. Economists expect the rate held steady.

The Commerce Department publishes May international trade data. The U.S. exported a record amount of oil and fuel in April, helping to narrow the nation's **trade gap** while giving the economy a lift.

Economic Output Steamed Ahead in Second Quarter

By PAUL KIERNAN

But economists warn that output is likely outpacing the economy's long-run capacity for growth, raising the possibility of a slowdown next year.

The expansion enters its 10th year this month, building on what is already the second-longest expansion on record. Faster growth has helped drive the unemployment rate to its lowest level in 18 years, fueled corporate-profit growth and lifted President Donald Trump's approval ratings.

Analysts have been raising their earnings estimates for publicly traded companies, many of which are due to report results in the next month.

Howard Silverblatt, a senior industry analyst at S&P Dow Jones Indices, said operating earnings—a measure of earnings without some one-time charges and gains—are estimated to have risen 27% from the second quarter of 2017 to \$38.65 per share across the S&P 500, thanks to recent federal tax cuts and higher sales.

That would mark the third consecutive quarter of double-digit earnings growth for the

S&P 500, similar in magnitude to first-quarter growth and faster than 21% growth in the fourth quarter.

The Trump administration has described the pickup as a new norm. "We've entered an investment boom," Lawrence Kudlow, Mr. Trump's top economic adviser, said in an interview. "We're going to get over 4% real GDP in the second quarter and it looks like we'll have a very strong second half of the year. The story in 2019 is going to be similar."

But the second quarter might instead be a high point in the recent growth spurt. Few outside the White House think the U.S. economy will be able to maintain this pace, in part because of the country's aging population. GDP growth has averaged 2.2% during this expansion, with previous bouts of above-trend growth giving way to slower quarters.

It is unlikely to be different this time around, some economists say. "Everyone has growth slowing next year," St. Louis Fed President James Bullard said in an interview

last week, referring to the forecasts of the 15 Federal Reserve officials who meet to discuss monetary policy. "It's a temporary blip in growth."

Fed officials' median estimate calls for 2.8% GDP growth this year, 2.4% in 2019 and 1.8% in the long run.

One of the factors pushing

up second-quarter GDP projections was a jump in exports during April and May. The latter month included a 28% year-to-year rise in shipments of food, feeds and beverages.

Economists at Barclays said that could reflect private-sector efforts to get ahead of impending tariff increases on goods such as soybeans and Kentucky bourbon, which U.S. trade partners have identified as targets for retaliatory tariffs.

If that is the case, exports could slow in the months ahead as the Trump administration's trade dispute with China, the biggest foreign buyer of U.S. goods, heats up.

Another possible casualty of the trade dispute is business and consumer sentiment, which can affect investment and spending decisions. While sentiment is high by historical standards, the Conference Board said last week its consumer-confidence index fell more than anticipated in June.

Business investment has picked up, but it is unclear if it will be sustained. It rose at a 10.4% annual rate in the first

quarter, the Commerce Department said. However, orders for nondefense capital goods excluding aircraft, a forward-looking investment indicator, have failed to post two consecutive months of growth since last fall.

Perhaps the biggest concern is that the economy will overheat. A 3.8% unemployment rate suggests the labor market is as tight as it was in the late 1990s, which coincided with an unsustainable tech boom.

With inflation at a six-year high, the Fed's goal is to raise interest rates just enough to keep prices from rising faster, but not so much as to smother growth. It is a task that policy makers have never managed without tipping the economy into recession.

"The economy is kind of bumping up against capacity constraints," said Ben Herzson, an economist at Macroeconomic Advisers. "We'll just cross our fingers that we don't get a boom-bust scenario."

—Harriet Torry
and Nick Timiraos contributed to this article.



The White House believes the threat of car tariffs will give the U.S. more clout in negotiating trade deals.

imposes on imports of light trucks.

Although Mr. Trump's exploration of across-the-board auto tariffs has little precedent in modern U.S. policy, he isn't the first president to tangle with allies over car imports.

Former President Ronald Reagan forced Japan in the 1980s to accept "voluntary" export limits on cars. Former President Bill Clinton engaged in protracted negotiations with Tokyo in the 1990s to try to sell more U.S. cars and car parts in Japan.

The Trump trade team has tried to use the metals tariffs to get big concessions on Nafta, to get Europe to slash its auto tariffs and boost military spending, and to get Japan to promise to buy more U.S. goods.

But so far, those countries have called the U.S. bluff, ab-

sorbing the U.S. tariffs and, in the case of Canada and Europe, fighting back with penalties of their own.

Canadian retaliatory tariffs took effect Sunday. And Europe has claimed a victory of sorts in that tiff, when Harley-Davidson Inc. said last week it would shift some production outside the U.S. to avoid the cost of European tariffs.

The European Union is now warning of even greater pain for the U.S. should Mr. Trump follow through on cars. In a comment submitted to the administration Friday, the EU delegation to the U.S. said that it estimated that \$294 billion dollars of U.S. exports—or 19% of last year's U.S. exports—"could be subject to countermeasures" in response to car tariffs.

The Trump trade team has tried to use the metals tariffs to get big concessions on Nafta, to get Europe to slash its auto tariffs and boost military spending, and to get Japan to promise to buy more U.S. goods.

But so far, those countries have called the U.S. bluff, ab-

that he would persuade foreign car companies to build more in the U.S. and to export less.

"What's going to really happen is there's going to be no tax," he said. "You know why? They're going to build their cars in America."

The threat to expand U.S. trade pressure to the auto sector has spooked global markets and big business, including U.S.-based auto makers.

General Motors Co. warned Friday that auto tariffs would hurt its competitiveness, cost U.S. jobs and result in "a smaller GM." The statement was made in a formal comment submitted to the administration as part of the study weighing the prospect of the levies. Other auto makers have weighed in with similar warnings.

Some of Mr. Trump's own aides have cautioned against the move. His top economic adviser, Lawrence Kudlow, said in a June interview that he had argued internally against moving ahead with tariffs on cars.

Rather than back down, Mr. Trump said he now wants to raise the stakes, by adding autos to the mix. The U.S. imported about \$29 billion in steel in 2017, compared with about \$192 billion in cars.

According to the Center for Automotive Research, an Ann Arbor, Mich., think tank, 44% of the vehicles sold in the U.S. last year were imported. The Nafta partners combined accounted for about half the imports, followed by Japan and Germany.

Mr. Trump in the Fox interview expressed confidence

congressional approval before imposing tariffs on the basis of national security, but their attempts to force the language into must-pass legislation failed.

Sen. Jeff Flake (R., Ariz.) has said he would try to pressure the administration on its tariff policies by holding up judicial nominees. He has said he wouldn't apply the tactic to a Supreme Court nominee.

—Siobhan Hughes
and Nick Timiraos contributed to this article.

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GOT A

U.S. NEWS



A firefighter battled the Pawnee Fire near Clearlake Oaks, Calif., on Sunday. It has burned over 13,000 acres and destroyed at least 22 homes and other structures so far.

Nine Stabbed At Child's Birthday Party

BY ARIAN CAMPO-FLORES

A man attacked nine people, including six children, in a mass stabbing Saturday night at an apartment complex in Boise, Idaho, that houses many refugee families, according to police.

Authorities arrested 30-year-old Timmy Kinner, who was booked into the Ada County Jail on nine counts of aggravated battery and six counts of injury to a child.

Police said early evidence showed that Mr. Kinner, who isn't a refugee, was a temporary resident at the apartment complex but was asked to leave Friday. He returned Saturday to exact vengeance, attacking children celebrating a 3-year-old's birthday party and adults who tried to stop him, said Boise Police Chief William Bones.

The victims include refugees from Syria, Iraq and Ethiopia, Chief Bones said. Investigators were still trying to determine whether the victims' ethnic backgrounds played a role in the attack.

Mr. Kinner, who is from Los Angeles, was scheduled to appear in court on Monday, according to the Ada County Sheriff's Office. It was unclear whether he has legal representation. He has a lengthy arrest record spanning several states—with alleged offenses including violence against others—and has served time in Kentucky, Chief Bones said.

"Our community is reeling from this attack," the chief said. "It's not a symbol or a representation of our community of Boise. But it's a single evil individual who attacked

Victims include refugees from Syria, Iraq and Ethiopia, police chief says.

Wildfires Scar California County

Residents battered by blazes year after year in mountainous area; latest one just flared up

By JIM CARLTON

CLEARLAKE, Calif.—Joe Casteel and his wife were out boating here one afternoon late last month when they saw a plume of smoke rising to the east.

"I thought, 'Oh no, not again,'" said Mr. Casteel, 65 years old, a local merchant services provider.

The Pawnee Fire, fueled by high winds and triple-digit temperatures, has gone on to scorch more than 13,000 acres and destroy at least 22 homes and other structures since breaking out June 23 from an unknown source. Having flared up again Sunday after entering a mop-up stage, it is the sixth major wildfire in four years to hit Lake County, a mountainous region of 65,000 about 100 miles north of San Francisco. Giant wildfires were once less common here, but the county lately has become one of the most frequently burned parts of fire-ravaged California.

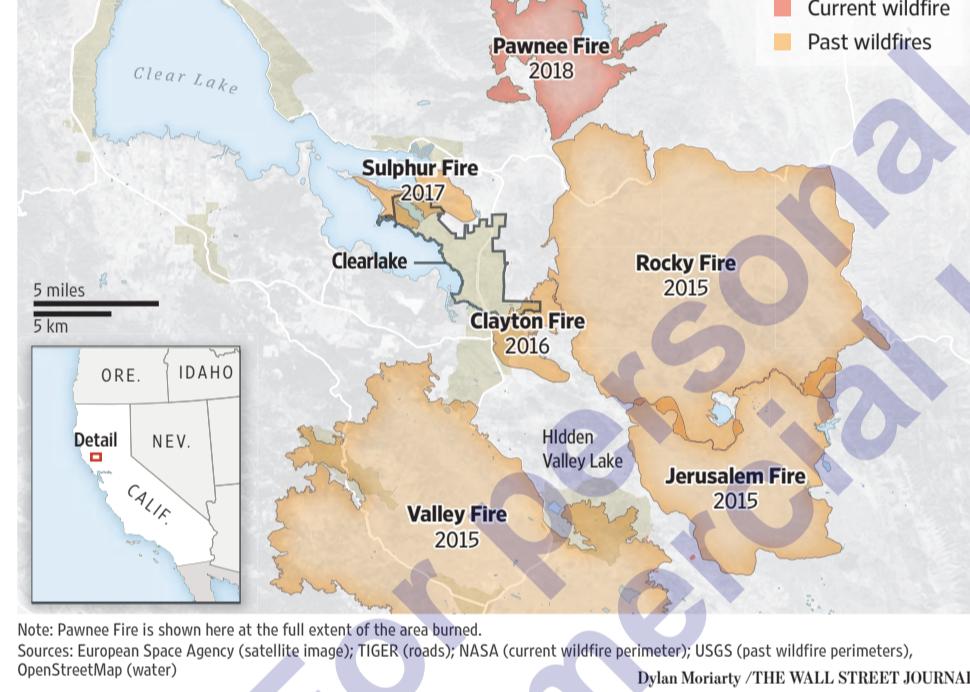
In 2015, the Rocky, Jerusalém and Valley fires charred 125,000 acres, destroyed some 2,000 homes and left four people dead. In 2016, the Clayton Fire burned 4,000 acres and destroyed another 300 structures. Last year's Sulphur Fire blackened an additional 2,200 acres, with 162 structures lost.

"At this point, you can only just laugh," said Mason Shucart, a 26-year-old computer-repair manager whose home burned down in 2015 here and who recently had to evacuate from another. "It's like getting struck by lightning four more times."

State officials this year have

Trials by Fire

Lake County, located in a mountainous region about 100 miles north of San Francisco, has been hit by six major wildfires since 2015.



Note: Pawnee Fire is shown here at the full extent of the area burned.
Sources: European Space Agency (satellite image); TIGER (roads); NASA (current wildfire perimeter); USGS (past wildfire perimeters); OpenStreetMap (water)

Dylan Moriarty / THE WALL STREET JOURNAL

responded to 2,357 wildfires that consumed 32,599 acres as of June 24—above the five-year average of 2,308 fires that charred 19,325 acres over the same period, according to the most recent comparative data by the California Department of Forestry and Fire Protection, or Cal Fire.

In Lake County, swaths of formerly green mountains and hills have been left denuded of vegetation, while vacant lots abound in burnt-out neighborhoods where homes once stood.

The latest blaze comes amid an early start to the fire season in California, which like many other parts of the West has returned to drought conditions.

But it is unusual for one locale

to keep getting hit every year like Lake County, experts said.

Fire officials said the county has become fire-prone because of its topography: mostly mountainous with brush and forests that have in some places been left dry and dead by years of drought. It also sits inland from the Pacific coast, making it susceptible to hot, dry winds that stoke wildfires.

"That area is almost a perfect storm in terms of fire conditions," said Mike Mohler, deputy director of Cal Fire.

Fire officials now encourage homeowners in Lake County to clear brush and other vegetation from properties and remove excessive vegetation along roads.

The cumulative mental strain of dealing with so many fire disasters has amounted to another impact. "PTSD is one of the biggest complaints," said Socorro Padilla, a county health therapist. "People see a helicopter or a plume of smoke and they get anxiety attacks."

Theresa Showen, manager of a local assistance center in Spring Valley, a tiny community that the Pawnee Fire threatened, said she suffers from anxiety from the fires. "The minute you hear a helicopter, you look out the window to see what's on fire," said Ms. Showen, who lives in Spring Valley. "We all have that fire PTSD."

There has been at least one silver lining. Mr. Folsom, the

Clearlake city manager, said the rebuilding activity that began after the 2015 fires has spawned a mini boom in construction and cleanup. Mr. Folsom also noted that hotels get booked during the fires.

Lisa Wilson, manager of the 40-unit Clear Lake Campground, said fire crews often stay at her RV facility, as well as evacuees.

"They have helped offset a loss in tourism," she said.

Still, locals are ready for their new normal to be over. Mr. Casteel, who also is the president of the Lake County Chamber of Commerce, said his friends have had to evacuate their homes in recent years. "We're in a bad cycle, but it will turn around," he said.

people with no provocation we're aware of."

Chief Bones said the victims were taken to a local hospital for treatment. Four received life-threatening injuries. The ages of the children ranged from 3 to 12, he said. For some victims, he said, the injuries will be "life-altering."

Chief Bones said the stabbings involve the largest number of victims in a single attack in the police department's history.

Police received a call at 8:46 p.m. Saturday about a man wielding a knife. Officers arrived in less than four minutes, quickly found the suspect and took him into custody at gunpoint, Chief Bones said.

GOP Fundraiser Will Stop Payments to Ex-Mistress

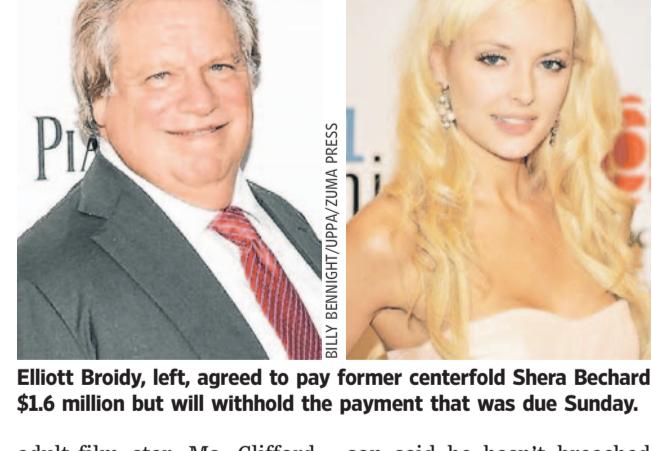
By MICHAEL ROTHFELD
AND JOE PALAZZOLO

A top Republican fundraiser will stop making payments to a former mistress who signed a hush-money agreement that was negotiated last year by Michael Cohen, President Donald Trump's longtime lawyer.

Elliott Brody, a Los Angeles venture capitalist and former Republican National Committee official, agreed to pay former Playboy centerfold Shera Bechard \$1.6 million—in eight installments, beginning late last year—to keep quiet about her affair with the married donor, The Wall Street Journal reported in April.

Now Mr. Brody will withhold the third installment of \$200,000 that was due Sunday, in response to an alleged breach of the nondisclosure agreement, according to Chris Clark, a lawyer for Mr. Brody.

Mr. Clark said Ms. Bechard's lawyer at the time of the agreement, Keith Davidson, improperly discussed it with another lawyer, Michael Avenatti, who has replaced Mr. Davidson in representing Stephanie Clifford, a former



Elliott Brody, left, agreed to pay former centerfold Shera Bechard \$1.6 million but will withhold the payment that was due Sunday.

adult-film star. Ms. Clifford, known as Stormy Daniels, got \$130,000 arranged by Mr. Cohen to keep quiet about what she said was a 2006 sexual encounter with Mr. Trump.

"Elliott specifically was paying for confidentiality that would shield his family from the embarrassing mistake he made," Mr. Clark said. "We can prove there was an intentional breach that renders the contract null and void."

A spokesman for Mr. David-

son said he hasn't breached any deal. "Any accusation to the contrary is false and defamatory," said the spokesman, Dave Wedge, adding that Mr. Davidson "looks forward to addressing these matters in the proper venue, which is the courtroom, not the press."

Peter Stris, now Ms. Bechard's lawyer, said he would "take immediate action" to protect her from "any inappropriate conduct" by Messrs. Davidson, Avenatti or Brody.

Mr. Cohen couldn't be reached for comment.

Mr. Avenatti said: "I'm neither going to confirm nor deny what information I have about this, whether it's all been disclosed yet, or where I learned it. But I would encourage Ms. Bechard to disclose everything she knows about this situation to the public."

The action by Mr. Brody, 60 years old, makes the Bechard agreement the third hush-money contract this year to unravel that involved Mr. Davidson and either Mr. Trump or Mr. Cohen. Any effort by Ms. Bechard to use the legal system to enforce the nondisclosure agreement could shine more of a light on how Mr. Cohen protected the secrets of his high-profile clients.

Mr. Davidson also negoti-

ated six-figure payments dur-

ing the 2016 presidential campaign for Ms. Clifford and Karen McDougal, another former Playboy model who said she had a sexual encounter with Mr. Trump more than a decade ago. Both women have sought to extricate themselves from contracts brokered by

Mr. Cohen told him, according to the people familiar with the conversation. Mr. Brody hired him, one of the people said.

The contract said any potential claims relating to the alleged pregnancy were excluded from the deal, the Journal has reported. Ms. Bechard later said she had an abortion, people familiar with the matter said. Mr. Brody has said that was her decision alone.

Mr. Avenatti, the lawyer for Ms. Clifford, appeared to reference the agreement in an April 12 tweet: "In last 18 mos, Mr. Cohen negotiated yet another hush NDA, this time on behalf of a prominent GOP donor who had a relationship with a LA woman, impregnated her and then made sure she had an abortion. The deal provided for multiple payments across many months."

The Journal reported details of the agreement the following day.

Mr. Clark, Mr. Brody's lawyer, said he and his representatives later learned Mr. Avenatti heard of the hush-money deal from Mr. Davidson, prompting the tweet.

U.S. NEWS

Abortion in Focus as Trump Weighs Pick

President says federal control of procedure could end after filling Supreme Court seat

BY STEPHANIE ARMOUR AND PETER NICHOLAS

WASHINGTON—President Donald Trump said in an interview broadcast Sunday that the legality of abortion could be decided by the states as a possible fallout from filling a Supreme Court opening, a statement that acknowledges the high stakes of the battle over Justice Anthony Kennedy's successor.

In choosing a nominee, Mr. Trump must balance finding someone his supporters—many of whom oppose abortion—will rally around without losing enough backing for the nominee to clear the Senate.

Sen. Susan Collins (R., Maine), a likely swing vote in confirming a nominee, said Sunday she wants a justice who will respect legal precedent in upholding the Supreme Court's 1973 landmark *Roe v. Wade* ruling that legalized abortion nationwide.

Speaking about abortion rights on Fox News, Mr. Trump said: "Maybe some day it will be to the states. You never know how that's going to turn out. That's a very complex question." He added: "It could very well end up with the states at some point."

During one of his presidential debates with Hillary Clinton during the 2016 campaign, Mr. Trump gave a fuller picture of how that might come about.

"If we put another two or perhaps three justices on [the Supreme Court], that is really what will happen. That will happen automatically in my opinion. Because I am putting pro-life justices on the court. I will say this. It will go back to the states and the states will then make a determination."

Ms. Collins's comments Sunday on CNN hint at the battle ahead within the closely divided Senate, which must approve any nominee. The GOP controls 51 of 100 Senate seats, one of which is held by Sen. John McCain of Arizona, who is battling an aggressive form of brain cancer.

"I would not support a nominee that demonstrated



ALEX WONG/GETTY IMAGES

Sen. Susan Collins (R., Maine) says any Supreme Court nominee must respect legal precedent in upholding *Roe v. Wade*.

hostility to *Roe v. Wade* because that would mean to me that their judicial philosophy did not include respect for established decisions, established law," Ms. Collins said.

Mr. Trump has said he plans on July 9 to announce his nominee to succeed Justice Kennedy, who retired last week. He also said Sunday that the confirmation process may be brutal.

"It's probably going to be vicious because the other side, all they can do is obstruct and

resist," he said in the Fox News interview.

Mr. Trump said Friday he would interview one or two candidates over the weekend at his Bedminster, N.J., resort, touching off speculation over the standing of five finalists culled from an initial roster of 25 conservative candidates. On Sunday, a White House official said no interviews took place.

In recent days, Mr. Trump has been reading background material about candidates and calling friends and advisers to

sound them out about the vacancy.

Mr. Trump has asked confidants for their impressions of several federal appeals court judges, including Brett Kavanaugh in Washington, D.C., Amy Coney Barrett in Chicago and Thomas Hardiman in Philadelphia, a person close to the White House said Sunday.

The vacancy has put the court's ideological balance at stake and given Mr. Trump the opportunity to put a strong conservative imprint on the court.

Mr. Trump in recent days has said he wouldn't ask candidates about their views on *Roe v. Wade*.

It is difficult to predict how a justice might vote on abortion rights. Justice Kennedy and former Justice David Souter—both appointed by Republican presidents—took stances on certain social issues that left conservatives disappointed. Mr. Kennedy parted from fellow court conservatives with liberal rulings on access to abortion, capital punishment, gay rights and voting rights.

Mr. Trump said in the Fox News interview that he expects to win some Democratic

votes for a Supreme Court nominee.

"I think it's going to go very quickly," Mr. Trump said. "I think we're going to have a lot of support. I think we're going to have support from Democrats, frankly."

White House officials are courting some Democrats, particularly the three who voted last year for Justice Neil Gorsuch, Mr. Trump's first nominee to the Supreme Court. Sens. Joe Manchin of West Virginia, Heidi Heitkamp of North Dakota and Joe Donnelly of Indiana all went to the White House Thursday for meetings with the president.

Observers say no Democrat is likely to approve a nominee who they believe would overturn *Roe v. Wade*. Ms. Collins and Sen. Lisa Murkowski (R., Alaska) are seen as essential votes. Both back abortion rights and have broken with their party on contentious issues such as repealing the Affordable Care Act. Both also are under pressure from abortion opponents, abortion-rights groups and Democrats.

—Ben Kesling contributed to this article.

Activist Grooms Conservative Contenders for Court

BY JESS BRAVIN

WASHINGTON—A few weeks before handing in his resignation, Supreme Court Justice Anthony Kennedy talked about judicial nominations with the man assigned to find his successor.

It was Leonard Leo, the Federalist Society leader upon whom President Donald Trump relies when it comes to picking judges, most prominently Neil Gorsuch, the former Kennedy clerk appointed last year to the Supreme Court. The occasion was the wedding of former Kennedy law clerk Nicholas Quinn Rosenkranz, a Georgetown University law professor.

"We had a good conversation about having judges appointed to the court of appeals and the district court," Mr. Leo said.

Mr. Leo, 52 years old, who has bachelor's and law degrees from Cornell, has never been a judge, held significant public office or run a legal practice. He has instead spent nearly his whole career at the Federalist Society, the lawyers' network established during the administration of former President Ronald Reagan to groom conservative scholars, officials and judges.

He was inspired to get involved by the Senate's 1987 rejection of Reagan Supreme Court nominee Robert Bork, an intellectual hero of the



SANT SERRIAN GURBZ/ASSOCIATED PRESS

Leonard Leo, left, executive vice president of the Federalist Society, with Supreme Court Justice Neil Gorsuch in 2017 in Washington.

right. Today, he stands poised to install an unflinching conservative in the seat once intended for Judge Bork—the one now relinquished by Justice Kennedy, a compromise candidate able to clear the Democratic-held Senate.

In the 1990s, Mr. Leo took aim at the American Bar Association's decades-old role in

vetting potential nominees before they were publicly announced. The effort bore fruit when President George W. Bush eliminated the ABA's privileged status.

As the society's executive vice president, Mr. Leo had tracked many young lawyers as they matured, assessing the ideological consistency and

the rigor they brought to legal interpretation.

Even under Mr. Bush, however, Mr. Leo saw near-misses. Conservatives recoiled at the Supreme Court nomination of Mr. Bush's White House counsel, Harriet Miers. Conservative legal activists feared she might be open to upholding *Roe v. Wade*, the 1973 case

recognizing abortion rights, or other liberal arguments.

Under pressure from the right, Ms. Miers's nomination was withdrawn, and a Third Circuit judge admired in Federalist Society circles, Samuel Alito, was appointed instead. For Mr. Leo, the lesson of the Miers episode was to require that nominees come with a

clear record on how they approach the law.

If Mr. Leo was important to the Bush administration, he has made himself indispensable to Mr. Trump, observers say. While outsiders often have been consulted for advice on nominations, "their advice was quite frequently ignored," said David Yalof, a University of Connecticut political scientist who described Mr. Leo's sway over the current process as "truly unprecedented."

A longtime friend, the Princeton University legal philosopher Robert George, said Mr. Leo has all the attributes to play such a part, including that "he knows everybody in the conservative legal world." Mr. Leo also is a master of discretion, Mr. George says, in a world where "there are very few people you can trust with a real secret."

Mr. Leo has carefully researched the methods progressives used to shape the national debate and win political battles in earlier eras, studying books by liberal scholars and activists, including 1978's "Poor People's Movements," by Frances Fox Piven and Richard A. Cloward.

"He's a very savvy player," said Pamela Karlan, a Stanford law professor and board chairman of the American Constitution Society, founded in 2001 as a progressive counterforce to the Federalist Society.

U.S. WATCH

NORTH CAROLINA

Couple Living Near Hog Farm Win Case

Chinese-owned pork company Smithfield Foods Inc. lost a pivotal legal battle on Friday, as a federal jury awarded \$25 million to a rural couple for the nuisance caused by living near a Smithfield contractor's hog farm.

The lawsuit is the second in a series of complaints brought by 500 rural North Carolinians who live near Smithfield contractors storing manure in open pools.

Representatives of Smithfield and the plaintiffs declined to comment, citing a gag order.

—Valerie Bauerlein

PUERTO RICO

Vouchers Extended For Hurricane Victims

A judge has ordered federal emergency officials to extend vouchers for temporary hotel housing for Puerto Rican hurricane evacuees.

Saturday night's decision comes after a civil-rights group sought a federal injunction to block the eviction of nearly 1,700 Puerto Ricans from hotels across the country as the vouchers they received were set to expire.

U.S. District Judge Leo Sorkin wrote that ending the program could cause irreparable harm to the plaintiffs.

—Associated Press

Holiday Update

The Wall Street Journal will not be printed on Wednesday, July 4, in observance of Independence Day.



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McMaster Heads to a Think Tank

BY DION NISSENBAUM

WASHINGTON—Retired Lt. Gen. H.R. McMaster, pushed out in April as President Donald Trump's national security adviser, is joining a Stanford University think tank, where he hopes to develop bipartisan national security ideas.

Mr. McMaster, who struggled to retain influence in the White House, said that as a senior fellow at the Hoover Institution he hopes his work can influence national security policy as the U.S. combats rising threats from rivals such as Russia and China.

"Our discourse about national security has become infected by this severe form of political polarization, and it's regrettable because I do think some really excellent work has happened across the last year-and-a-half to help frame some of the most significant strategic challenges and to craft strategic approaches to advance and protect our interests," he said in his first major interview since leaving the White House.

While at Hoover, Mr. McMaster said, he also is planning to write a book. But those looking for a tell-all tale of West Wing intrigue are likely to be disappointed. Mr. McMaster said he plans to write a substantive book about national security.

Mr. McMaster said the U.S. has to find "new forms of deterrence" to combat Russia's

sustained campaign of subversion and propaganda and disinformation aimed at reducing our strategic competence" and China's "new forms of economic aggression."

Mr. McMaster, a retired three star Army general, has stayed out of the spotlight since leaving the White House. He officially retired last month, ending more than three decades of military service.

Mr. McMaster's 14-month tenure as Mr. Trump's second national security adviser was challenging from the start. He took the job after Mr. Trump's first national security adviser, Mike Flynn, resigned a few weeks into the administration.

Mr. McMaster, a decorated combat veteran who served in Iraq and Afghanistan, never had a strong rapport with the president, according to some former administration officials. Mr. Trump complained about

Mr. McMaster's detailed briefings and chafed at his push to send more U.S. troops to Afghanistan, the officials said.

"There are some who may have come into government to actually advance their own narrow agenda, and they don't want to give the president options," Mr. McMaster said. "They want to promote their own agenda or options. At the [National Security Council], we said we can best serve the president by providing options. And I can't think of a moment when more options was worse than providing fewer ones."

Mr. McMaster first worked at Hoover in 2002 as a national security affairs fellow and then served as a visiting fellow from 2003 to 2017.

"We view him as a unique find," Tom Gilligan, director at Hoover, said. "And we view this as a kind of a homecoming."

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WORLD NEWS

Leftist Wins Mexico's Presidential Race

López Obrador set to overhaul economy, foreign policy as two leading rivals concede

By JUAN MONTES
AND ROBBIE WHELAN

MEXICO CITY—Andrés Manuel López Obrador, a divisive former Mexico City mayor who vowed to upend Mexico's corrupt status quo, won Sunday's presidential election by a big margin, moving the country's politics sharply to the left and dealing a major blow to its established political parties.

Mexico's electoral institute early Monday said Mr. López Obrador took between 53% and 53.8% of the vote, with his two top rivals, including José Antonio Meade from the ruling Institutional Revolutionary Party, conceding defeat.

Ricardo Anaya of a coalition between the conservative National Action Party and center-left Democratic Revolution Party is expected to have 22.1% to 22.8% of votes, and José Antonio Meade is expected to have 15.7% to 16.3%.

The estimated margin of victory is even larger than what exit polls had indicated. Exit polls also suggested that his Movement for National Regeneration, or Morena, party would win a simple majority in the lower house of congress.

Mr. López Obrador would be the first Mexican president since 1997 to have a legislative majority, making it easier for



Supporters of President-elect Andrés Manuel López Obrador celebrated Sunday in Mexico City, where he previously served as mayor.

him to push through his agenda.

Mr. López Obrador's victory could signal potentially far-reaching changes to the country's foreign policy—including charting a more distant relationship with the U.S.—and to Mexico's free-market economic model, where the leftist is likely to put a greater emphasis on using the government to try to help the poor.

The result also was a major boost for the left in Latin

America, where leftist parties have suffered setbacks in recent years in countries like Brazil, Argentina and Colombia.

Mr. López Obrador is a widely known and controversial politician in Mexico. Supporters see him as the only hope for cleaning up Mexican politics and critics view him as a messianic populist. Mr. López Obrador narrowly lost the presidential elections in 2006 and 2012.

This time around, he capitalized on growing discontent

among voters after a series of corruption scandals under President Enrique Peña Nieto. At least 10 governors of Mexican states, mainly from the ruling party, or PRI, have been convicted, arrested or accused of embezzlement and other crimes in recent years. Several remain on the lam.

For many voters, the election was about "change"—change from traditional political parties they see as venal, from soaring criminal violence

and from an open economy that has sparked an investment boom without reducing poverty or inequality.

Margarita Silva, a 45-year-old English teacher in central Hidalgo state, said she voted for Mr. Peña Nieto in 2012 but cast her ballot this time for Mr. López Obrador. "He won't be able to get rid of corruption from one day to the next, but at least he can make a start," she said as she lined up early Sunday at a polling station.

In many ways, the rise of Mr. López Obrador puts Mexico in uncharted waters. He will be the country's first leftist president since the 1980s, the first from the impoverished south of the country in more than 70 years and the first president not to represent one of the big two political parties in a century. The 64-year-old will also be the oldest president since 1913.

Mr. López Obrador's proposals center on increased social spending and public investment, including a public works program to employ 2.3 million young people, grants to 300,000 university students and a plan to double the amount of money older people receive as retirement pensions.

To pay for his plan, Mr. López Obrador said he won't raise taxes but instead will save some \$25 billion lost each year by ending corruption and save another \$20 billion more a year through an austerity plan that slashes the salaries and perks of top public officials.

Many economists say that the candidate's estimates of savings from corruption and austerity are unrealistic and that he will face a choice between scaling back his promises or taking on debt, possibly damaging Mexico's hard-won financial stability.

It could also mean a more distant relationship with the U.S., ending a period of the past 30 years that led to increasing cooperation in areas ranging from migration and terrorism to fighting illegal drugs.

Impasse Over Migration Jeopardizes Merkel's Coalition

By ANDREA THOMAS
AND JAMES MARSON

BERLIN—Germany's interior minister raised the stakes in his immigration showdown with Chancellor Angela Merkel, saying he was willing to resign after rejecting as insufficient a European Union plan to limit inflows.

After more than 10 hours of talks with leaders of his party, Interior Minister Horst Seehofer early Monday said he would hold a final round of talks with Ms. Merkel later in the day in an effort to resolve their disagreement, but would follow through with his resignation if those failed.

"We will conduct talks in Berlin in the hope that we can find an agreement...in the interest of this country and the stability of the coalition and the government," Mr. Seehofer said as he left his party's headquarters in Munich.

Mr. Seehofer's resignation would cloud the future of the German government. Should his Christian Social Union withdraw from the coalition, Ms. Merkel's alliance would find itself without a majority in Parliament, which would likely lead to new elections after the summer.

The chancellor's position became more precarious on Sunday after Mr. Seehofer told CSU leaders in a closed-door meeting that the EU agreement reached on Friday



MICHAEL KAPPELER/DPA/ZUMA PRESS

Angela Merkel on Sunday backed the EU deal and urged conservative allies to stay in her government.

wouldn't reduce immigration to Germany, a party official said.

Mr. Seehofer had handed Ms. Merkel an ultimatum two weeks ago: Find a European deal that stops migrants with asylum applications in other EU countries from entering Germany or he would instruct police to start turning back such migrants at the border.

Ms. Merkel had signaled that she would see such a move, which she opposes, as insubordination. Her Christian Democratic Union party, the CSU's larger sister party,

backed her position on migration late Sunday.

The wide-ranging EU deal, which Ms. Merkel championed and which drew plaudits from some senior CSU politicians, had raised expectations in Germany that Ms. Merkel's CDU and the CSU could bury the hatchet on Sunday as leaders of the two parties met separately in the afternoon to review the agreement.

But the CSU official told The Wall Street Journal that Mr. Seehofer, addressing senior party colleagues in Munich on Sunday, had labeled

Friday's deal as insufficient and not meeting the conditions he had set to postpone his proposed closure of Germany's borders.

Later, after hours more of meetings, Mr. Seehofer offered to resign as chairman of the

Interior Minister Horst Seehofer has offered to resign over migration policy..

CSU and as interior minister, a proposal that the party's board had initially refused to accept, the CSU official said. Mr. Seehofer made his statement about last-ditch talks in the early hours of Monday after retiring to consult with a handful of close aides.

The EU deal involves sending most asylum seekers who attempt to reach the bloc's shores back to transit zones in North Africa and placing the ones who make it to EU territory in closed centers in countries such as Greece and Spain.

While the deliberations continued, Mr. Seehofer's comments appeared to steer Europe's largest country toward a full-blown government crisis.

Should Ms. Merkel fire Mr. Seehofer and end their respective parties' seven-decade alliance, she would find her coalition without a majority in parliament.

Earlier Sunday, Ms. Merkel had urged her conservative Bavarian allies to back a European Union migration deal and stay in her government.

"Europe is slow and we aren't where we want to be and we have still to work a lot...to resolve the problem," Ms. Merkel said. "But I am in favor of holding Europe together."

The chancellor made her remarks in an interview with German public broadcaster ZDF, following a European deal aimed at containing illegal migration by, among other

things, detaining some migrants in camps.

Political analysts had said earlier they expected the German leader to survive the standoff with the CSU, but the dispute had weakened her authority to control an already fragile alliance for the remaining three years of her fourth term in office.

Such ruptures in the government are unfamiliar in Germany, where Ms. Merkel has ruled as chancellor for more than 12 years and in recent times has been the bulwark of stability as the European Union lurched from one crisis to another.

When a wave of migrants fleeing conflict and poverty in the Middle East, Africa and Asia headed to Europe in the summer of 2015, she threw open the country's doors, and many Germans welcomed the new arrivals. But the initial mood soured amid reports of crimes associated with the newcomers and concerns that many whose asylum claims were rejected weren't being sent back.

After the crisis peaked, Ms. Merkel moved gradually to tighten regulations for asylum seekers. But a political backlash over her policies slashed her alliance's share of the vote in an election last year to the lowest level since 1949, and the anti-immigrant party Alternative for Germany entered Parliament.

FROM PAGE ONE

Facebook Details Data Use

Continued from Page One
nerships, acknowledged the preferred deals in an earlier interview with the Journal, but said they were with individual developers to test new features or when winding down products.

He said that the company maintained a "consistent and principled approach to how we work with developers over the course of the past 11 years."

The disclosure follows a Journal article in June that reported Facebook struck customized data-sharing deals that gave select companies such as Nissan Motor Co. access to user records for their apps well after the point in 2015 when it said it walled off that information. Nissan is listed in Friday's document.

Facebook provided the document to the Energy and Commerce Committee of the U.S. House of Representatives in response to hundreds of questions from the committee, which quizzed Facebook Chief Executive Mark Zuckerberg during testimony in April.

The committee said on its website that it received the responses shortly before midnight on Friday; the deadline for the responses was the close of business Friday.

It is Facebook's second attempt at answering Congress's queries. In June, Facebook delivered 450 pages of answers to two Senate committees, deflecting some questions about its influence and market power while offering some detail about the information it collects on users.

Facebook's handling of its user data has been under scrutiny since March when revelations surfaced that political analytics firm Cambridge Analytica, which aided President Donald Trump's 2016 presidential campaign, purchased



Facebook responded to hundreds of questions from a House panel that had quizzed CEO Mark Zuckerberg in April.

data on 87 million users without their consent.

In the ensuing hearings, lawmakers asked Mr. Zuckerberg whether Facebook was in violation of a settlement the company made in 2012 with the Federal Trade Commission, under which the company is required to give its users clear and prominent notice and obtain their consent before shar-

ing their information beyond their privacy settings. Facebook said in the document that it hasn't violated the FTC pact.

Facebook indicated it has struggled to fully reconstruct what happened to its users' information. "It is possible we have not been able to identify some extensions," Facebook said in the document about companies that had access to

users' friends' information past the 2015 cutoff.

Many of the app developers that scooped up unusually large chunks of data are out of business, according to developers and former Facebook employees. In some cases, the company says, developers contacted by Facebook aren't responding to requests for further information.

The social network also said in Friday's document that it shared information about its users with 52 hardware and software makers, including big U.S. companies such as Amazon.com Inc., Apple Inc. and Microsoft Corp., as well as some Chinese firms such as Huawei Technologies Co. and Alibaba Group Holding Ltd. Fourteen companies continue to have access to information about Facebook's users, the document said.

These partnerships "do not involve data sharing with partners for their independent purposes," Mr. Archibong said in a statement on Sunday.

A spokeswoman said the

company provided access to these device and software makers after users logged into the Facebook app. According to the document, Facebook allowed this access so these companies could create versions of Facebook for their devices, provide "hubs" where users could see notifications from Facebook, allow users to sync Facebook contacts and photos on their devices and send users notifications from Facebook via text message.

"These integrations were built by our partners, for our users, but approved by Facebook," Facebook said in the document.

Facebook has severed this data access with 38 of the companies on the list, the company said in the document. Seven companies will continue to have this access until July, and three companies—including Apple, Amazon and accessibility app Tobii—have agreements with Facebook to continue to access this data beyond October, according to the document.

WORLD NEWS

Bolton: Removing Assad Not Priority

By MICHAEL R. GORDON

WASHINGTON—National security adviser John Bolton said Syrian President Bashar al-Assad's hold on power wasn't a strategic issue for the U.S. and that President Donald Trump hoped to secure Russia's help in evicting Iranian forces from the country.

Middle East experts, allied officials and some leading U.S. lawmakers have long argued that there is little hope of bringing stability to Syria as long as Mr. Assad is at the helm.

But appearing on CBS on Sunday, Mr. Bolton indicated that Mr. Assad's efforts to vanquish his opposition weren't the Trump administration's principal concern in the region.

The Wall Street Journal on Friday reported that Mr. Trump planned to seek Moscow's help in scaling back Iran's presence when he meets President Vladimir Putin in Helsinki on July 16.

Skeptics question whether the Kremlin has sufficient leverage over Mr. Assad to induce Tehran to withdraw its forces from Syria. The Syrian regime has been dependent on Iranian forces and Shiite militias in seizing territory. Maintaining a military presence in Syria has also been a priority for Tehran, which has sought to maintain a corridor to Hezbollah, the Lebanese militant group.

Iran Unrest Widens Over Economy

By ASA FITCH

Spreading unrest in Iran raises the prospect of broader antigovernment protests as the political leadership in Tehran faces mounting pressure from a Trump administration effort to cut the country's oil sales.

Hundreds of people took to the streets in the southwestern city of Khorramshahr over the weekend in a demonstration prompted by anger at dirty drinking water that turned into an expression of broader grievances against the government in Tehran.

The upheaval came after thousands of people swarmed Tehran's Grand Bazaar last week, as the government of Iranian President Hassan Rouhani struggles to deal with soaring unemployment, a collapsing currency and other economic woes. Businesses in the bazaar shut down for days.

In Khorramshahr, a video shared Friday on social media showed large crowds chanting "Death to Rouhani." Other videos that purported to capture the events of the weekend showed people clashing with security forces and setting fires in the street. What appeared to be gunfire could be heard in the background of some. The videos couldn't be independently verified.

An Iranian interior ministry official said 10 police officers were injured in clashes on Saturday. Iranian authorities said no one had died.

Economic problems and political complaints led to a wave of public protests in late De-



Protesters gathered outside a shopping center for mobile phones in Tehran last week.

cember and early January in more than 100 Iranian cities, in what amounted to the biggest public rebuke of Iran's rulers in nearly a decade. A crackdown by security forces largely curbed those demonstrations.

On Wednesday, U.S. Secretary of State Mike Pompeo expressed his support for the Tehran bazaar protesters, tweeting that Iranians "are tired of the corruption, injustice & incompetence of their leaders. The world hears their voice."

The U.S. recently warned buyers of Iranian crude they could face U.S. sanctions if they don't cut commercial ties by Nov. 4, as Washington increases pressure on Tehran to

further limit its nuclear programs, missile development and military activities.

President Donald Trump in May withdrew from the Iran nuclear deal, which gave the Islamic Republic relief from international sanctions in exchange for curbs on its disputed nuclear program. The deal between six world powers and Iran was a priority of former President Barack Obama's administration.

In Khorramshahr, the governor, Valiollah Hayati, said Sunday that order had been re-established after the clashes, according to the official Islamic Republic News Agency.

"In street protests, some

get worked up and some abuse the opportunity and carry out actions that disrupt order," Interior Minister Abdolreza Rahmani-Fazli said Sunday, according to IRNA. "In this case, the police are obliged to fulfill their duty or there will be no order."

The recent protests have occurred against a backdrop of rising unemployment and inflation. Heightening the pain for investors and importers, the Iranian rial has lost around half its value against the dollar since the beginning of the year at unregulated exchanges.

The bazaar protests were particularly notable because members of Tehran's conserva-

tive merchant class have long been seen as important supporters of the ruling system.

Though smaller in scale than the winter protests, the more recent actions have highlighted the daunting challenges Iran's rulers face as they grapple with a bid by the U.S. and regional rival Saudi Arabia to curtail the country's oil income, something that could seriously destabilize the already precarious economy.

While the problems underlying recent protests predated the Trump administration, analysts say new U.S. pressure has helped accentuate the strains.

"The Trump administration's strategy is to subject Iran to enormous pressure in order to bring about one of two outcomes: Regime capitulation or regime implosion," said Karim Sadjadpour, a senior analyst at the Carnegie Endowment for International Peace. "It is equally possible, however, that this strategy serves to strengthen Iran's hard-line security forces or leads to military conflict."

Following the bazaar protests and strikes, almost two-thirds of Iran's parliament members sent Mr. Rouhani a letter asking that he overhaul his economic team. Mr. Rouhani said Wednesday that his government wasn't going to resign.

Iran's Supreme Leader Ayatollah Ali Khamenei has blamed the U.S. for the unrest and called Wednesday for the judicial system to deal with anyone who disrupts Iran's economic order.

—Aresu Eqbali contributed to this article.

WORLD WATCH

MYSTERY ILLNESS

U.S. Evacuates More Americans From China

At least nine Americans have been medically evacuated from China following complaints in recent months of abnormal aural sensations similar to those experienced by U.S. diplomats in Cuba last year.

U.S. Embassy staff were told in June that the evacuations of the Americans, who were associated with the U.S. consulate in the Chinese city of Guangzhou, weren't all connected to the mysterious symptoms, a person familiar with the situation said.

More than 250 people connected to U.S. missions in China have requested and received medical evaluations, according to an embassy notice sent last week to staff.

To date, only one American in China has been confirmed as having symptoms and clinical findings consistent with those experienced by U.S. diplomats in Cuba, according to the embassy notice.

The State Department said that after medical screenings, several U.S. government staff and family members were offered additional medical assessments in the U.S. It added that such assessments can be authorized for "unrelated issues" that might need additional evaluation unavailable locally. "The health, safety, and well-being of U.S. citizens and U.S. government employees and their family members are our greatest concern," the State Department said.

The State Department said in



CLOSING IN: Thai navy SEALs were moving closer to where they think 12 boys and their soccer coach may be trapped in the flooded six-mile-long Tham Luang cave network, but still haven't made contact with them, more than eight days after they went missing.

May that one American government employee based in Guangzhou was found to have suffered a mild traumatic brain injury after experiencing months of aural sensations.

The mystery-illness complaints come at a sensitive time in U.S.-China relations, as Beijing and Washington skirmish over trade issues and seek to contain North Korea's nuclear ambitions.

—Te-Ping Chen

MALAYSIA

Ex-Ruling Party Picks Chief, Veers Right

The party that ruled Malaysia for more than 60 years until a humiliating election defeat linked to the 1MDB scandal selected a new leader to replace former Prime Minister Najib Razak and to rebuild support among the ethnic Malay Muslim majority.

The choice of Zahid Hamidi, 65 years old, as the new president of the United Malays National Organization came in a vote by party division leaders late Saturday and represents a rightward turn to rebuild a foundation of Malay support, which splintered in recent years toward Islamist parties as well as the multiethnic alliance that captured power in the May 9 elections.

—Yantoultra Ngui

HONG KONG

Anniversary Rally Draws Low Turnout

The annual pro-democracy protest saw one of its lowest turnouts amid sweltering heat. Demonstrators—organizers claimed 50,000, police counted 9,800—protested Beijing's tightening grip on the 21st anniversary of the city's return to Chinese rule. —Reuters

AFGHANISTAN

Suicide Bomber Targets Sikhs, Hindus

A suicide bomber targeted a convoy of Sikhs and Hindus on their way to meet Afghanistan's president in the eastern city of Jalalabad, killing at least 19 people.

Inamullah Miakhail, spokesman for the provincial hospital in Nangarhar, said 17 of the victims are from the minority Sikh and Hindu community.

Mr. Miakhail added that at least 10 of the 20 wounded were also from the same minority community and are undergoing treatment at a Jalalabad hospital.

The spokesman confirmed that Khalsa, a longtime leader of the Sikh community who had planned to run in parliamentary elections set for October, was killed in the attack.

Gen. Ghulam Sanayee Stanekzai, Nangarhar's police chief, said the attacker targeted the group on its way to the governor's compound. They had planned to meet with President Ashraf Ghani, who was visiting the region on Sunday.

No one immediately claimed responsibility for the attack, but the Taliban and an Islamic State affiliate are active in the province.

Sikhs and Hindus have long suffered widespread discrimination in the conservative Muslim country and been targeted by Islamic extremists. The community numbered more than 80,000 in the 1970s, but today only around 1,000 remain.

—Associated Press

Pyongyang Expands Facilities

Continued from Page One process right away." A day later he tweeted: "There is no longer a Nuclear Threat from North Korea."

U.S. Secretary of State Mike Pompeo is set to hold high-level meetings with North Korean officials "in the near future" to lay out a blueprint for how the country can dismantle "the overwhelming bulk of their programs within a year," John Bolton, Mr. Trump's national security adviser, told CBS Sunday.

A State Department spokeswoman declined on Sunday to talk about security matters but said "the United States continues to monitor North Korea closely as we move forward in our negotiations."

U.S. intelligence agencies have long been skeptical that North Korea would give up all

of its nuclear arms and ballistic missiles.

"Pyongyang's commitment to possessing nuclear weapons and fielding capable long-range missiles, all while repeatedly stating that nuclear weapons are the basis for its survival, suggests that the regime does not intend to negotiate them away," U.S. officials said in a February assessment.

North Korea flight tested last year three intercontinental ballistic missiles capable of reaching the U.S. mainland. In April, Mr. Kim declared a moratorium on nuclear and ballistic tests, saying the country's nuclear program was complete.

He said he would destroy the country's nuclear-test site as a show of good faith. North Korea's last missile test was in November and it hasn't conducted a nuclear test since September.

Even so, North Korea has continued to expand its main solid-fuel missile manufacturing facility, according to the new satellite imagery from San Francisco-based Planet Labs Inc. that was analyzed by David Schmerler and Jeffrey Lewis, researchers at the Middlebury In-

stitute of International Studies.

In August, Mr. Kim visited the missile plant, the Chemical Material Institute in Hamhung, and ordered it to produce more solid-fuel rocket engines and rocket warhead tips.

New building didn't appear to begin in earnest until April this year, around the time Mr. Kim shook hands with South Korean President Moon Jae-in in a summit meeting at the inter-Korean border, according to a series of satellite images. The bulk of construction took place

in May and June.

"The expansion of the production infrastructure for North Korea's solid-fuel missile infrastructure probably suggests that Kim Jong Un does not intend to abandon his nuclear and missile programs," Mr. Schmerler said.

Most of the missiles North Korea has launched, including the ICBMs capable of reaching the U.S. mainland, are liquid-fuel missiles that must be fueled up at the launch site in a process that can take up to sev-

eral hours—making them susceptible to a pre-emptive strike.

By contrast, solid-fuel missiles—which form the bulk of the missile arsenals of most of the world's advanced militaries, including the U.S., Russia and China—can be transported and fired with little warning.

North Korea's solid-fuel missile program is relatively young, and the country hasn't yet demonstrated an ability to launch longer-range solid-fuel missiles, though experts believe the North eventually wants to extend the range of its solid-fuel missile arsenal.

Most of the North's solid-fuel missiles, including the Pukguksong, or Polaris, series of missiles, are believed by experts to have a range of roughly 800 miles, enough to hit U.S. military bases in Japan and South Korea.

After successfully test-launching the Pukguksong-2 land-based missile a second time in May, 2017, Mr. Kim declared the missile "perfect," according to a North Korean state media report at the time.

The report quoted Mr. Kim as saying: "Now that its tactical



Kim Jong Un visited the Academy of Defense Science last year.

and technical data met the requirements of the Party, this type of missile should be rapidly mass-produced."

While the North has demonstrated its ability to launch missiles capable of flying more than 8,000 miles—far enough to reach any point in the U.S. mainland—experts remain divided on whether it has perfected a re-entry vehicle that would allow a nuclear warhead to pass through the earth's atmosphere without burning up.

Notably, the Hamhung facility makes the tips of missile re-entry vehicles—a closely watched component of Pyongyang's missile program.

Since the Singapore summit, Mr. Trump has expressed optimism that the North was moving toward dismantlement of its nuclear program.

Just hours after his handshake with Mr. Kim, he told reporters that Mr. Kim had told him North Korea was destroying a "major missile-engine testing site." The Trump administration hasn't said which site Mr. Trump was referencing.

—Michael R. Gordon contributed to this article.

The report quoted Mr. Kim as saying: "Now that its tactical

IN DEPTH

China Eyes Taiwan's Tech Secrets

Continued from Page One
including Apple Inc., Nvidia Corp. and Qualcomm Inc. They say China aims both to pressure what it considers a breakaway province and to pursue its own strategic goal of reducing its reliance on foreign suppliers.

Technology-theft cases more than doubled to 21 last year from eight in 2013, according to official data. Taiwanese authorities and attorneys say they mostly haven't indicted Chinese entities believed to be the ultimate beneficiaries, often for political reasons and because they don't believe they would be able to enforce court judgments on the mainland.

While China manufactures most of the world's smartphones and computers, it imports almost all the semiconductors needed to provide the logic and memory that run the gadgets. Last year, China paid \$260 billion importing chips—60% more than it spent on oil. Chinese leaders want homemade chips to account for 40% of locally produced smartphones by 2025, more than quadruple current levels.

Beijing has \$150 billion in funds to develop its own chip industry, frustrated by Washington blocking Chinese takeovers of American manufacturers and efforts to limit investments and exports to prevent the transfer of technology. Last week, Mr. Trump backed away from a plan to create tough new restrictions on U.S. technology exports to China as officials try to diffuse a looming war over tariffs.

Beijing is using its largess to try to lure businesses and engineers across the Taiwan Strait, sometimes dangling fivefold salary increases, and sometimes enticing recruits to bring design blueprints with them, Taiwanese officials say. "China's poaching is getting more and more serious," said Lin Wei-cheng, of the island's Ministry of Justice Investigation Bureau. "We are after all the same race, and there's the geographic proximity and ease of communication. And we have the expertise."

China's foreign ministry has long denied Chinese companies and agents steal intellectual property. "One thing we need to straighten out with the U.S. is that China's innovation achievements are earned by the wisdom and sweat of 1.3 billion Chinese people, not by stealing and not by robbing anyone," a spokeswoman said, responding to questions on U.S. allegations of China's thefts and forced transfers of technology.

A Wall Street Journal study of 10 recent technology-related prosecution cases in Taiwan found that in nine of those, prosecutors allege the technology ended up with or was intended for companies in China.

China's technology ministry has in public statements said Taiwan and China should cooperate in high-tech sectors including semiconductors. It didn't reply to requests for comment on the Taiwanese cases.

One case involved a Taiwanese unit of Idaho-based Micron Technology Inc., America's largest memory-chip manufacturer. On a spring day in 2016, a 41-year-old engineer for the unit opened his company laptop and,



A high-tech expo in Beijing last month highlighted China's semiconductor ambitions.

according to Taiwanese prosecutors, tapped into Google search: "clear computer use records."

Wang Yongming found a file-erasing program called CCleaner, which he used to try to delete traces of more than 900 files from his laptop before returning it to his employer, the prosecutors say.

Ten months after Mr. Wang returned the laptop to the company and left for a job with a smaller Taiwanese rival, United Microelectronics Corp., Taiwanese authorities say they unearthed evidence of the documents, which detailed production-design secrets of Micron's memory chips.

In August, Mr. Wang and others were indicted in Taiwan on charges of stealing Micron's trade secrets for illegal use in China. Prosecutors allege Mr.



China's poaching is getting more and more serious,' says a Taiwanese official.

Wang transferred the data to his new employer, which used the designs in service of a Chinese chip maker called Fujian Jinhua Integrated Circuit Co. Jinhua is now planning to mass produce its own version of the chips.

In Mr. Wang's case, prosecutors say he has confessed to some charges. Mr. Wang couldn't be reached, and his attorneys declined to comment.

UMC declined to comment. Micron, in a separate lawsuit in California, alleges Jinhua masterminded the plan to take a shortcut through a thicket of knowledge Micron accumulated during decades of investment.

Jinhua didn't respond to multiple messages seeking comment. Jinhua has denied the charges in public statements, countersued Micron, and said the accusations are part of an effort by "international oligopo-

lists" to block progress by Chinese companies.

In another case, Taiwanese prosecutors in December charged a 46-year-old former employee at Nanya Technology Corp., the world's fourth-largest memory-chip supplier, with stealing dynamic random access memory, or DRAM, technology while taking online courses provided by the company. Prosecutors say the man used his smartphone to take snapshots of Nanya's secrets and used them to seek a job with a Chinese producer backed by Tsinghua Unigroup Ltd., China's largest state-owned chip maker. Unigroup said in an email that the unit didn't hire the man and that it "doesn't know" about the snapshots or trade secrets.

Allegations of espionage by Chinese companies aren't new. A Chinese professor is awaiting trial in California federal court for allegedly stealing cellphone chip technology from two American companies between 2006 and 2011. TSMC waged court battles in California over proprietary secrets it alleged were stolen by Chinese rival Semiconductor Manufacturing International Corp. SMIC disputed but settled the charges.

The latest salvo

Attorneys say current cases in Taiwan appear more aggressive and come amid rising political discord between China and Taiwan, which split from the mainland in a civil war seven decades ago and opposes China's claim to sovereignty over the island.

Beijing's pursuit of semiconductor secrets is seen as part of its longstanding goal to reabsorb Taiwan under the mainland government. Its latest salvo, issued in February, is called "31 Measures" and offers a raft of incentives to attract more Taiwanese businesses and highly educated people to study, invest and establish startups in China.

Taiwan's Vice Premier Shih Jun-jii has called the policy politically motivated, and Taiwan's leadership has countered by stepping up funding for researchers and business innovation.

Semiconductors account for nearly a fifth of the island's gross domestic product and are by far its largest export, totaling \$92 billion last year.

The industry has physically reshaped Taiwan. The farmland and dusty shophouses of Taichung's southern fringe—where

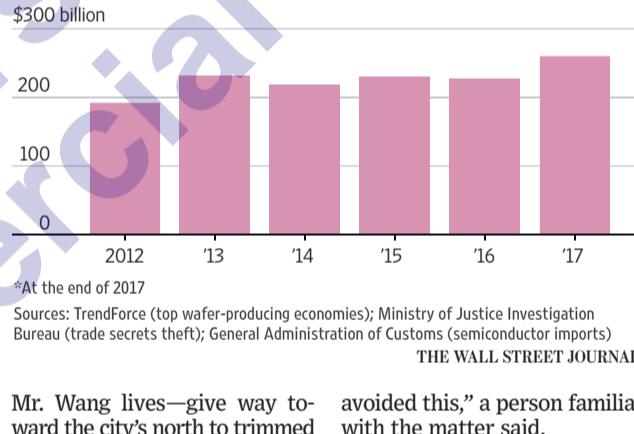
Technology Transfer

Taiwan's dominance of the global semiconductor market has made it a target for intellectual-property theft originating in China, which is trying to cut down on chip imports.

Top wafer-producing economies by global market share*



Cases of trade secrets theft in Taiwan



China's semiconductor imports



*At the end of 2017
Sources: TrendForce (top wafer-producing economies); Ministry of Justice Investigation Bureau (trade secrets theft); General Administration of Customs (semiconductor imports)

THE WALL STREET JOURNAL.

Mr. Wang lives—give way toward the city's north to trimmed roads leading to gleaming edifices, home to chip giants including Micron and Taiwan's Siltronix Precision Industries Ltd.

That growth is now leavened with anxiety. Though there are few external signs of enhanced security beyond guards checking visitor identification, companies here say they have stepped up internal measures since they began to sense China's rising interest in their trade secrets.

After Mr. Wang's alleged theft, Micron's Taiwan unit beefed up policies to bar cameras from areas where chips are assembled and information exchanged, block downloads outside its network, and disable ports for USB drives.

Micron felt it "should have gotten some of the more stringent policies in place faster that would have

avoided this," a person familiar with the matter said.

Mr. Wang took advantage of a lapse in security during an office move to transfer the files, the person said. Micron lost 200 engineers in 2016 and 2017 to firms supplying Chinese rivals,

the person said. Mr. Wang was one of 50 who jumped to UMC after Stephen Chen, former president at Micron Memory Taiwan, made the switch in July 2015. Mr. Chen, who joined Jinhua as president in February 2017—days after investigators raided UMC offices, didn't respond to requests for comment.

Around the time Mr. Wang left Micron Taiwan, in April 2016, the company conducted an internal investigation based on

suspicions that he had made illegal copies of documents. When investigators raided UMC in February 2017, say Taiwanese

prosecutors and Micron, Mr. Wang handed his personal cellphone to an assistant and instructed her to take it away—unaware that prosecutors had already obtained a court order to track the device, which investigators allege also contained incriminating information.

UMC, which Mr. Wang joined in April 2016 a few days after trying to erase files from his laptop, had in January 2016 struck a deal with Jinhua to supply the designs to mass-produce DRAM in exchange for more than \$700 million in fees, equipment and a cut of future licensing revenues. Before then, UMC was mostly a foundry that made other companies' designs. Micron alleges in its civil lawsuit that Jinhua knew that the technology to be delivered under the deal would be based on Micron's designs.

The files Mr. Wang transferred were a grab bag of production secrets, including test procedures and results, and processes such as placing conductive layers on chips, known as metallization, Micron filings say. Among the items was a design protocol known as DR25nmS, which provided the basis for Mr. Wang to copy instructions that delineated the areas where the chip's computing takes place. Analysts say such knowledge is normally acquired via a laborious series of trial-and-error adjustments. Figuring out such a protocol would take at least three years, if not decades. In UMC's case, it took two months, according to Micron.

Speedy design

"The Micron trade secrets that Wang stole proved invaluable to UMC's development effort and critical to the timeline of the Jinhua DRAM project," Micron said in its filing.

The speed of UMC's design development helped Jinhua in October 2016 to start marketing its first two DRAM products, which it called F32 and F32S—names that Micron says were identical to the ones used for chips it produced at its Taiwan facility. Jinhua is preparing to make trial DRAM chips later this year and mass produce next year, say industry executives and analysts.

Incorporated in February 2016 with a \$5.7 billion war chest in state funds, Jinhua is a part of Project 910, the latest phase in a three-decade-old Chinese government program to build globally competitive chip makers. Shareholders include a handful of companies ultimately owned or controlled by the Fujian provincial government.

Micron's lawsuit and Taiwan's indictment say Mr. Wang was told before he got hired that he would be transferred to Jinhua at higher remuneration if he satisfied his new employer.

Jinhua is a defendant in Micron's lawsuit but isn't named in Taiwan's indictment, though it is identified as part of the prosecution's case. While Taiwanese officials say China's efforts to steal technology are increasing, investigators and attorneys in Taiwan say it's difficult to enforce judgments.

Taiwan's law-enforcement officials say they regularly reach out to their mainland counterparts in an effort to resolve the rising theft allegations, to no avail. "We do talk to China," said Wu Jung-chun, director of the justice ministry's economic crime prevention division. "We provide information to them. But we don't receive any subsequent response."

He eventually gave up and parks outside the village.

Mr. Lambert began his anti-ban quest last year. "Times have changed," he thought. "This will be super quick." He created a Facebook page for his campaign. He collected 300 signatures—and plenty of opposition.

"Build a bigger garage or buy a smaller truck and park it in your current garage," Flossmoor resident Diane Kohn wrote on a community chat site. "No one who is not using it for business 'needs' a giant truck."

Ms. Kohn, 70, says, "Flossmoor is the jewel of the south suburbs," and "I'll do what I can to keep it that way."

This month, village trustees deemed the issue divisive enough to warrant a referendum this autumn. Then trustees will have final say.

"I think it's going to be really close," Mayor Braun says.

Mr. Lambert figures the best-case scenario is a lifting of the restriction next year. He sold the F-100. If he wins, he expects he'll buy another, ideally a diesel Chevy Colorado, white with tinted windows. "I think it will be a little flashy."

Don't Park Your Pickup Here

Continued from Page One

A. Flossmoor not only restricts commercial pickups but all of them. After Coral Gables, Fla., voted in 2012 to drop a similar ordinance, Flossmoor officials say they believe their community became the last in America with such a restriction.

Developers built Flossmoor in the early 1900s around a series of country clubs. They marketed it to professionals as an upscale golfing and vacation community.

As Chicagoland expanded, Flossmoor fought to preserve its aesthetics in 1975 by imposing a parking ban on pickups, which at the time in America were largely utilitarian beasts of burden.

The ordinance forbade parking in residential areas. In 1989 it was loosened to allow residents to garage passenger pickups. The vehicles are allowed in nonresidential areas such as in

front of businesses or churches. The ordinance has been challenged but not overturned, even as the pickup evolved elsewhere into a higher-status vehicle.

"I would say it's aesthetics based," says Flossmoor Mayor Paul Braun. "I can respect both sides, both opinions."

The ban is part of the town's ticket of restrictions. Above-ground pools are prohibited. Dog leashes must not exceed 8 feet. Grass can be no more than 5 inches high. Garbage cans can't be visible from the street 24 hours after pickup.

Those barriers, say residents such as Mr. Tiernan, help maintain community standards. "If you don't have rules someone is going to abuse things," he says.

That worldview sets Flossmoor's vehicular population apart. The Ford F-150 has been America's best-selling vehicle for years. But among Flossmoor's 8,983 vehicles there are more Mercedes (432) and Lincolns (132) than trucks (42) according to the Illinois secretary of state.

Pickup-driving residents make do, parking out of town or, in a pinch, in the Flossmoor Community Church lot. "Sometimes nonmembers park trucks

there too if they have a guest from out of town or something," says Jenny Sykes, the director of church operations. "It's pretty casual; we don't patrol it or anything."

The backlash goes way back. Jim Minx, a retired Illinois state trooper, says he got 53 tickets for his Mazda B2000 pickup after moving to Flossmoor in 1986. Instead of paying, he took the village to court and fought

the case for 13 years to the state supreme court, which refused to hear it.

Mr. Minx, 58, planned to take the case to federal court but moved in 1999 and lost plaintiff's standing. "I just thought it was wrong for them to determine what we should be driving," he says.

Tom Haggerty, 53, a landscaper who moved to his current house in Flossmoor in 2005, says he would come home for lunch when he first moved, then emerge to find a ticket. He became convinced he was being staked out by police and town officials.

He says he loves Flossmoor, but "I'm a landscaper, I'm blue collar, that's kind of what it boils down to. It's Snobsville."

He estimates he has paid over \$3,000 in tickets. He tried to get the ban overturned, then took to subterfuge.

On winter nights, he occasionally closed the garage door on one of his pickups with just the snowplow protruding, as if daring neighbors to complain. "If you mess with me," says Mr. Haggerty. "I'm going to mess with you back."



FORD MOTOR COMPANY/ASSOCIATED PRESS

A blue Ford F-150 pickup truck is parked on a rocky, uneven surface in a rural, open landscape with mountains in the background. The truck is angled towards the camera, showing its front grille and headlight area. The terrain appears to be a mix of dirt and rocks, suggesting a remote or off-road setting.

there too if they have a guest from out of town or something," says Jenny Sykes, the director of church operations. "It's pretty casual; we don't patrol it or anything."

The backlash goes way back. Jim Minx, a retired Illinois state trooper, says he got 53 tickets for his Mazda B2000 pickup after moving to Flossmoor in 1986. Instead of paying, he took the village to court and fought

the case for 13 years to the state supreme court, which refused to hear it.

GREATER NEW YORK

Agreement Averts Government Shutdown

New Jersey lawmakers approve \$37.4 billion budget after striking deal with Gov. Murphy

BY KATE KING

New Jersey lawmakers passed a \$37.4 billion state budget Sunday evening, a day after reaching a last-minute deal with Gov. Phil Murphy that averted a government shutdown.

The budget agreement, which will raise taxes on the state's multimillionaires and businesses, ended a standoff between Mr. Murphy, a Democrat who took office in January, and lawmakers from his own party over how to fund the state government for the fiscal year that began Sunday.

The budget deadline was midnight Saturday, but the governor said he wouldn't close state government since a deal had been reached. He was expected to sign the budget Sunday night.

"Let me be clear: There will be no shutdown," Mr. Murphy said at a joint news conference with legislative leaders Saturday evening. "The parks and beaches are open."

The budget represents a 4.2% spending increase over the fiscal year that ended Saturday.

Under the agreement, New Jersey's top income-tax rate will increase to 10.75% on fil-



Tania Campbell cooled off Sunday at Cheesequake State Park. The budget deal allowed state parks and beaches to remain open.

ers earning \$5 million and above, up from 8.97%. The tax is expected to raise an additional \$280 million a year in revenue, Mr. Murphy said.

The governor and lawmakers also agreed to a four-year surcharge on businesses earning more than \$1 million. These companies would see their in-

come-tax rate increase to 11.5% from 9% for the next two years, before lowering to 10.5% in the two years after that, Mr. Murphy said. The surcharge is expected to raise \$425 million for the new fiscal year.

The deal doesn't include a sales-tax increase, which Mr. Murphy had said was neces-

sary—along with a millionaire's tax—to establish "sustainable, recurring" revenue streams for the state budget. On Saturday, Mr. Murphy said the sales-tax increase was no longer needed due to a June decision by the Supreme Court allowing states to tax online sales, along with the recent repatriation of

money from overseas.

The agreement marks the end of months of disagreement between New Jersey's new governor, a former Goldman Sachs executive who hadn't previously held elected office, and the more-seasoned lawmakers who lead the Democratic-controlled Senate. Mr.

Murphy encountered the harsh reality of Trenton politics soon after taking office, when Senate President Steve Sweeney, a Democrat who previously voted in favor of a millionaire's tax, then said he opposed it.

Mr. Sweeney said he changed his mind on the millionaire's tax because of the recently passed federal-tax law, which capped previously unlimited annual state and local tax deductions at \$10,000 for individual and married filers. Raising state income taxes on millionaires would drive wealthy people out of the state, Mr. Sweeney said, and he wanted instead to raise taxes on businesses.

After weeks of negotiations, Mr. Sweeney said Friday he would support raising income taxes to 9.95% on filers making more than \$5 million. Mr. Murphy said that would raise "nowhere near what is necessary."

On Saturday, Mr. Murphy said the agreed-upon income-tax rate of 10.75% for people earning more than \$5 million represented a "meaningful increase" from what Mr. Sweeney had offered the day before.

"This is not a win for any of us individually, this is a win for the middle class, working families," Mr. Murphy said.

Mr. Sweeney secured the governor's support for a bill that would revamp the way the state distributes funding to public schools.

Teaching Rights to Migrant Children

At the Catholic Charities of the Archdiocese of New York, advocates are faced with explaining legal rights to hundreds of children who have been separated from the adults they were traveling with when they illegally entered the U.S. The group is providing legal



Youngsters outside a facility in New York that provides services to immigrant children.

fication, expediting it, ensuring it," Mr. Russell said. "But it's a complicated logistical process that is ultimately controlled by the federal government."

The process has been slow because the children are under the care of the Health and Human Services Department and the parents are being held by Immigration and Customs Enforcement. A federal judge recently ordered the Trump administration to temporarily stop separating migrant families and reunite all children with their parents. The nationwide preliminary injunction requires the federal government to reunite all children within 30 days and those younger than 5 years old within two weeks.

The more than 2,000 children who have been separated from their parents are now in the care of foster agencies, re-

ligious groups and other social-service organizations that have contracts with HHS.

Catholic Charities in Fort Worth, Texas, has housed 28 children since the Trump administration's zero-tolerance policy was put in place, and 16 of them have been united with parents, relatives or family friends, Chief Executive Heather Reynolds said. The organization has striven to figure out what is in the best interest of each one. Staffers try to locate a child's parents or relatives to make such decisions. If that isn't possible, they typically place a child in a foster home.

Throughout the process, they try to help the children make sense of what they are experiencing. As part of their classroom instruction, the children study geography and map the journey they have been on, to better understand

how they arrived here.

Staffers try to explain each step in the process. If an aunt is undergoing vetting to become a sponsor, they might explain that they are looking into whether she has room in her house.

"We make no false promises," Ms. Reynolds said. "A lot of our work is on making kids feel comfortable, feel safe."

Of the total group in New York City, Mr. Russell said, few children have been presented in court because the court dockets are clogged. Roughly a dozen who have been to court have reunified with a parent "because they have chosen to go back to a home country," he said.

In few instances, a child—usually a teenager—is making a separate claim for asylum and wants to stay in the U.S. regardless of what a parent chooses, he said.

Immigration Court Holds Video-Only Hearings

BY GERALD PORTER JR.

Manhattan's immigration court has started a new policy of holding hearings over video-conference, leaving attorneys scrambling to represent clients without meeting in person.

New York Immigrant Family Unity Project attorneys, who typically had morning hours before hearings to meet clients and discuss their cases, only had five minutes per hearing.

"This is hurting everybody; nobody wins," Katherine Buckel, an NYIFUP attorney. "Some people are so worn down from being in detention centers that they just can't wait anymore, even if they do have a claim."

The suspension of in-person hearings for detained immi-

grants came after protesters blocked a garage used by Immigration and Customs Enforcement agents. ICE said the protests were a "security risk."

This is hurting everybody; nobody wins,' said one attorney.

On Thursday, the first day of the new policy, the waiting area leading to the courtrooms overflowed with legal aides holding armfuls of case files and detainees' family members wondering about the fate of their

loved ones. When a court official announced a hearing, legal counsel and family members of the detained immigrant would rush to the door to get more information.

After being apprehended at the border, many migrants are held in detention while their asylum cases move through the immigration courts.

The courts have a backlog of nearly 700,000 cases. Many migrants languish in detention as the average case takes more than two years to adjudicate in court. The country's 334 immigration judges handle an average of 2,000 cases.

On Thursday the hearings were short, and Ms. Buckel said detainees only had two choices in light of the video

calls: They could either wait in a detention center until a future hearing, or end their time in detention by proceeding with a deportation order to their native country.

Before the switch to video calls, Ms. Buckel said the pre-hearing meetings with clients were extensive. Counsel could discuss a deportation order, but they could also advise clients on the possibilities of bond or asylum. Even if a detainee didn't have a strong case to stay in the U.S., she said, the in-person communication created a better environment for the decision-making process.

The New York Civil Liberties Union also said using video-conferencing for hearings was eroding detainees' rights.

Long Islanders Seek Shelter From Ticks

BY LARA KORTE

Fear of tick-borne illnesses in eastern Long Island has some residents choosing to spend their summer inside their homes rather than in the great outdoors.

John Rasweiler, who lives in Southold on the island's North Fork, said even a simple walk across his lawn from his car to the front door of his home could lead to a parasite bite.

"And in the 10, 15 seconds that I'm crossing that, I have actually picked up ticks," he said.

Mr. Rasweiler, 65 years old, is a member of the town's tick working group, which was formed to deal with the irritating insects. He said the problem has gotten so bad that residents are hesitant to do yard work or allow children outside to play.

"The tick crisis is probably one of the largest public health and safety and welfare issues facing the town and facing the East End," said Southold Town Supervisor Scott Russell.

Experts say the lone star tick, a species named for the single white spot on its back, could be to blame for the rising numbers of tick-borne illnesses, including a meat allergy known as alpha-gal.

"There has always been a tick problem," said Erin McGintee, an allergist at ENT and Allergy in Southampton. "But it's definitely getting worse."

Since 2010, Dr. McGintee said she has seen 450 cases of alpha-gal, which can cause severe allergic reactions to the ingestion of meat such as beef and pork. The allergy is the result of the body's reaction to the tick's saliva, which creates antibodies that then attack a carbohydrate found in all nonprimate mammal meat.

Dr. McGintee said her patients with the diagnosis have ranged in age from 3 to over

90 years old.

"They'll eat a burger for dinner, and three to six hours later, they'll wake up in the middle of the night having an allergic reaction," Dr. McGintee said. "And it can range from hives and itching to severe abdominal pain, nausea and vomiting."

Lyme disease, which is spread by black-legged or deer ticks, is the most common type of tick-borne illness. But Bryon Backenson, deputy director of the state's Bureau of Communicable Disease Control, said New York has actually been seeing fewer cases of Lyme disease reported out of Long Island.

Other, lesser-known illnesses, such as alpha-gal, ehrlichiosis, babesiosis and anaplasmosis are on the rise, giving an early indication that the disease dynamics may be changing in the region.

"Which makes sense because the ticks are starting to show up in different places as well," Mr. Backenson said.

There is no tried and true method for exterminating ticks, according to Mr. Backenson. Pesticides can help, but because their application is up to individual homeowners, neighborhoods can end up with a "checkerboard" pattern that is often ineffective.

Residents say part of the tick problem could be the deer population, which according to locals has skyrocketed in recent years, taking out much of the forest understory and providing an abundant food supply to ticks.

People are encouraged to take precaution when venturing outdoors: Tuck pants into socks, use a repellent with DEET and do frequent tick checks to avoid the possibility of contracting an illness.

Ticks should be removed as soon as possible using fine-tip tweezers, according to the New York Department of Health.



GREATER NEW YORK

GREATER NEW YORK WATCH

NEW YORK CITY

Car-Share Program Gets Coveted Spots

New Yorkers are at odds over a new program that is taking away hundreds of public parking spaces and doling them out to companies that rent out cars by the hour.

New York City is repurposing 230 curbside spaces starting this month for the exclusive use of Enterprise CarShare and Zipcar. Another 55 spots in city-owned parking lots and 24 at public housing complexes also are being set aside for the companies.

Streets signs warn interlopers against parking in them, and violators will be ticketed and towed.

The two-year pilot program is pitting proponents who see car sharing as an efficient alternative to car ownership against car owners who fear fewer spaces will force them to circle the block even longer before finding places to park.

Mayor Bill de Blasio pitched the city's program last month as a way to ease congestion and cut pollution while expanding transportation options.

—Associated Press

CRIME

Man Is Arrested In Fatal Stabbing

The New York Police Department says a man has been arrested on a murder charge after a woman was fatally stabbed while in a cellular phone store.

Police responding to an emergency call went to the Third Avenue store in Manhattan's East Harlem neighborhood around noon on Saturday. They found a 51-year-old woman with multiple stab wounds to her chest. She was taken to the hospital where she was pronounced dead. No identification has been released.

Authorities took a 62-year-old man into custody and later arrested him on the murder charge.

—Associated Press

You Can Pay Big Bucks for Rotisserie Cluck

BY CHARLES PASSY

For many, rotisserie chicken has become a go-to meal, purchased at supermarkets or warehouse clubs for as little as \$5.

But at Poulet Sans Tête, a newly launched delivery and takeout service connected to the Left Bank, a popular Greenwich Village restaurant, a rotisserie bird comes with a gourmet pedigree.

The birds are sourced from a choice list of suppliers, including a Mennonite farm in Pennsylvania. They are prepared with a special spice rub. And they can be ordered with any number of housemade sauces, from salsa verde to Meyer lemon, that are cheekily dubbed "Les Accessories" on the menu.

The cost? A single chicken, without sauce, runs \$25, or five times as much as some supermarket and warehouse club options.

Laurence Edelman, executive chef and co-owner of the Left Bank and Poulet Sans Tête, which translates from the French as "chicken without a head," says the price reflects the quality.

And he thinks New Yorkers are more than willing to pay for a better rotisserie bird.

"I believe the market is set way too low," he said.

Restaurants and markets throughout the metropolitan area are touting similar rotisserie offerings—with similar pricing.

At the newly opened Infamous Chicken, a restaurant on the Upper West Side, the chicken, priced at \$25 for a whole bird, is free-range and antibiotic-free. The dining spot also favors a multistep preparation for its chickens that calls for brining, saucing and placing half a lemon inside each for extra flavor and moistness.

And at Rotisserie Georgette, a nearly five-year-old restaurant in East Midtown that is often credited with jump-starting the gourmet rotisserie trend, creative prepa-



At Poulet Sans Tête, above, a single chicken without sauce runs \$25. That is also the price for a whole bird at Infamous Chicken, below.

rations push the price well past the \$25 mark.

The restaurant's signature Poule de Luxe runs \$37 per person and features the chicken accompanied by seared foie gras, for example.

At Le Coq Rico in the Flatiron District, a whole bird can run as much as \$102.

The most eye-popping price may be the rotisserie chicken at Le Coq Rico, a two-year-old restaurant in the Flatiron District that is an offshoot of one in France. The dining spot's emphasis is on harder-to-find, heritage breeds of chicken, each with a distinctive flavor. A whole bird, such as the Brune Landaise variety, can run as much as \$102, though

the chicken is meant to be shared by two or more diners and the price includes salad.

"Treat it like a feast," said Le Coq Rico chef Antoine Wessermann.

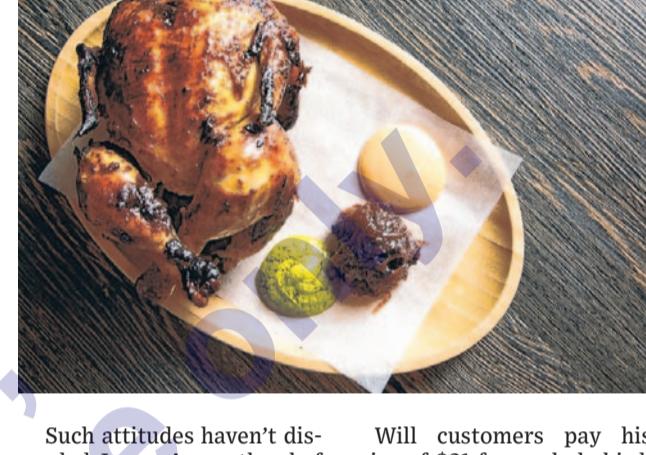
Some who keep a close eye on the food world question if gourmet rotisserie can catch on beyond a small circle of culinary enthusiasts.

"It's just difficult to imagine," said Maria Steingoltz, a Chicago-based managing partner and food and beverage specialist with L.E.K. Consulting, a strategy consulting firm.

And consumers who love their budget supermarket rotisserie chicken are similarly skeptical about birds that carry a big-ticket price.

"If you want to stimulate the economy, God bless you. But personally I have to pay my mortgage," said Adam Oliensis, a stand-up comic and rotisserie fan who calls New York's Rockland County home.

"It tastes like chicken should taste," he said.



Such attitudes haven't dissuaded James Avery, the chef behind Farmly, a new restaurant in Sea Girt, N.J., that specializes in rotisserie chicken. His birds have plenty of pedigree, Mr. Avery says, as he sources organic ones from a small cooperative firm in Virginia's Shenandoah Valley.

Will customers pay his price of \$21 for a whole bird, especially far outside the confines of New York City? Starbucks changed coffee in America from a commodity to a craft-style product, he says, and he thinks the same can be done for rotisserie chicken.

But, he added, "I think it's going to be a long learning curve."

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THE WALL STREET JOURNAL.
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Tracy Morgan visited the Fortune Society, an organization that helps formerly incarcerated people.

Tracy Morgan Gets Back To His Brooklyn Roots

BY KIMBERLY S. JOHNSON

Tracy Morgan is spending a lot of time in Brooklyn, marvelling at the gentrification and getting comedy ideas.

The 49-year-old actor and comedian just wrapped up the airing of his first season of his series, "The Last O.G.," on TBS. O.G. is shorthand for "original gangster," a tough guy from the streets who has reached an advanced age.

Mr. Morgan's return to television comes four years after a car accident left him severely injured and killed his friend and collaborator, James McNair.

The show centers around the adjustments his character, Tray Barker, must make when he is released from prison after 15 years. There are more high-end coffee shops in his old Brooklyn neighborhood—he eventually gets a job at one—and fewer drug dealers.

"The Last O.G." also stars Tiffany Haddish, of "Girls Trip" fame, and comedian Cedric the Entertainer.

Mr. Morgan grew up in Brooklyn's Bedford-Stuyvesant neighborhood, and lived in the Tompkins public-housing complex. These days, women walk around the gentrifying area totting yoga mats, he noted. "I

didn't know what yoga was until I was in my mid-40s," he joked.

"It's an important part of growth in the community. I just don't like when people are displaced," he said of gentrification.

Mr. Morgan started his career doing stand-up in Harlem, and rose to fame as a cast member on "Saturday Night Live." He was nominated for an Emmy for "30 Rock" and a guest appearance on SNL. Mr. Morgan has four children and lives in New Jersey with his wife and 4-year-old daughter.

"The Last O.G." is the result of an idea Mr. Morgan said he had for eight years. The show finally coalesced when he collaborated with Jordan Peele, writer and director of the 2018 Academy Award-winning film "Get Out." Mr. Peele is the one of the show's producers.

While "Last O.G." isn't fully autobiographical, many scenes are taken from Mr. Morgan's early life, he said, referring to a scene where Tray and a friend are preparing drugs for sale. Mr. Morgan—unlike his character—didn't serve prison time for dealing drugs. He said focusing on comedy steered him away from crime.

He spent a recent morning walking around his old neighbor-

hood. At the Marcy Playground, he posed for selfies with anyone who asked. A few people walked by and yelled, "The Last O.G." A few older gentlemen greeted him like an old friend.

"That's the payoff," he said. "I can still walk through my hood just like this. It's all love."

The network and the show have donated about \$200,000 to community projects and businesses in New York, some with a direct connection to "The Last O.G.," which films in Brooklyn.

Later, Mr. Morgan visited the Fortune Society in Queens, an organization that helps formerly incarcerated men and women through a variety of services. He urged organization clients to work together to come up with ideas that could lead to income and wealth creation—legally. "You have to promise me you're going to try. It's not just about rap," he said to a room full of people. "All these minds, and that's the best you can come up with?"

Mr. Morgan said he is trying to do more public service since the car accident that left him in a coma for several days. "God spared my life in that accident for a reason," he said later, wiping away tears. "I'm going to go all out—until I'm in a box."

LIFE & ARTS



'Stand-up is grounded in meritocracy. You either get the laughs or you don't,' says Jim Gaffigan, who is taking on more noncomedic roles. 'With movies, you might not get feedback for a year.'

BY JOHN JURGENSEN

Montreal

ON THE SET of the coming movie "Gut Instinct," in which he plays a lowlife police informant, Jim Gaffigan was assuring the French Canadian director that the script captured the nuance of a word he never utters onstage during his clean comedy sets.

"That's the right way to say it: They were f—ing. It's cruder, too," he said.

You may be seeing more of this Jim Gaffigan in the year ahead. In addition to "Gut Instinct" and his recent performance as a U.S. attorney in "Chappaquiddick," he is taking on more serious roles than ever before. They include a bitter ride-share driver ("American Dreamer"); a member of a religious snake-handling sect ("Them That Follow"); a single dad who helps his misfit daughter form a scout group ("Troupe Zero"); and a man mourning the loss of his wife in a plane crash ("Light From Light").

It is a sharp turn toward drama for one of stand-up comedy's most successful acts. The 51-year-old has anchored six solo comedy specials, and his live performances generate an average \$400,000 in ticket sales, all driven by his onstage persona as a pasty, slovenly father of five who pines for bacon and doughnuts—a subpar version of himself.

Mr. Gaffigan knows that not all of these films will be widely noticed. That is, in part, why he is working on so many of them.

He hasn't abandoned comedy. In

FILM

Jim Gaffigan Gets Serious

"Hotel Transylvania 3: Summer Vacation," out July 13, he voices the monster-hunter Abraham Van Helsing. Earlier that week, his latest stand-up special, "Noble Ape," is scheduled for release in theaters, on-demand and as an album, a broad distribution plan designed in part to bypass the glut of comedy specials on Netflix.

The list of comedians who have done respected turns in drama is short, including Steve Carell, Jim Carrey, Jamie Foxx, Mo'Nique and Robin Williams. Mr. Gaffigan's move into weightier work, part of a strategy to diversify his acting career, coincided with tumult in his life.

Last year, his wife Jeannie Gaffigan was experiencing headaches, dizziness and hearing loss in one ear. Doctors found a brain tumor. It was benign, but after a successful surgery to remove it, she developed pneumonia that required a tracheotomy and feeding tube.

Ms. Gaffigan, who has largely recovered but is still in rehabilitation therapy, is also her husband's writing and producing partner. Together they created "The Jim Gaffigan Show," a semi-autobiographical

comedy series about a couple raising five children in a tiny New York apartment. It aired for two seasons on TV Land, but the work of running a family sitcom took too much time away from the real-life Gaffigan family, the couple said.

Ms. Gaffigan also co-wrote, produced and directed her husband's stand-up specials, including "Noble Ape." In it, Mr. Gaffigan riffs on doctors comparing tumor size to fruit, a pear in Ms. Gaffigan's case. ("Did he go to med school or a farmers market?")

Of his domestic status after his wife's recovery, he says: "The tumor is gone, along with my ability to ever win another argument."

There was no household debate over mining personal matters for laughs. "Jeannie is the kind of person who comes out of an MRI and says, 'Write this down. This is a funny bit,'" Mr. Gaffigan said over lunch at a Montreal deli. Staying true to his brand, he snapped a photo of his smoked-meat sandwich for his 368,000 Instagram followers.

Born in Illinois and raised in Indiana, Mr. Gaffigan played college football and worked in advertising

before getting his break in stand-up on David Letterman's show in 2000. He landed TV and commercial work before making another leap with his 2006 comedy special, "Beyond the Pale."

It was a dorm-room favorite thanks to the joke that became his biggest hit: an extended bit about the hazards of Hot Pockets frozen snacks. More than a decade later, he still does Hot Pockets variations as a crowd-pleasing encore to his live shows.

"The main responsibility is to have the people walking out of the theater saying, 'When he comes back, I'm coming back,'" Mr. Gaffigan said. "There are some shows where I'm like, damn glad I've got that Hot Pocket thing."

Casting director Mary Vernieu, whose Hollywood credits include "Silver Linings Playbook" and "Star Wars: The Last Jedi," helped shift perception of Mr. Gaffigan by casting him in "Chappaquiddick," along with "Gut Instinct" and "American Dreamer."

Mr. Gaffigan has long been compared with Philip Seymour Hoffman because of their similar fea-

tures, but he also aspires to the late actor's skill, artistic decisions and range. Mr. Gaffigan said his Broadway debut, in a 2011 revival of the Pulitzer-winning drama "That Championship Season," came about after Hoffman passed on his role.

Diving into drama is a way for Mr. Gaffigan to take on creative challenges, yet it's also a strategic play coordinated with his agent, manager, publicist and creative partner. "There's always an eye on the future," Ms. Gaffigan said. "The more employable you are, the more longevity you have."

Mr. Gaffigan, who was No. 7 on a Forbes list of highest-paid comedians last year with estimated earnings of \$30.5 million (just behind Kevin Hart), isn't doing indie films for money. And leaving home in New York for movie shoots and tour dates added stress on his family.

"That's a big ask. Hey, I know you had brain tumor and we have five children, but I'm gonna go shoot a movie in New Orleans for two weeks." But if you're known as a comedian who wants to act more, how do you turn down an opportunity to work with Viola Davis and Allison Janney?" he said of "Troupe Zero."

Mr. Gaffigan thinks of his acting and comedy work as separate, he said, even if there's occasional spillover. On the set of "Gut Instinct," he was in costume, wearing the slicked-back hair, gold necklace and yellow-tinted sunglasses of a small-time heroin dealer in 1989, when someone drove by and yelled, in a French Canadian accent, "Hot Pockets!"

BOOKS

OVERSHARING, UP IN THE AIR

BY ELLEN GAMERMAN

PARKER POSEY was racing through Newark's airport in April, late for her flight to Los Angeles. Distracted by her dog's health problems at home in Manhattan, the actress got to her first-class seat in tears. She began to talk to the stranger next to her, a fellow dog owner, and quickly discovered that their pet-minders were related.

That moment of in-flight intimacy was just what she had in mind while writing "You're on an Airplane." In the memoir, coming out July 24, she examines her past from 35,000 feet.

"If you open up enough, you're going to realize that you're connected," Ms. Posey said. "We think something is chaos, and it's really order."

Earlier this summer, the first-time author sat on a bench in a Manhattan park with her 14-year-old dog Gracie—"my soul mate, my constant, my protector"—in a canvas bag at her feet. She has recently learned that the bichon frise-poodle-Mal-

tese mix suffers from dementia, and in conversation seemed to link the bad news with the coming publication of her book.

"When you create something, something dies with it," she said. "It's just a natural balance."

A self-described "impish woman-child," the 49-year-old known for playing off-kilter characters in cult movies such as "Dazed and Confused" and "Best in Show" has in her new book brought together her upbringing in Louisiana and Mississippi, the ups and downs of her career and other adventures.

Ms. Posey always thought she would play the funny friend in romantic comedies, like her neurotic career woman in 1998's "You've Got Mail." But with the rise of bromance franchises like "The Hangover," she describes getting sidelined.

"They don't know what to do with me out here," she writes.

Ms. Posey wrote the book to create opportunities for herself outside movies and TV. But a few weeks after she turned in

Please turn to the next page



'I'm playing with being the person people expect, performing that on paper,' Parker Posey says of her memoir, 'You're on an Airplane.'

LIFE & ARTS

Posey Puts Pen to Paper

Continued from the prior page
her manuscript, she landed a starring role as the villainous Dr. Smith in the Netflix reboot of the 1960s series "Lost in Space." She starts work on season two in August.

She describes "You're on an Airplane" as a series of monologues, and it is subtitled "a self-mythologizing memoir."

"Parker's writing style is so just amazingly HER," Jill Schwartzman, Ms. Posey's editor at Dutton, wrote in an email. "As Parker herself said, all the stories are true!"

After movies like "Party Girl" and "Kicking and Screaming" earned Ms. Posey indie-film fans in the 1990s, she landed roles in the 2004 action movie "Blade: Trinity" and Woody Allen's "Irrational Man" in 2015. She has appeared in many of director Christopher Guest's improvisational mockumentaries, including the 2000 satire "Best in Show," where she plays the braces-wearing, Weimaraner-obsessed Meg Swan.

In her book, she expresses affection for Mr. Guest's projects. She describes how Mr. Guest, who treats his characters with great seriousness, sank to the floor laughing while working on the 1996 community-theater comedy "Waiting for Guffman."

But in her chapter on Mr. Guest's films, Ms. Posey calls it ironic that "for such funny movies, there's disappointment for the actors when they see the final product, since so much of everyone's performance gets cut."

Still, she relishes moments like the time in a Lowe's parking lot when a dad pointed out to his 5-year-old son that Ms. Posey was the crazy dog lady from "Best in Show" and the boy burst out laughing.

In her book, the actress finds her own ways to provoke. At one point, she refers to her past lives in India. Asked about it, she said she enjoys toying with the image that people have of her.

"It's like I'm playing with being the person people expect," Ms. Posey said, "performing that on paper."



WHEN KATIE BANNER first heard about pool fitness workouts, she says she envisioned blue-haired grannies doing water aerobics.

"I thought it could be a cool workout for my mom," says Ms. Banner, a statistician and post-doctoral researcher in the Department of Ecology at Montana State University in Bozeman.

Ms. Banner, 30, played soccer for three seasons as an undergraduate at Montana State. Her inner athlete still craved intense workouts. While pursuing her master's and Ph.D., she relied on a mix of trail running, mountain biking, skiing, weights and spin classes to keep fit. Her spin instructor, Melis Edwards, regularly mentioned that she also taught a

class called Hydro Run. Ms. Banner didn't pay it much thought, even though she knew those spin classes were demanding.

But last fall, a severe ankle sprain sustained while trail running finally gave Ms. Banner a reason to hit the pool. To her surprise, the class felt like a high-intensity interval training workout underwater. "I was instantly hooked," she says. "It replaced my strength training."

Unlike water aerobics, which are performed in the shallow end of a pool, this workout is done in neck-deep water while wearing a flotation belt. The deeper water creates more resistance, making the exercises challenging without putting stress on the joints. Ms. Banner says the belt gives you

just enough buoyancy to focus on form.

She says the water workouts helped her identify and work on muscular imbalances and maintain her cardio fitness while recovering. "When I went on my first long run on land again, it felt effortless, even on the uphills, because I became so used to the water resistance," she says.

Ms. Banner started mountain biking with a brace before her ankle fully healed. She ended up with a stress fracture this May, which she blames on her impatience to get back outdoors. After four weeks in a walking boot, she returned to the pool. "Working out keeps me sane when I'm feeling overwhelmed by work," she says. "In the pool, I can push my

JANIE OSBORNE FOR THE WALL STREET JOURNAL

self physically and blow off stress even while healing."

The Workout

Ms. Banner works out in the pool four to five days a week. She warms up by running underwater. "It's like running on land, but your form is exaggerated, since you are pushing through the water," she says. She then does 20 to 30 second intervals of various leg strokes. The strokes are performed with a tall spine and head above water. For example, the cross-country is performed by pulling the right leg and left arm forward while the left leg and right arm pull back. Ms. Banner tries to stay in one spot in the pool while making equal strokes. "This requires significant core strength," Ms. Edwards says.

Ms. Edwards describes the high-knee drill like stomping through a set of imaginary tires without touching the floor of the pool. Flutter kicks require you to quickly kick your legs as you would when swimming with a kickboard. Ms. Banner says the drill becomes extra challenging when she has to raise her arms in the air and stay above the surface just with the power of her legs. She also does boxing drills, such as a hook or uppercut, while moving her legs as if she's running.

While recovering from her stress fracture, Ms. Banner has also been performing floor barre workouts and arm exercises. When she's injury-free she runs 4 to 8 miles twice a week, always on trails, and mountain bikes for 60 to 90 minutes four to five times a week.

The Diet

Ms. Banner tries to eat a breakfast of scrambled eggs, spinach and toast or a fried egg sandwich. If she's short on time she has yogurt with granola and nuts. A typical lunch is salad or rice and vegetables. She's a snacker and munches on cheese, salami, crackers and nuts throughout the day. Rice and beans or homemade pizza are go-to dinners.

The Gear & Cost

Faculty pay a \$300 annual fee to use the university fitness center, which includes use of the pool. Ms. Banner wears shorts and a sports bra or Gemini Mountain swimwear top (\$55) for workouts.



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LIFE & ARTS

ARCHITECTURE REVIEW

Sweet Design on the Brooklyn Waterfront



BY JULIE V. IOVINE

Brooklyn, N.Y. **THERE'S SOMETHING** exciting at the water's edge in Brooklyn: a new six-acre park and esplanade with lawns, volleyball beach, bocce court, playground, dog run, high-end taco stand and more. About 100 feet wide and stretching over five blocks in front of the landmarked former sugar refinery after which it is named (a structure soon to be converted into hipster work spaces), Domino Park packs it in.

The park is the winning prize at the center of a \$2 billion, 11-acre private development including four residential towers. Though privately owned and maintained, Domino Park will operate as a public park.

Since 2004, when the factory shut down, the redevelopment of the Domino Sugar Refinery has had the Williamsburg community itself on edge. Local opposition erupted against much of the plan, with objections focusing on the rezoning of the area to residential use from manufacturing and concerns that the plan included insufficient affordable housing and neighborhood access to the waterfront. Residents also expressed fears about greater population density and the shadows that would be cast by looming towers. It was enough to make one developer quit the field in 2012.

The site may still smell like burnt sugar, as visitors who have entered the old factory report, but the transformation into a happening hub of northern Brooklyn is well under way. The developer



Two Trees Management, which took over the site in 2012, has picked its battles well. Yielding to Mayor Bill de Blasio's pressure to provide more affordable housing (inching up to 700 units from 660 out of a 2,800 total), the developer was able to ratchet up building heights at two of the towers to around 560 feet, or about 55 stories from a maximum of 40, putting them in the running to be among the tallest residential towers in Brooklyn. The first residential building, handsomely designed by SHoP Architects and clad in perforated copper and zinc, is a bit of a false leader. It opened last year at only 16 stories.

Smarter still is the campaign to win local hearts and minds. Two Trees completed the \$50 million park before proceeding with the taller towers. The park is loaded with features carefully calibrated to please every segment of the neighborhood population; the June

11 blockbuster opening party was attended by 10,000 people.

On a recent hot morning, one could already watch mothers making a beeline with their kid-laden strollers for the play-gym that mimics sugar vats, conveyors and other elements in the sugar-making process and the jazzy water feature, a field of geysers programmed with flashing lights. There's a volleyball beach with real sand, a picnic lawn, an artificial-turf playing field, and a Danny Meyer taqueria, Tacocina, with outdoor seating. The scene changes every 50 paces or so. The official description refers to "rooms," but it feels almost like channel surfing.

Domino Park has been designed by James Corner Field Operations, a New York landscape firm now internationally famous for its work on the High Line in Manhattan. There is the same partiality for native plantings, plus plants that thrive in



The playground (left and above left) at Domino Park mimics stages in the sugar-making process; the park's elevated walkway with the plant's loading cranes (above); the Domino Sugar plant (below)

bring air, and other landscaping tricks to support resilience; the platform on which much of the park is built is ready for the next flood.

Throughout, bits and pieces of the old factory are incorporated: old syrup tanks, mooring bollards, catwalks reminiscent of those once ubiquitous inside the refinery and, most notably, two old loading cranes hunched at the northern end. All are geared to commemorate the good old days when Domino refined some 98% of the nation's sugar. Metal pieces are color coded in Domino's signature turquoise, red and yellow. In addition to parts of the old factory being repurposed or set up like sculpture to admire, a cut out in the platform allows people to look down to the water and see some of the original piers, which are wreathed poetically in fog by industrial misters.

Field Operations has learned valuable lessons from working on the High Line and have incorporated them here. For starters, it's a much more active place. Dogs

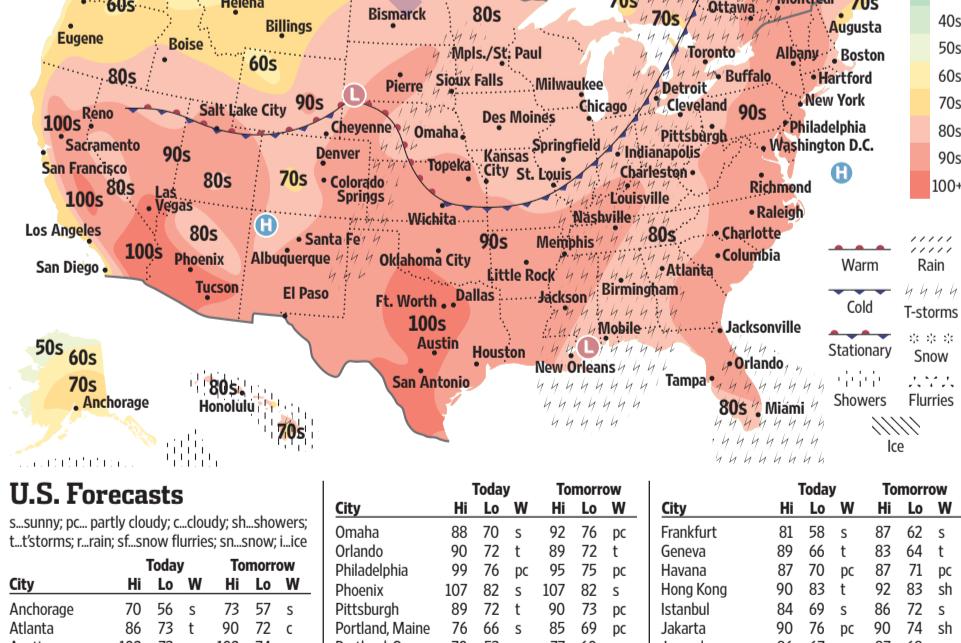
and skateboards are allowed, even encouraged. The volleyball beach-head was installed at the community's request. And the restaurant provides revenue to help fund maintenance that will be the developer's responsibility in perpetuity. This responsiveness to local wishes and long-term viability should make Domino Park a closely watched model for future privately owned public spaces.

Just beyond the northern reach of the park, there's a grassy mound—bearded in stony riprap to prevent erosion—that overlooks the East River: an older public park. It's a lot simpler, even a little forlorn compared with the busy doings at Domino Park, but it's also a gentle reminder of a time when people didn't need or expect parks to work quite so hard to be pleasing.

Ms. Iovine reviews architecture for the Journal.



Weather



U.S. Forecasts

S=sunny; pc=partly cloudy; c=cloudy; sh=showers;

t=tstorms; r=rain; sf=snow flurries; sn=snow; l=ice

Today Hi Lo W Today Hi Lo W

City	Hi	Lo	W	Hi	Lo	W
Anchorage	70	56	s	73	57	s
Atlanta	86	73	t	90	72	c
Austin	102	73	s	102	74	s
Baltimore	98	73	pc	94	73	pc
Boise	81	49	s	77	53	pc
Boston	85	73	s	90	74	s
Burlington	98	76	s	92	70	t
Charlotte	92	72	pc	95	72	t
Chicago	86	65	s	90	76	pc
Cleveland	89	74	t	88	75	t
Dallas	102	80	s	102	80	s
Denver	94	61	s	96	63	pc
Detroit	88	72	t	89	74	t
Honolulu	87	73	c	86	75	pc
Houston	97	76	s	95	77	pc
Indianapolis	89	73	t	89	73	t
Kansas City	89	69	s	93	72	s
Las Vegas	107	82	s	105	80	s
Little Rock	94	76	pc	91	73	t
Los Angeles	77	62	pc	76	62	pc
Miami	89	74	t	88	74	t
Milwaukee	81	67	s	82	72	pc
Minneapolis	88	71	pc	88	74	pc
Nashville	91	73	t	89	73	t
New Orleans	89	76	t	84	74	t
New York City	93	78	pc	92	76	pc
Oklahoma City	93	70	pc	97	70	s

International

City	Today Hi	Lo	W	Tomorrow Hi	Lo	W
Amsterdam	77	57	s	76	55	s
Athens	91	74	s	92	73	s
Baghdad	112	87	s	117	88	s
Bangkok	94	81	c	94	80	t
Beijing	89	73	p	92	73	pc
Berlin	72	53	p	79	56	s
Brussels	80	56	s	83	59	s
Buenos Aires	57	35	c	50	38	pc
Dubai	103	86	s	103	89	s
Dublin	70	57	t	70	52	s
Edinburgh	63	50	p	69	52	pc

The WSJ Daily Crossword | Edited by Mike Shenk



SAD TO SAY | By Alex Bajcz

- | | | | |
|--------|--|--|--------------------------------|
| Across | 1 Catching some z's | 28 Buy It Now! | 49 Great enthusiasm |
| | 7 Lowest voice | 30 Building levels | 50 Bereaved birds? |
| | 11 High-minded values? | 31 Gave medicine to | 54 What a stray may lack |
| | 14 "Need me to do that?" | 33 Oklahoma, before 1907, for example: Abbr. | 55 Metric prefix meaning |
| | 15 Words often said with hands on cheeks | 34 Video chat need | 46 Across |
| | 16 Bolt's partner | 37 Caught what was going around | 56 Sound catcher |
| | 17 Bummed-out barrier? | 40 One of the earth sciences | 59 Baseball great Gehrig |
| | 19 Whoopee cushion filler | 42 Squeeze (out) | 60 Forlorn feeling? |
| | 20 China on the Discovery Channel | 43 Depilatory brand with "short shorts" ads | 64 Zig instead of zag, say |
| | 21 Istanbul native | 45 Choices for expectant parents | 66 Before long, poetically |
| | 22 River part | 46 Huge number | 67 No. that phishers are after |
| | 24 Tearful tree? | 47 Tolled | 68 Tollled |
| | | 48 Reply to the impatient | 69 Great enthusiasm |

► Solve this puzzle online and discuss it at WSJ.com/Puzzles.

Down

- | | |
|---|---|
| 1 "It's the End of the World _____ Know It (And I Feel Fine)" (R.E.M. song) | 29 Reserve, as a room |
| 2 Major food fish | 32 Place to eat w training? |
| 3 Devastated, with "to" | 34 Feels natural |
| 4 Building wing | 35 Grows older |
| 5 Select group | 36 Classic computer game set on a deserted island |
| 6 Prurient posters | 38 Compton's sta to rappers |
| 7 Shoelace feature, often | 39 Pottery-firing oven |
| 8 Exclamation of understanding | 41 Slack off |
| 9 Former gig for Amy Poehler, for short | 44 Ship's ropes ar cables |
| 10 Persevere | 46 Article worn under a blouse |
| 11 Considering everything | 47 Valhalla ruler |
| 12 Ecuador's capital | 48 Bean |
| 13 Bedding material | 50 Odometer unit |
| 14 Abrasive stuff | 51 Febreze target |
| 15 Explorer da Ga | 52 Extreme cours correction |
| 16 Friendly femm | 53 They're often closed after dark |
| 17 Diver Louganis | 54 Tenant's payment |
| 18 They're often closed after dark | 61 Gene messeng |
| 19 Undercover agent's mike | 62 Quaint directic word |
| 20 Boundary | 63 Charged (up) |

Previous Puzzle's Solution



The contest answer is TEAL. Connecting the letters of ROY G BIV (each appearing only once in the grid) as suggested by the clue at 37-Across makes an arrow, pointing to the diagonal answer TEAL.

SPORTS

NBA

LeBron James Heads to the Lakers

BY BEN COHEN

Every four years, like a presidential election and Olympic curling, the world is consumed by the phenomenon of LeBron James's free agency.

The question of where the greatest basketball player on earth will take his prodigious talents grips the NBA and doesn't let go until he makes a decision. He moved them to Miami in 2010, returned them to Cleveland in 2014, and now we finally know where's he bringing them next season: Los Angeles.

James has decided to sign with the Los Angeles Lakers on a four-year, \$154 million deal, he said on Sunday night with a surprise announcement, a tweet from his agency Klutch Sports Group, in the latest move that shifts the balance of power in the NBA and is likely to reshape the future of the entire league.

There is no one in the NBA who commands as much attention than James. He's now 33 with an unprecedented amount of mileage on his body, but he's coming off maybe his most impressive season yet, and his performance and longevity have elevated him to the rare air of Michael Jordan and Kareem Abdul-Jabbar as the greatest NBA players ever.

The sweepstakes for his talents officially began on Friday. They ended suddenly on Sunday when he picked the Lakers with a simple, old-school press release.

This announcement was a modern version of the way that Michael Jordan announced his 1995 return to the NBA. Both decisions were issued on black-and-white letterhead with their agency's logo in the top left corner in memos that began with the same three words: "For immediate release."

"LeBron James, four time NBA MVP, three time NBA finals MVP, fourteen time NBA All Star, and two time Olympic gold medalist has agreed to a four year, \$154 million contract with the Los Angeles Lakers," said this tweet at 8:05 p.m. on Sunday.

James later shared another



LeBron James, right, will be joining Lonzo Ball on the Los Angeles Lakers after agreeing to a four-year, \$154 million deal.

black-and-white photo to Instagram—something that Michael Jordan never did—in which he's surrounded by Cavs fans at the 2016 championship parade with the caption: "Thank you Northeast Ohio for an incredible 4 seasons. This will always be home."

This departure from the Cavaliers couldn't be any more different from the last time when James, a native of nearby Akron, left Cleveland in a televised ESPN special and fans burned his jersey. Today, even the diehards seem to believe that he earned the right to make any decision he wanted.

He could have stayed in Cleveland and chased his ninth straight NBA Finals appearance. The Cavaliers offered the pull of home, one more year and more guaranteed money than any NBA team. But the Cavs being swept by the Golden

State Warriors in the most recent NBA Finals was only the latest proof that even LeBron James needs more talent around him.

The Lakers are not ready to beat the Warriors right away. They're not even ready to beat the Houston Rockets at this point. They're stocked with promising but unproven players, and the addition of James isn't enough for a team that finished 35-47 last year to leap into the elite tier of the Western Conference.

But they're also the Lakers, the league's premier destination when they're not plagued by mismanagement, and they will be attractive to other free agents as long as James is on the roster.

And they may not be done maneuvering this summer. They can still target another superstar, like Kawhi Leonard, and surround

James with veteran players willing to sacrifice millions of dollars to play with him.

The signing of James marks a possible return to glory for the glitziest NBA team. The Lakers have missed the playoffs in every season since 2014 and whiffed on marquee free agents in recent off-seasons—a stinging rejection to the idea of Lakers exceptionalism. They gave themselves this summer and next summer to restore their status atop the league.

But only after two extraordinary weeks in 2016 did Los Angeles become a place that James could envision himself for what could be the last part of his playing career.

He won a championship for Cleveland with a series of majestic performances against the Warriors embodied by a chaseshot block in Game 7 that became the defining

moment of his career. But what happened afterward helped pave the way for him to leave.

For a brief period in the summer of 2016, NBA teams lost their minds. A one-time spike in the salary cap linked to the league's rich media deals gave almost every team a fat pile of money, and many of them elected to blow it as soon as they could. The unchecked spending came back to haunt teams as the salary cap's growth stagnated. The leaguewide financial crunch squeezed one player in particular: LeBron James.

In an off-season when few teams are flush with cap space, the Lakers, Cavaliers and 76ers were among the only suitors that could afford him, and his choice of the Lakers is a bet on their future.

As long as they have LeBron James, they have a shot.

WORLD CUP

RUSSIA KNOCKS OUT SPAIN IN A SHOOTOUT

BY JOSHUA ROBINSON

Moscow

In the years building up to the first-ever World Cup in Russia, organizers loved to remind people that this was a chance to showcase everything about this country: from its cuisine to its culture to its sheer enormity.

At no point did anyone also expect this tournament to showcase the national soccer team.

Though it started as the lowest-ranked nation at its own party, Russia has somehow become the most surprising thing about the Russia World Cup. After first surviving the group stage, it scored the biggest upset of the tournament on Sunday by ousting Spain in a penalty shootout. Russia is heading to the quarterfinals.

"I believe it's only the beginning," said Russia's dour manager Stanislav Cherchesov, who spent the shootout looking away from the field. "I have to save my emotions for the future."

In cities across the country, home fans showed no such reserve. The result sparked massive, spontaneous outpourings of joy as drivers blared their horns and fans produced flags out of nowhere. Even Russian President Vladimir Putin was moved to call Cher-



Russian players celebrate after beating Spain 4-3 in a penalty shootout. Russia advances to play Croatia in a quarterfinal match on Saturday.

chesov to congratulate him.

Moscow was transformed by the final whistle. Traffic came to a standstill as fans poured out in the streets, honking horns and waving national flags. Muscovites filled major plazas and metro stations, waving flags, hugging foreigners and chanting 'Ro-ssi-ya, Ro-ssi-ya.'

The greatest irony was that Russia's most famous victory since it stopped competing as the Soviet Union came at the end of one of the tournament's dullest matches.

For 120 minutes, Russia set it

self up to withstand Spanish onslaught after Spanish onslaught. Even after it went down 1-0 inside the first 10 minutes due to a clumsy own goal by Sergei Ignashovich, Russia never strayed from its plan. "They were better than us in many ways, so I didn't believe we should risk going forward," Cherchesov said.

Russia caught its biggest break shortly before halftime when, for no reason at all, Spain defender Gerard Pique leaped to defend a cross with his arm high in the air.

When the ball struck Pique's arm from behind, he claimed the gesture was accidental, but it hardly mattered. The referee awarded Russia a penalty kick, which Artem Dzyuba converted.

That was all the Russians needed. They were back on level terms after conceding from a ninth-minute own goal and could return to their favorite strategy: defending with their lives and hoping for the best.

Spain was equally stubborn. The country that has turned intricate passing soccer into its signature over the past decade had all the space in the world, but refused to change its approach.

By the end of regulation, Spain had racked up 74% of possession. Russia wasn't merely failing to hold the ball, it wasn't even interested in holding the ball. Content with the order of things as they were, it happily slipped into its defensive shape the moment Spain regrouped. The opposition half seemed so far flung to them, they might as well have given it a 12th Russian time zone.

No team ever plays for a penalty shootout from the start of the second half. It's too risky and demands too much effort, all for the right to decide the game with what amounts to a coin toss. That said, Russia appeared to think of

nothing else.

Spain produced nine shots on target and none of them required particular brilliance from Russia's veteran goalkeeper Igor Akinfeev. His heroics came later.

After 120 minutes of stultifying play—precisely what the Russian players had wanted, if not the fans—the match was settled by penalty shootout.

With the Luzhniki Stadium louder than it has been at any point in this World Cup, Akinfeev blocked efforts from Koke and Iago Aspas to seal Spain's fate.

From his spot in the center circle, the team's greatest ever player, Andres Iniesta, could barely watch. He spent the moments before Aspas' miss staring away from the goal, far off to the other end of the stadium.

All he saw was another screaming wall of Russian supporters. And against all odds, they still had a team to cheer for.

—Anatoly Kurmanev contributed to this article.

TV Listings

Monday, July 2
(All times Eastern)
10 a.m.: Brazil vs. Mexico (FOX)
2 p.m.: Belgium vs. Japan (FOX)

ANDY MURRAY WON'T PLAY WIMBLEDON

BY TOM PERROTTA

Wimbledon received the news it didn't want: Andy Murray won't play in the tournament.

Murray, 31 years old, recently recovered from right hip surgery and played three matches in two grass tournaments in June as a test (he won one and lost two). While Murray looked good at times, he said on Sunday that he

wasn't ready to compete in a Grand Slam event.

"It's with regret I'm withdrawing from Wimbledon," Murray said in a statement. "I've made significant progress in practice and matches over the last 10 days, but after lengthy discussions with my team and with a heavy heart, we've decided that playing best-of-five-set matches might be a bit too soon in the recovery process. We did everything we could to try to

be ready in time."

Murray has won Wimbledon two times in his career, in 2013 and 2016. His game—full of craft and exceptional angles, and a lot speed on the run—has been perfect for grass. But his hip injury grew worse last season as he lost in the Wimbledon quarterfinals. Murray didn't compete in another tournament for the rest of the year and tried to recover. When that didn't succeed, he had surgery in Janu-

ary. Murray said he would continue practicing to get ready for the second half of the year.

"I will start practicing on the hard courts from tomorrow and continuing with my rehab and recovery," he said. "I'm looking forward to the U.S. hard court season."

Murray's announcement gave a lucky loser entry to Jason Jung, a 29-year-old American-born pro who represents Taiwan.



A hip injury has slowed Andy Murray.

GILKIRK/LYN KIRK/AGENCE FRANCE PRESSE/GETTY IMAGES

OPINION

Guatemala, Russia and the Bitkovs

AMERICAS
By Mary Anastasia O'Grady

It's been two months since Guatemala's Constitutional Court cleared a Russian migrant family of all charges related to their use of illegally issued documents. The April 25 high-court exoneration of Igor Bitkov, his wife, Irina, and their daughter, Anastasia, was widely heralded, including in this newspaper.

Yet the Bitkovs still aren't free.

That's because the same court now says that Igor Bitkov has to stand trial again on related charges. The cases of Irina and Anastasia remain in limbo. All three are out of jail but confined to Guatemala City.

The Bitkovs' story deserves to be further aired in the U.S. press because their continued persecution comes at the hands of a United Nations agency—the Commission against Impunity in Guatemala, or CICIG—that is funded by the U.S. and itself operates with impunity.

Recall that the entrepreneurial Bitkovs fled Russia in 2008 because the Kremlin was trying to put them in prison for refusing to cooperate with Putin extortionists. The Russian state-owned VTB bank followed the family to Guatemala and hired the local law firm of Comte & Font to bring charges. VTB's Guatemalan lawyers couldn't prove the \$6

million fraud allegation. But CICIG went to court in support of VTB's effort to put the family in jail for using fake documents received from Guatemalan migration offices.

It can't be a coincidence the high court's April ruling that the Bitkovs had no criminal liability came two days before Rep. Chris Smith (R., N.J.), co-chairman of the Helsinki Commission, was to hold a public hearing in Washington about the case. The hearing promised to expose CICIG's nasty role—including collusion with the Russian government—in the travesty suffered by the Bitkov family.

Immediately after the high-court decision, CICIG apologists launched a full-court press on Capitol Hill to cover up the U.N. agency's many transgressions. William Browder, who has been working on behalf of the Bitkovs and was preparing to testify at the hearing, told me by telephone from London last week that he was asked by congressional staffers in Washington to meet with Alfonso Carrillo, a Guatemalan lawyer.

He says that Mr. Carrillo tried to convince him that CICIG is doing "really good work and that whatever I said in the hearing, not to speak negatively about CICIG." Mr. Browder says Mr. Carrillo didn't reveal that he had been given power of attorney by Russia's state-owned Gazprombank. Nor, Mr. Browder says, did Mr. Carrillo tell him that when Guatemalan President Jimmy Morales declared

CICIG lead prosecutor Iván Velásquez persona non grata in Guatemala for politicizing the CICIG mandate, Mr. Carrillo had been one of several lawyers who filed for an injunction to block it.

Mr. Carrillo told me by email on Friday that Gazprombank gave power of attorney to several lawyers at his firm. He said he never accepted or acted on it—and it expired in 2015. He also said neither he

The family remains in jeopardy thanks to a U.S.-funded rogue U.N. agency.

nor his firm have ever been paid by CICIG. Mr. Carrillo didn't respond to specific questions and said he needed more time.

Henry Comte of Comte & Font, which was retained by VTB bank in 2012, has been an alternate on the Constitutional Court since 2016. In an email to me in March, his partner David Font told me that Mr. Comte had recused himself from any court hearings dealing with the Bitkov case.

Lower-court Judge Erika Aifan challenged the April 25 high-court ruling to release the Bitkovs, and CICIG supported her challenge. On June 21 the Constitutional Court did an about-face to satisfy both parties.

It ruled that by attaining a driver's license and credit

cards Mr. Bitkov committed separate crimes. It ordered a new trial.

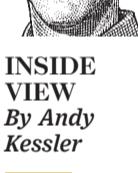
This is nonsense. An immigrant, believing he is legal, will naturally take the next step to drive a car legally and access credit. What's more, the U.N.'s Palermo Convention, to which Guatemala is a signatory, and the Guatemalan migration code protect migrants who are victims of fraud while entering, staying in or leaving a country.

CICIG supporters say it has done some good. In the "migration case" it busted small fries in a crime ring inside government offices. But it never got the big fish. And even if it had, that's not carte blanche to flout the law. Scores of Guatemalans are languishing in jail without trials under CICIG investigations.

Some in Washington get it. A senior congressional aide told me that the "State Department is sharply divided over CICIG," with Trump appointees arguing that the "hold" requested by Florida Sen. Marco Rubio on \$6 million of CICIG funding be used to "leverage reform of an out-of-control agency." The aide added: "Still, a group of career diplomats are fighting to completely deny all evidence of CICIG's complicity in the gross injustice to the Bitkovs, as well as its politicization and loss of credibility in Guatemala."

Who knew the human rights of migrants were such a low priority for congressional staffers and Foggy Bottom? Write to O'Grady@wsj.com.

Look Out, Bitcoin Has Lost Its Tether

INSIDE VIEW
By Andy Kessler

Would Isaac Newton have fallen for bitcoin? By the spring of 1720, Newton was one of the most famous scientists in the world—and a very wealthy man.

He decided to sell his shares in the South Sea Co., earning a 100% profit. The physicist, said to be worried the market was getting out of hand, supposedly quipped that he "can calculate the motions of the heavenly bodies, but not the madness of the people." Yet a few months later, as he watched the stock trade ever higher, he let his own madness get the best of him. Newton got back in, and he eventually lost the equivalent of millions in today's dollars when the price crashed. Sound familiar?

Investment bubbles are almost always created the same way: Someone takes money—maybe cash or debt—from the balance sheet and moves it to the income side of the ledger. This transformation makes profit prospects seem better than they truly are, and the perceived value goes up. The bubble bursts when the balance sheet has no more to give.

Britain gave the South Sea Co., founded in 1711, a monopoly on trade with South America. The company was part of a clever scheme to finance

government debt, which could be converted into South Sea shares. As the stock rose, South Sea's profit would come from the difference between the share price and the value of the underlying debt.

There was a government slush fund buying up South Sea shares, making it easier to get rid of more government debt. The company would even lend money to those buying its shares. In 1720 government and company balance-sheet cash sent the stock from £100 to £1,000. When there weren't any more buyers, the bubble burst and financial gravity took hold.

It wasn't so different from the 1636-37 Dutch tulip mania. That bubble had little to do with bulbs. Instead wealthy traders used their balance sheets to manipulate tulip futures and derivative contracts. The flowers might as well have been condos in Fresno. The bubble popped, though there's some debate today about how severe it was.

Fast forward to 1999. If your dot-com company was eyeing an initial public offering, Goldman Sachs and Morgan Stanley wouldn't do it unless your website had a marketing distribution deal. What that meant is you'd go to AOL and ask for the IPO special. AOL would deliver millions of pop-up ads to its users in exchange for a 747 full of cash. If the IPO you were contemplating was \$100 million, AOL might ask

for half. From your balance sheet straight to AOL's income statement.

Theoretically, your company would get new users. But in reality, hardly anyone clicked on pop-up ads. The biggest losers, though, were the Isaac Newtons who invested in these vacuous IPOs as they failed to deliver profits and eventually imploded. Bubbles need continuous hot air and always peter out eventually.

Even Isaac Newton didn't appreciate how the law of gravity applies to markets.

Enron played a similar game. Its executives convinced the accountants that they could do risky deals off the balance sheet so long as outside investors had at least a tiny stake. To entice investors, the company promised to make up any losses with shares of Enron stock. There it is: balance sheet to income statement. It worked when the stock was \$40. But as the price began to fall, the whole scheme came undone, because the company would've had to issue billions of \$1 Enron shares.

The 2008-09 financial crisis wasn't much different. Bear Stearns and Lehman Brothers would borrow short-term based on their strong balance sheets and then buy

bundles of mortgage-backed securities, which were often hedged against default by AIG's balance sheet. Prices rose as the rest of Wall Street copied this scheme to create seemingly safe and temporarily repeatable income. It didn't work—as the world learned a decade ago.

Why relive this painful history? Because half of bitcoin's price increase over the past year came from market manipulation via another cryptocurrency known as tether, according to a paper last month from University of Texas researchers. Bitcoin has a fixed number of coins. Tether is the opposite. Its price is fixed at \$1 and as buying increases, more coins are issued—now 2.7 billion of them. Turns out it was pretty easy to issue tether coins and use the proceeds to buy bitcoin. Hence the price of one bitcoin rose from around \$2,500 a year ago to about \$19,000 last December.

Except it was the tether balance sheet and not real demand driving the purchases. Like Newton's apple, bitcoin is trading below \$6,500 and dropping.

Now the frenzy is in initial coin offerings, or ICOs. They have raised 800% more money so far in 2018 than the same period last year, according to TokenData. But don't be surprised to find some balance sheet arbitrage there. Learn from Newton: When this kind of thing goes up, sooner or later, gravity works.

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oil companies that will still be willing to invest in Iran's upstream industry.

Third, because Iran lacks access to foreign financial markets and U.S. banks are banned from doing business there, its remaining hope is European, and to lesser extent Asian, banks. The Treasury should send a clear message to foreign financial institutions, including those based in Dubai, that they'll lose access to U.S. capital markets if they float new credit to Tehran in any form after Nov. 4.

If President Trump, Saudi Arabia's King Salman and their allies wish to end the widespread terror caused by this so-called Islamic Republic, they should commit to using oil as a nonlethal weapon.

Mary Obaid is a visiting fellow at the Belfer Center for Science and International Affairs at Harvard's Kennedy School of Government.

at establishing regional hegemony is the kingdom's highest foreign-policy priority. Riyadh is already spending tens of billions of dollars combating Iranian destabilization campaigns from Syria and Lebanon to Yemen to even Morocco. With some \$500 billion in foreign reserves and one of

U.S. sanctions and Saudi production are a potent combination.

the cheapest oil extraction costs in the world, the Saudis can weather lower oil prices for years.

Three main factors are pushing Iran to the financial breaking point: public-debt obligations on the brink of default, President Hassan Rouhani's massive subsidies to politically powerful farming communities, and the mounting costs of its attempts to

oil companies that will still be willing to invest in Iran's upstream industry.

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BOOKSHELF | By George Melloan

When the Bailouts Stopped

The Fed and Lehman Brothers

By Laurence M. Ball
(Cambridge, 267 pages, \$22.95)

Ten years after the Lehman Brothers collapse, one might think that it's time to end the debate over its causes. Laurence M. Ball, an economics professor at Johns Hopkins, doesn't agree. He makes a persuasive case that a key lesson remains overlooked: that the Lehman failure and the market crash that followed didn't have to happen and that the political response, the 2010 Dodd-Frank banking law, has made future financial crises more likely, not less.

Letting Lehman go down was essentially a political decision, Mr. Ball argues. Treasury Secretary Henry Paulson couldn't stand the heat from Congress and the press, which were calling him "Mr. Bailout" after the rescue of Bear Stearns in March 2008. So he overstepped

his authority and ordered the Fed not to save the much bigger Lehman Brothers from its September liquidity shortage.

At the time, the Federal Reserve Act of 1913 dictated that the Fed, not Treasury, was responsible for dealing with banking crises, especially as lender of last resort. But the bailouts of 2008 were joint efforts, with Treasury leading the way. The crash continued this trend. It helped elect Barack Obama and expand the hold on

Congress of progressive Democrats. Their idea of banking reform, incorporated into Dodd-Frank, was to strengthen political intervention. The law put a political officer, the Treasury secretary, in charge of banking oversight.

It can be argued that the president and Congress are ultimately responsible to the voters and should have commensurate powers when it comes to monitoring America's banks. But the history of American banking—especially in the early 21st century—suggests that populist measures more often lead to a reduction of banking soundness than to an improvement. Mr. Ball thinks that putting banking in the hands of Treasury makes it more likely that a future secretary will make the same mistake that he believes Mr. Paulson made with Lehman in 2008.

The author says that, had Lehman not been excluded from the kind of government support that went to other troubled financial institutions, it could have been saved. At the very least, it could have been wound down in a more orderly way than was the case when, after a Sunday-afternoon crisis meeting on Sept. 14, 2008, the New York Fed announced the firm's bankruptcy in the wee hours of Monday morning, handing global markets a big shock. Fed Chairman Ben Bernanke said afterward that he didn't have the legal authority to rescue Lehman because it lacked the collateral required under Section 13(3) of the Federal Reserve Act.

The collapse of Lehman Brothers shocked global markets. It could have been prevented, but politics won out over prudence.

"This claim is wrong," is the blunt reply from Mr. Ball. "The evidence shows clearly that issues of collateral and legality were not important factors in the decisions of Fed officials. In addition, Lehman actually did have ample collateral for a loan that would have averted its sudden bankruptcy."

To be sure, it was hard to evaluate the holdings of any bank in 2008. A federalized Financial Standards Accounting Board had decreed that all assets be marked to their current market value. That requirement created a problem for banks when the air went out of the housing bubble in 2006-07 and left a huge amount of risky subprime mortgages under water. Banks, especially Lehman, were loaded with securities partly backed by such mortgages. When their paper became suspect (or toxic), the market froze up and values slumped. Lehman reported a \$2.8 billion loss in its second fiscal quarter, mainly from marking its real-estate holdings down to the new collapsed market values. That change led to some firms refusing to roll over short-term overnight loans—so-called repo loans—to Lehman. Further trouble came when JPMorgan Chase, the clearing bank for Lehman repos, demanded billions of dollars more in collateral.

Lehman devised a plan to transfer its real-estate holdings to an investment trust, which would not be required to mark to market. But it needed time to make the transfer. After negotiations on a Korea Development Bank investment fell through on Sept. 9, Lehman faced a liquidity crisis. British regulators also scotched a Barclay's rescue. In the emergency powwow on Sept. 14, 2008, with Fed officials, Lehman was refused support and ordered to declare itself bankrupt.

Though the Treasury secretary had no legal authority over Fed lending, in Mr. Ball's view, Mr. Paulson's forceful personality, as contrasted with the scholarly Mr. Bernanke, came into play. He was known as "the hammer" when he played tackle on Dartmouth's football team. The hammer got his way, the markets collapsed, and progressives like Nancy Pelosi, Bernie Sanders and Mr. Obama, who had hammered the hammer over bank bailouts, were empowered to rewrite America's banking laws.

The author's case would perhaps have been strengthened by more history of politicized finance. He could have mentioned, for instance, the pressure on banks from the Clinton administration in the 1990s to issue risky mortgage loans in order to make housing more affordable, a move that contributed to the 2008 crisis. Or he could have gone back through the evolution of the Federal Reserve from being a useful lender of last resort to an often badly used instrument of public policy. Dodd-Frank further expanded that role, making the largest banks, now called Systemically Important Financial Institutions, essentially wards of the state, with their borrowings having an implied federal guarantee. Even so, Mr. Ball's argument that Dodd-Frank contains the seeds of further politically motivated fiascoes is persuasive—and worrisome.

Mr. Melloan is a former deputy editor of the Journal editorial page and the author of "Free People, Free Markets: How the Wall Street Journal Opinion Pages Shaped America."

The Oil Weapon Can Fell the Ayatollahs

By Nawaf E. Obaid

Mass protests are nothing new in Iran. But nearly 40 years into the failed experiment of the Islamic Republic, an end may be near.

Iran's economy is in shambles and its public finances are teetering. Given that about 60% of Tehran's budget comes from petroleum exports, the best way for the U.S. to hasten regime change is to tighten sanctions while closely coordinating with regional allies to increase global oil supplies and lower prices. The State Department's recent announcement that countries will face stringent sanctions if they don't halt Iranian oil imports by Nov. 4 is a crucial first step. Tehran's mullahs cannot survive a sustained oil price of \$60 a barrel with practically no export revenue.

Regime change in Tehran is vital to Saudi Arabia's national security. Stopping Iran's efforts

foment chaos throughout the Arab world.

For the U.S., sustaining a policy of economic pressure will require unprecedented cooperation. There are three preconditions for success, one of which is already being met.

First, Saudi Arabia and Russia—the world's top two oil exporters—have reached an agreement to increase output. The Saudis plan to ramp up production to as much as 11.5 million barrels a day to drive down prices and eventually make up for lost Iranian oil. Since Moscow is in a position to benefit from a policy freeing it from production quotas and in no position to stop it, it agreed.

Second, as Iran suffers from its lack of indigenous capital and technology to increase sustained oil production and exports, Saudi Arabia and its allies, especially the United Arab Emirates, should join the U.S. in instituting sanctions against the few international

oil companies that will still be willing to invest in Iran's upstream industry.

Third, because Iran lacks access to foreign financial markets and U.S. banks are banned from doing business there, its remaining hope is European, and to lesser extent Asian, banks. The Treasury should send a clear message to foreign financial institutions, including those based in Dubai, that they'll lose access to U.S. capital markets if they float new credit to Tehran in any form after Nov. 4.

If President Trump, Saudi Arabia's King

OPINION

REVIEW & OUTLOOK

A Left Turn in Mexico

Mexico entered a brave old world on Sunday by electing former Mexico City Mayor Andrés Manuel López Obrador to a six-year term as president. The 64-year-old left-wing populist has lost twice, in 2006 and 2012, but this time he won against two weak candidates while promising more moderate policies.

The official vote count wasn't available late Sunday evening, but exit polls gave Mr. López Obrador a large enough margin to call him the winner. Ricardo Anaya of the National Action Party (PAN) is expected to finish a distant second with Institutional Revolutionary Party (PRI) candidate José Antonio Meade in third. Early indications suggest the president-elect's coattails will make his Morena front, which includes smaller parties, the largest coalition in both legislative chambers.

The campaign was marred by violence at the local level. But kudos to Mexico's National Electoral Institute, which handled 157,000 polling stations and some nine million more registered voters than in 2012. The largely peaceful vote is another milestone in Mexico's progress as a democracy since the days when Mr. López Obrador worked for the PRI that ran the country as a one-party state.

AMLO, as Mr. López Obrador is known, is a career politician from the oil-rich southern state of Tabasco. But in this race he ran as an outsider, pledging to end corruption, upend the establishment in politics and economics—which he called “mafias of power”—and use subsidies to lift the poor, especially in rural areas. He said he would make Mexicans better off by assigning the state a larger role in the economy.

AMLO has moderated his rhetoric from the decades when he railed against private investment in energy and other economic competition as Mexico shifted toward free markets. But his Morena party, which he founded in 2014, is home to many who are nostalgic for the not-so-glorious days of PRI dominance. They have never accepted the country's transition to an open economy with more political and institutional transparency.

Mr. López Obrador's challenge will be keep-

López Obrador's victory ends a reform era and brings new uncertainty.

ing those supporters happy without derailing Mexico's economic progress under the North American Free Trade Agreement. Except for some of Mexico's crony capitalists, entrepreneurial Mexico largely opposed his candidacy.

The most extreme fear is that AMLO will attempt to consolidate power a la Hugo Chávez in Venezuela. But Mexico has made considerable economic and political progress in 30 years of reform presidencies. The Mexican government doesn't hold the oil power that Chávez had, and a Mexican president is constrained by his country's obligations under Nafta—unless President Trump tears it up. Financial markets will also vote on AMLO's government each day through foreign-exchange markets and the value of the peso.

The U.S. can help by completing a renegotiated Nafta deal as soon as possible. Mr. Trump's anti-Mexico rhetoric played into the hands of Mr. López Obrador's left-wing nationalism, but troubles in Mexico will inevitably spill across the border—wall or no wall.

AMLO's anti-corruption pledge will also be tested by how he handles the country's already weak rule of law. He has said he will amnesty drug traffickers and not investigate corrupt politicians for past crimes. His government's cooperation with the U.S. on regional drug and immigration enforcement will also be important to watch.

This election has dramatically altered Mexican politics. The once-dominant PRI is now a minor party. Its losses are a repudiation of current President Enrique Peña Nieto's government. The center-right PAN is now the largest opposition party in Congress, but it too is weakened and will have to rebuild after divisive internal battles that undermined Mr. Anaya's candidacy.

Some 30% of registered voters were millennials, who have no memory of the one-party state of Mr. López Obrador's youth. They are dissatisfied with Mexico's status quo and have voted for a change. Let's hope the change they get isn't back to the future of state economic control and peso devaluation.

New Jersey's Tax Gift to Florida

Call it the consummate New Jersey compromise. Governor Phil Murphy and State Senate leader Steve Sweeney have been fighting over whether to raise tax rates on individuals or businesses, and over the weekend they decided to raise taxes on both.

Messrs. Murphy and Sweeney agreed to raise the state's income tax on residents making more than \$5 million to 10.75% from 8.97% and the corporate rate on companies with more than \$1 million in income to 11.5% from 9%.

This will give New Jersey the fourth highest marginal income tax rate on individuals and the second highest corporate rate after Iowa. The corporate tax increase will supposedly last two years and then phase out over the next two years, but that's what politicians always say.

The two Democrats claim this will do no harm because about 0.04% of New Jersey taxpayers will get smacked. But those taxpayers account for 12.5% of state income-tax revenue and their investment income is highly mobile. The state treasurer said in 2016 that a mere 100 filers pay more than 5.5% of all state receipts. Billionaire David Tepper escaped from New Jersey for Florida in 2015, and other hedge fund

The wizards of Trenton decide to drive more residents out of state.

The flight risk will increase with the new limit of \$10,000 on deducting state and local taxes on federal tax returns. This is why Mr. Sweeney wanted to avoid raising individual tax rates, but Mr. Murphy insisted on it. The new Governor is another progressive who became rich working for Goldman Sachs but seems offended that someone else might also get rich.

About two-thirds of New Jersey's \$3.5 billion income outflow last year went to Florida, which doesn't have an income tax. Meantime, the state has been bribing corporations with billions in tax credits to stay put. This year the state expects to spend \$545 million on corporate welfare, and the cost could double by 2020—thus consuming the \$440 million that the new tax increases are projected to raise.

While the new taxes will finance more spending, the state still isn't sufficiently funding pensions. Pension and health costs are projected to double over five years to \$10.7 billion and consume a quarter of the state budget. The fair question is why any rational person or business that can move would stay in New Jersey.

North Korea Keeps Enriching Uranium

New satellite photos show that Kim Jong Un is continuing to develop his nuclear weapons program, and U.S. intelligence sources say they believe North Korea has increased its production of nuclear fuel at multiple sites. This wasn't supposed to happen after the Donald Trump-Kim summit last month in Singapore.

According to an analysis by experts at the Stimson Center in Washington, North Korea has improved the cooling system of its plutonium-producing reactor at Yongbyon. Activity also continues at a nearby building where plutonium is extracted from spent fuel, and staining on the roof of another building suggests the North is enriching weapons-grade uranium using centrifuges. U.S. intelligence sources essentially confirmed this news by telling news agencies last week that the North has been increasing its production of enriched uranium for nuclear weapons.

After the June 12 summit with Kim, President Trump said that he trusts the young dictator and expects him to start fulfilling his promise to denuclearize immediately. "There is no longer a Nuclear Threat from North Korea," Mr. Trump tweeted the next day.

Secretary of State Mike Pompeo says the President meant the threat from North Korea has been reduced. But the photos of Yongbyon show that isn't true. Though the North stopped firing missiles and testing warheads, it can produce more weapons of mass destruction. The White House has declined to comment on the intelligence reports.

Part of the problem is that Mr. Trump didn't

get Kim to commit to a timeline for denuclearization, and Mr. Pompeo says the U.S. will not press for one. The President also failed to get the

North to commit to giving the U.S. a complete list of its nuclear facilities. The U.S. could then check the list against intelligence to see if the North is being honest. Kim may now be exploiting these missed opportunities.

Kim promised to dismantle a missile-testing facility at Sohae, but there's no evidence he is doing so. Even if there were a timeline for denuclearization, North Korea might not follow it for long. Kim's father and grandfather reneged on every denuclearization deal they signed. But at least the U.S. could use missed deadlines to make a case for new sanctions at the United Nations Security Council.

The Administration's best chance of convincing Kim to give up his nukes was the "maximum pressure" sanctions campaign. But China loosened its enforcement after the summit, allowing smugglers to move goods across the border, as Mr. Trump has acknowledged. The North will exploit loopholes in the existing sanctions to earn more hard currency from slave labor.

The continuing nuclear-fuel production suggests the North will follow its traditional pattern of dragging out open-ended talks for as long as possible and extracting new U.S. concessions at every step along the way.

The activity at Yongbyon shows that Kim has pocketed the carrot of a presidential summit without taking steps to denuclearize. If Mr. Trump doesn't call him on it, Kim will conclude he can keep getting away with it.

LETTERS TO THE EDITOR

Cellphone Site Data and Fourth Amendment

Regarding your editorial "Robbers, Cellphones and the Law" (June 23): The writers of the Fourth Amendment could not anticipate a person's private information to be "bound" in technology rather than paper. Yet today, these "papers" are often held in computers, tablets and phones. The location of which is therefore as private as a file cabinet in a person's home. Any move away from the Fourth Amendment demand for probable cause moves us perilously closer to Big Brother, while jeopardizing the freedoms for which so many Americans fought and died for to preserve. Requiring police to get a warrant should not be considered a hardship, it's their constitutional duty. The consistent, all-encompassing right to privacy is the necessity on which all other rights depend.

RANDALL JORDAL
Evergreen, Colo.

Use of a cellphone in public that tracks the user's location to communicate with third parties should legally constitute a waiver of Fourth Amendment privacy rights. The *Carpenter v. U.S.* Supreme Court decision requiring law enforcement to go to court and get a search warrant to obtain a suspect's cellphone records to obtain location history, not communications, shackles law enforcement at the expense of public safety. Committing a crime and raising the defense of privacy rights because you used a cellphone is not a Fourth Amendment matter regardless what the Supreme Court rules.

DAVID P. CARTER, Esq.
Seminole, Fla.

Even if Congress is "better positioned" than the Supreme Court "to balance the needs of law enforcement with the public's demands for personal privacy" the Journal should consider whether its preference for judicial restraint confers its imprimatur on the

continued erosion of constitutional strictures intended to prevent the will of the majority, as expressed through our elected representatives, from encroaching upon the rights of individuals and minority groups. The Framers promulgated the Bill of Rights precisely to inhibit Congress from curtailing fundamental rights in the name of this or that exigency. Those crucial amendments lose much of their potency if the legislature is granted free rein to determine the outer limits of its own authority, which is why the judiciary—a purportedly co-equal branch of government—was vested with the power and responsibility to, in the words of Chief Justice John Marshall, "say what the law is."

If Congress is permitted to decide for itself whether a given piece of legislation passes constitutional muster, then be prepared for a sharp curtailment of all constitutional rights. The First Amendment's Free Exercise Clause will no longer prevent progressive state legislatures from forcing cake bakers to participate in gay weddings in violation of their deeply held religious convictions. Freedom of speech will be construed to include only speech that the legislature prefers—which, assuredly, will not include the kind that bolsters electoral challenges to incumbent representatives. And the right to keep and bear arms will be declared an obsolete relic that confers no individual rights, despite the Second Amendment's plain language to the contrary.

The judiciary should vigorously defend all constitutionally guaranteed rights against majoritarian encroachment, lest Republican and Democratic Congresses take turns hacking away at the liberties they find to be inconvenient until our Constitution is well and truly dead.

JAMES LIDDELL
Washington

Modern Heraclitus: Trump's Genius for Chaos

Thanks for Lance Morrow's "Did an Ancient Greek Anticipate Trump?" (op-ed, June 23). Mr. Morrow comes closer than most to understanding President Trump. I have long known that Mr. Trump is a gifted man whose genius is for creating chaos. The underlying law of our universe is entropy, or constant descent into disorder.

Energy is needed to restore order. Mr. Trump is constantly criticized for changing his story, not sticking to narrative, being unstable, etc. He has no intention of changing. By creating chaos he leaves those opposed to him spending their energy dealing with his chaos while he focuses his energy in creating more chaos for them so he can do things his way. His opponents call him crazy because he makes them feel crazy. He isn't fighting their way and yet he often wins. If memory serves me right, creating chaos in enemy ranks is a well-recognized technique described by Sun Tzu in "The Art of War." President Trump, like him or not, is a greatly underappreciated leader, a

formidable foe and a real American. As a nation we have, from the start, tended to be a bit chaotic.

J. MORGAN
Atlanta

It is difficult to tell from Lance Morrow's philosophical analysis of Donald Trump whether President Trump is a charlatan and a grifter, an untrustworthy dog who may turn out to be a genius of history or the heir to Heraclitus as the greatest tweeter of all time. Three thousand years from now scholars may be trying to piece together Mr. Trump's tweets as fragments of a coherent metaphysical system based on truthful hyperbole: war is all, winning is good, Kraut-hammer is overrated. The fake media will claim that Mr. Trump was merely a Cartesian dualist in wolf's clothing, but they will be wrong. Remnants of a wall between what was once Canada and the U.S. will show that he was a builder, as well.

ROBERT KORNFIELD
Chicago

About Harvard's Asian-American Applicants

Regarding Ilya Shapiro's "Harvard Is Too Discriminating" (op-ed, June 19): Like many Harvard alums, I volunteer to interview applicants, scoring their academic, extracurricular and "personal" strengths. The alumni interviews are the only contact Harvard has with its applicants. Thus I was surprised when Mr. Shapiro stated that admissions officers assigned Asian-Americans the lowest "personal" ratings, reflecting less "likability," "helpfulness," "courage" and "kindness."

The alumni interviewers clearly don't agree, since Mr. Shapiro states that Asian-Americans have higher alumni-interview scores than any other group. The teachers and guidance counselors don't agree either, since they give scores that are nearly equivalent to whites and higher than any other group. On what basis, therefore, does Harvard admissions assign these low personal scores when they have only positive input from outside sources and no independent contact themselves?

JOAN DASH, PH.D.
Pomfret, Conn.

more and less interested in nonacademic, as well as academic, pursuits.

I grew up in a lower-middle-class family in Portland, Ore. In 1959 I was admitted to the University of Pennsylvania and received a scholarship. At that time most of the incoming freshmen at Penn were from the Middle Atlantic and New England states. While I was smart and did well in my extracurricular activity in high school, I'm confident there were smarter people who didn't get into Penn. I was "geographically undesirable." In 1959 there were only three people from Oregon in our freshman class. The people who made decisions knew that I brought diversity to the school. Part of my success in life was because of the variety of other people I got to know. A truly outstanding educational institution realizes that its classrooms are only one venue for the student's education.

RICHARD FAUSETT
Rancho Mirage, Calif.

Pepper ... And Salt

THE WALL STREET JOURNAL



"Yup, the Roman numerals do seem a little ominous."

The evidence for Harvard's alleged discrimination against Asian students assumes that the role of a university is to attract and train the brightest students. There is a sound argument that this is not the case. The university will do the best job if it has a diverse student body made up of bright, not as bright (or in the case of Harvard, perhaps extremely bright and only very bright), geographically and socio-economically different students who are

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

OPINION

The IRS Can Save American Health Care

By Regina Herzlinger
And Joel Klein

Health care is fast becoming an unsustainable expense for American families. This year the total cost of insurance for the typical family of four eclipsed \$28,000, according to the Milliman Medical Index. Rising insurance premiums are also eroding worker compensation, as companies shift increased costs to employees.

Health care in the U.S. suffers symptoms of what Justice Louis Brandeis once termed the problem of "Other People's Money." Often a patient ordering and receiving medical care mistakenly believes he is not the one paying for it. This misconception is due in large part to the employer tax exemption for health insurance, which conceals the true cost of coverage from most workers.

Letting workers spend pretax dollars on insurance would do a lot—without requiring Congress to act.

Companies that buy health insurance on behalf of workers are, in effect, giving them some of their compensation in the form of benefits. But employers get to use pretax dollars when they purchase this insurance. If workers try to buy their own policies, most don't get the same tax break. This inequity has cemented the dominance of employer-sponsored insurance in the U.S.

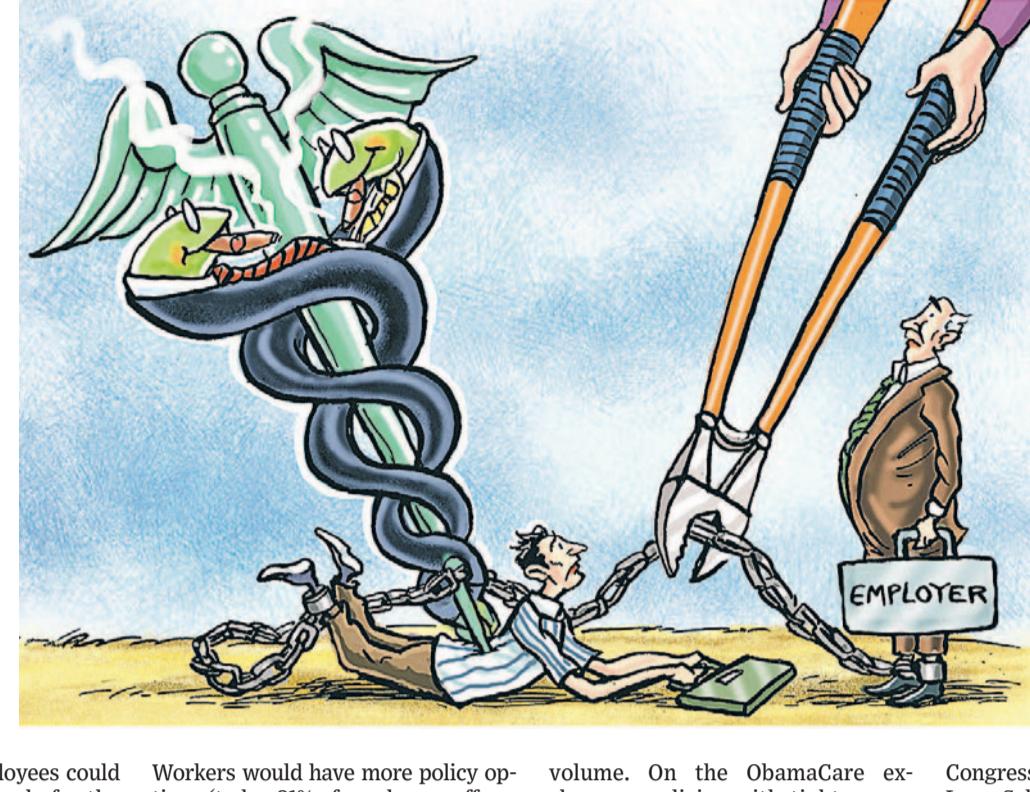
It might seem like a small question, but who is buying makes all the difference. Employer-based coverage subtly drives up health-care costs by enhancing the bargaining power of medical providers. A large company must include nearly all local doctors and hospitals in its health plan's network, since different workers will need different services. Only 8% of

employers even offer a choice of a tighter network, the Kaiser Family Foundation reported last year. This gives major hospital chains that dominate local markets carte blanche to charge high prices.

The solution is simple: The Internal Revenue Service should give all workers the chance to purchase health insurance with pretax dollars—just as employers do—using Health Reimbursement Arrangements. Companies would give employees a fixed amount of money in these HRAs to go out and buy the best plans for their families on the ObamaCare exchanges. The plans there would be subject to the Affordable Care Act's requirements on essential health benefits and cost-sharing limits. Employees could use this tax-free money only for the purchase of health insurance, but would pocket any leftover savings as taxable income.

We have run separate simulations at Harvard Business School and Oscar Health, to project the implications of this policy, and the conclusions are similar. Giving employees the tax break would result in their buying cheaper, more-tailored policies compared with the employer plans in which they are currently enrolled. After doing so, workers would take home the extra income: \$129 billion, after tax, in Oscar Health's study and \$160 billion in the Harvard Business School's. The federal government, now taxing that additional income, would receive between \$46 billion and \$65 billion in new tax revenue.

The benefits would be significant. Increased competition from the influx of new consumers in the individual market would drive down premiums.



can bring down costs.

Third, competition means health-care companies would have to improve to survive. In a Gallup poll last year, only 38% of Americans had a positive view of the health-care industry, which beat only the pharmaceutical industry and the federal government. But if insurers were forced to compete, they would embrace innovations that seem foreign today: free telemedicine, cost transparency, instant appointment scheduling, smartphone health records, and the like. In turn, insurers would demand a better consumer focus from the doctors and hospital chains they work with.

Gridlock in Washington often relegates proposals like this to the political dustbin. But

Congress need not act here, as Duke Law School's Barak Richman has pointed out. Under current law, the IRS can simply adjust its technical definition of Health Reimbursement Arrangements so that they can be used to pay insurance premiums and to satisfy the ObamaCare employer mandate.

Once that is done, the Department of Health and Human Services, along with the Treasury, could work with enterprising governors and employers to offer these HRAs to workers.

This is a straightforward proposal, but a powerful one. It would finally begin to address the rising cost of health care, and it isn't subject to a Senate filibuster. For the sake of millions of American families, the IRS should act—and soon.

Ms. Herzlinger is a professor at Harvard Business School. Mr. Klein is chief policy and strategy officer at Oscar Health, as well as a member of the News Corp board of directors.

Workers would have more policy options (today 81% of employers offer a "choice" of only one type of plan, Kaiser reports). Employers would be freed from the hassle of administering health benefits, a fast-growing line item, allowing them to focus on their core businesses.

If these results sound too good to be true, it's only because the depth of inefficiency in American health care is worse than you imagine. This proposal would create a more efficient health-care system in three principal ways.

First, when employees are free to keep the savings after choosing a policy that works for them, most will pick a more-tailored group of providers than is currently on offer. They won't aim to have every doctor and hospital in their policy's network, only the ones they need. The insurer then would be empowered to negotiate lower prices with hospitals, which know that exclusive networks can make or break patient

volume. On the ObamaCare exchanges, policies with tighter provider networks are at least 18% cheaper without sacrificing hospital quality, according to a McKinsey analysis last year. In its own markets, Oscar Health has observed cost differences of up to 25%.

Second, this proposal would alter the consumer mindset in health care. Today, when care becomes more efficient, the principal beneficiaries are employers. Thus employees lack a strong financial incentive to seek out cheaper options, such as using a telemedicine service to diagnose pinkeye or having a hip replaced at an ambulatory surgery center instead of a hospital. But if patients start getting to keep the money they save, more will act as dogged consumers. Outpatient care constitutes nearly 60% of all health expenditures for adults with commercial insurance. Since there are many alternative options, giving people an incentive to shop around

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Ms. Herzlinger is a professor at Harvard Business School. Mr. Klein is chief policy and strategy officer at Oscar Health, as well as a member of the News Corp board of directors.

America Needs to Sell More Weapons

By Alexander Benard

America's arms-sales policies are too restrictive, leading even some pro-U.S. countries to buy weapons from Russia and China. This year's National Defense Authorization Act would give Defense Secretary Jim Mattis authority to waive certain new restrictions for specific countries enacted by Congress last year. But the problem is more fundamental: The U.S. arms-sale regime needs to be recalibrated to protect American influence in a highly competitive geopolitical environment.

The U.S. government blocks weapons sales to foreign countries for various reasons. Congress is often wary of selling arms to countries that could use them to undermine civil liberties. The Defense Department often worries the purchasing country could allow sensitive U.S. technology to fall into the wrong hands. The State Department arms-control bureau has a general aversion to any weapons proliferation on grounds that it could trigger an arms race.

Russia sells aircraft, submarines, antiaircraft systems and missiles. China has made strides in advanced missile systems as well as unmanned aerial vehicles. The sale of

these sophisticated weapons poses a direct threat to U.S. security interests. It also creates challenges around interoperability. Technologies developed by the Russians and Chinese—such as advanced radars, sonars, sensors and communications platforms—cannot integrate effectively with U.S. technologies. The more a country

systems. Worse, they will be able to do so without depending on the U.S. for maintenance, ammunition or spare parts. This eliminates a key lever for U.S. influence in the event that human-rights abuses occur, for instance.

Turkey. In 2016 and 2017 it had been attempting to purchase helicopters and other technology from U.S. manufacturers, but was turned down due to concerns around deteriorating governance. Then in late 2017 it acquired a sophisticated missile-defense system from Russia for \$2.5 billion, an unprecedented move for a member of the North Atlantic Treaty Organization.

Vietnam's relations with the U.S. have been pleasantly thawing, partly because of a common concern around China's aggressiveness in the Indo-Pacific region. The U.S. lifted its arms embargo on Vietnam in 2016, but residual concerns about human rights have largely limited sales to sonars and radars. In addition the U.S. has not provided meaningful military assistance to Vietnam to help offset costs. As a result, Vietnam continues to purchase much of its military

equipment from Russia, which often subsidizes the transactions.

Or consider Thailand, traditionally one of America's closest security partners in Asia. A 2014 coup caused concern about the country's trajectory and led the U.S. to limit some weapons sales. China took immediate advantage, signing a deal to sell over \$1 billion of submarines to the Thai navy. In late 2017 Bangkok announced plans to establish a joint naval center with Beijing to service those submarines, as well as a joint arms factory to produce and maintain other military equipment.

There are more examples around the world. As the U.S. moves into a phase of more intense competition with Russia and especially China, its approach to arms transfers must change. If not, its global security partnerships will be steadily eroded by more assertive and less scrupulous rivals.

Mr. Benard, a visiting fellow at Stanford's Hoover Institution, is managing partner of an American private-equity firm focused on Asia and Africa.

How the SEC Stops Short Sellers From Keeping Markets Honest

By Eric Winig

The Securities and Exchange Commission and Nasdaq both say they are committed to protecting investors and providing access to "fair and orderly markets." But the way the agencies handled the case of the cryptocurrency company Longfin Corp. raises difficult questions about who is being protected and at whose cost.

According to an April 6 press release, the SEC "obtained a court order freezing more than \$27 million

in trading proceeds from allegedly illegal distributions and sales of restricted shares of Longfin Corp. stock involving the company, its CEO, and three other affiliated individuals." (Longfin's most recent SEC filing denies the allegations.) The commission also noted that Nasdaq halted trading on April 6, "shortly before the SEC's complaint was unsealed," suggesting the halt came at the agency's request.

So far, so good. My own research into Longfin revealed little or no business activity; almost everything

claimed as "revenue" appears to be related-party transactions from other entities controlled by the CEO and his associates. But for some reason the SEC and Nasdaq, after appearing to fast-track this issue, subsequently kept trading halted for nearly two months. By contrast, a company called LiNiu Technology, which filed a press release with identical language to Longfin's on the same date, was halted for a mere 10 days and began trading over the counter immediately after being delisted from Nasdaq.

The long halt caused significant harm to short sellers and option buyers—i.e., those who correctly bet against the stock—and rewarded brokers and those on the wrong side of the trade. Specifically, investors who were short the stock at the time of the halt were charged a fee of roughly 200%, split between brokers (some of whom accepted restricted shares from company insiders as referenced in the SEC release, a clear violation of the "know your customer" rule) and stock owners (who were effectively rewarded for buying a worthless security).

An investor short 1,000 shares was charged an annual fee of about \$56,000—1,000 shares times the \$28.19 price when it was halted, times 2. The fee, assessed daily, amounted to almost \$10,000 in fees for the two-month halt. Adding insult to injury, the \$28.19 reference price was based on the stock price when it was halted, despite the fact

that this reflected a near-tripling of the stock in little more than one trading day—a runup that coincidentally started just after the SEC informed Longfin about its investigation. Thus an investor who shorted 1,000 shares at \$10 two days before the halt would have ended up losing about \$5,000, even though the stock reopened for trading at \$5.

Lengthy 'delistings' raise questions about whom the commission is protecting and at whose cost.

Given short interest of more than two million shares, brokers and share owners collected more than \$300,000 a day from shorts, or nearly \$20 million for the two-month halt. Along similar lines, those who again, correctly—bought April and May put options were unable to sell them, and brokers made them extremely difficult to exercise. Several brokers required an entire year's worth of short fees, as well as up to 500% in margin, to exercise puts, even though it was clear the stock would trade significantly lower when it reopened. Many of these options were written by market makers who happen to be large customers of Nasdaq.

The result is that rather than protecting investors and providing

access to markets, SEC and Nasdaq actions prevented investors from transacting, which directly benefited bad actors (company insiders), big players (brokers and market makers) and investors who ignored copious warnings and bought an apparently worthless security. All of this came at the expense of those who correctly bet against the stock and in many cases repeatedly warned others, including the SEC, about the company's dubious actions.

This case was hardly unique. A company named WINS Finance Holdings was halted under similar circumstances last year for six months. Nasdaq, which said the company declined to provide requested information, for some reason chose not to delist it; shorts were stuck paying fees for the entirety of the halt. (WINS eventually submitted the information.) And investors who bet against China-Biotics, which was halted in November 2013 and subsequently shut down, are still waiting to close their positions—and stuck paying fees—although everyone agrees the company no longer exists.

These situations contribute to perceptions that markets are rigged in favor of big players, and they discourage investors from researching and betting against companies under regulatory scrutiny. Little wonder that investor trust in regulators continues to decline.

Mr. Winig is a writer and investor in Potomac, Md.

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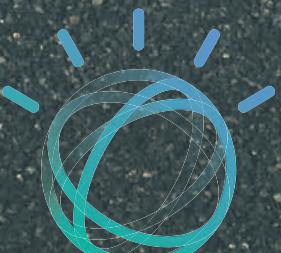
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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Monday, July 2, 2018 | B1

Dollar Rally Ripples World-Wide

Currency's climb
bruises commodities
and emerging markets,
upending popular bets

BY IRA IOSEBASHVILI

The dollar's surprisingly durable rally and expectations of strong U.S. growth are upending investments across the globe, punishing commodities and emerging markets while attracting more overseas

money to the U.S. Many investors believed the dollar's gains this spring would amount to little more than a temporary bounce during an emerging bear market. Signs that economic growth was picking up in Europe and other major economies pummeled the U.S. currency last year and in the first quarter.

But as growth abroad has slowed and the Federal Reserve has adopted a more aggressive stance on interest rates in response to an acceler-

ating U.S. economy, the dollar's advance has gone on longer than many anticipated.

The WSJ Dollar Index, which measures the currency against a basket of 16 others, rose 5.1% in the second quarter for its first quarterly gain since 2016.

Many observers think the rally looks poised to continue as markets head into the second half of the year.

"The dollar went on an absolute rampage," said Said Haidar, head of New York-

based Haidar Capital Management, who in May scrapped his bets against the U.S. currency and now is wagering it will gain against currencies such as the Polish zloty and Hungarian forint. "It took us a little by surprise."

Hedge funds and other short-term investors in June turned bullish on the dollar for the first time in a year, according to data from the Commodity Futures Trading Commission.

That positioning helped lift

the dollar to its highest level since July 2017.

Because the dollar is the world's main currency, any significant change in its value and future outlook can send ripples through financial markets.

U.S. stocks and bonds in June made up nearly 60% of global investment portfolios, according to the Institute of

Please turn to page B2

◆ Markets Review & Outlook:
Dollar's surge gets boost... R4

Dell Nears A Return To Public Listing

BY DANA CIMILLUCA AND DANA MATTIOLI

Dell Inc. is nearing a deal that would once again make the PC and data-storage giant a public company, according to people familiar with the matter.

Dell plans to announce as early as Monday that it intends to acquire via a share swap the DVMT tracking stock, which tracks its fast-growing VMware Inc. virtualization-software unit, the people said.

Terms of the agreement, which could still fall through, couldn't be learned, but Dell plans to acquire the DVMT shares at a premium and DVMT shareholders are also expected to receive several billion dollars in cash as part of the deal. **Dell Technologies Inc.**, the tracking stock's formal name, has a market capitalization of nearly \$17 billion, while VMware's is nearly \$60 billion, after the shares rose this year on the possibility of a deal.

The expected move, which would help simplify Dell's complicated ownership structure, is the culmination of a strategic review the company has been conducting for months. Other options it considered include a combination with VMware itself or a straight initial public offering, the company has said.

The tracking stock was created as a way to help finance Dell's purchase of storage pioneer EMC in 2016. The deal was largely in cash, but the remainder was paid via the new security that was linked to a portion of EMC's interest in the VMware business, which provides cloud-infrastructure services.

Issuing the tracking stock meant Dell didn't have to raise quite as much money to finance the deal. The tracking stock has nearly doubled in value since it was issued, closing Friday at \$84.58.

The company went private in a roughly \$25 billion leveraged buyout in 2013 by its founder, Michael Dell, and investment firm Silver Lake.

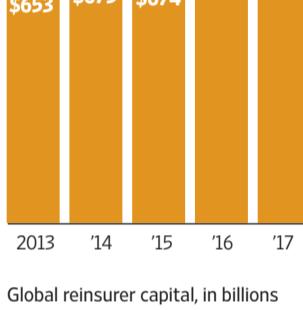
VMware produces software related to databases, storage and the Internet of Things. Dell owns about 80% of VMware.

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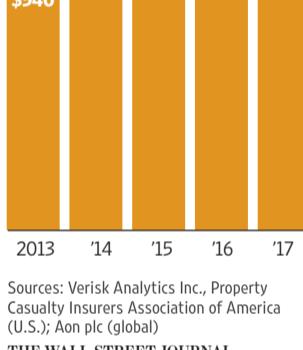
Insurers Ready to Take On Storm Season

Insurers have strong capital positions to protect them as hurricane season approaches.

U.S. property-and-casualty insurance industry surplus, in billions



Global reinsurance capital, in billions



Sources: Verisk Analytics Inc., Property Casualty Insurers Association of America (U.S.); Aon plc (global)

THE WALL STREET JOURNAL

BY MENGQI SUN AND LESLIE SCISM

Major Atlantic Ocean hurricanes, California wildfires and Mexico earthquakes made 2017 one of the costliest years ever for insurers. But even that slate of disasters wasn't enough to dent insurers' fat capital cushions.

The U.S. property-casualty industry held \$752.5 billion in surplus at the end of 2017, a 7.4% increase from the year before, according to Verisk An-



Hurricane Irma and other natural disasters last year failed to dent insurers' capital cushions despite billions in payments on claims.

alytics' ISO and the Property Casualty Insurers Association of America. Global reinsurance capital stood at \$605 billion, 2% higher than the prior year, according to **Aon PLC**'s reinsurance brokers.

All that capital positions these industries—and their policyholders—well for any hurricanes in the next few months of the often make-or-break Atlantic season, even if third- and fourth-quarter earnings are wiped out. Capital is the money that insurers

have on hand that isn't required to back existing obligations.

For primary insurers selling policies to individuals and businesses, the reinsurance helps further. Reinsurers essentially act as insurers for other insurance companies, paying the cost of claims on policies issued by primary insurers once they reach contractual, designated levels. Global reinsurance companies bore much of the financial costs from Hurricane Irma in

Florida last year.

"If you look back toward the events last year...and think about the implications for capital, for many companies—and that would include insurers and reinsurers—it was simply an earnings event for the year," said Paul Schultz, chief executive of Aon Securities. "The losses...didn't really cut into their capital base."

For the year, global insured catastrophe losses were about 160% higher than the average of \$51 billion for such losses

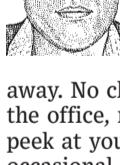
from 2000 to 2016, according to Wells Fargo Securities. Private-sector insurers' and reinsurers' payments on claims are estimated at \$124 billion to \$134 billion.

Those losses pushed net income at private U.S. property-casualty insurers down to \$36.1 billion, compared with \$42.9 billion in 2016, according to PCI and ISO. Helping offset some of the pain from the disasters, insurers posted steady returns on their invest-

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PERSONAL TECHNOLOGY | By David Pierce

It's Time to Bring Back The 'Away' Message


When you head out on vacation this summer, you will want to properly get away. No checking in with the office, no sneaking a peek at your inbox and no occasional Twitter browsing just in case Beyoncé drops another surprise album. With the help of an out-of-office email responder and a little bit of willpower, you might even pull it off.

But while you are blissfully floating down a lazy river somewhere with Do Not Disturb turned on, everyone else will keep trying to reach you. They will text, they will call, they will email your personal address. Since they won't know you are on vacation—how could they?—they will wonder why you are not answering.

Over the past year, gadget and software makers have developed ways for users to

Please turn to page B4

Fortunes Diverge in Trade Conflicts

BY RUTH SIMON

A family-owned Ohio steelmaker recently handed out its first pay raises in nearly two years, but a family-run maker of steel chains in St. Louis just laid off 25 workers.

The diverging fortunes of these two small companies show how escalating trade conflicts are rippling through the U.S. economy. They also show how, in a global market, policies aimed at helping some businesses hurt others.

The trade battle is also hitting large corporations, such as Harley-Davidson Inc., which drew President Donald Trump's ire this week after it said it would shift some production overseas. But the challenges are particularly severe for small companies, which typically have more-limited supply chains and smaller cash cushions, and they are less able to pass along higher costs to their customers.

The Trump administration's decision to impose new tariffs on imported steel in March has been a boon to **Byer Steel Corp.**

Tariffs "have given us the opportunity to return to the volume level and the margin level we were accustomed to," said Burke Byer, chief executive of the Cincinnati company founded by his great-grandfather 115 years ago. Before the shift in trade policy, Mr. Byer said, rebar from China "was coming in below our cost of



Laclede Chain Manufacturing imposed a surcharge after new tariffs led to higher raw-material costs.

raw material."

The 110-person company has boosted prices by over one-third this year, putting an end to three years of losses.

Mr. Byer said that the company raised prices because tariffs increased demand for domestic steel.

"Demand came on so fast that we had to raise our prices or we would not have had one pound of steel for anybody," he said. "We raised prices to the point where the market said it is enough."

With business improving, Byer Steel has handed out its first pay raises in roughly two

years. The company, which at its peak had 180 workers, has hired 15 employees and plans to add a further 20. "The biggest problem is that demand came on quicker than we were able to ramp up production," Mr. Byer said.

But the price increases that help Byer Steel are taking a toll on companies such as 164-year-old **Laclede Chain Manufacturing Co.**, which bends and shapes steel rod into chains used for hoisting, tie-downs and tire traction.

The St. Louis-based company, which has 200 employees, imposed a steel surcharge

in May after its raw-material costs rose an average of 25% as U.S. steelmakers boosted their prices in response to the new tariffs. That move followed a January price increase, triggered by rising scrap prices.

Many of Laclede's customers prefer to buy U.S.-made products, but most have said they will shop around—and consider purchasing imported chains—if hit with another price increase, said Timothy Riley, vice president of operations for the family-run company. The company said it has

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INSIDE



TESLA HITS ITS MODEL 3 OUTPUT GOAL

AUTOS, B2



PERRY ELLIS BUYOUT BID HEATS UP

APPAREL, B3

BUSINESS NEWS

Amazon Delves Into Health Data

Online-pharmacy deal means tech firm faces tight rules on handling medical information

BY LAURA STEVENS
AND SHARON TERLEP

Amazon.com Inc. knows more about consumers' online-shopping habits than any other retailer. Now it is about to get its hands on the most intimate of personal data: people's health conditions.

Last week's acquisition of online pharmacy startup PillPack will give Amazon insight into people's prescriptions, putting the tech company into the highly regulated realm of health information with more restrictions than it is accustomed to on data-mining.

Amazon has mastered the use of personal data by analyzing people's purchasing decisions to predict whether they might buy toilet paper, watch a romantic comedy or ask its Alexa voice assistant for a recipe. The behavioral tracking has helped turn it into a retailing powerhouse with \$178 billion in revenue last year.

But collecting and safeguarding medical information is far more complex than tracking when an online shopper buys a new lamp.

"Prescription drug information is highly personal information—it can tell if someone has cancer, if they have a sexually transmitted disease," said Julie Roth, a health-care regulatory attorney with Spencer Fane LLP in Overland Park, Kan. That might raise some privacy concerns, she said.

Amazon's purchase of **Pill-Pack** gives it the ability to ship prescriptions to customers' homes in 49 states. It paid roughly \$1 billion for the company and beat out Walmart Inc. in the process, according to people familiar with the matter.

The acquisition comes as technology companies includ-



An Amazon fulfillment center in Aurora, Colo. Amazon has mastered the use of personal data in analyzing purchasing decisions.

ing Facebook Inc. and Alphabet Inc.'s Google draw scrutiny from lawmakers over the use of consumers' data. The European Union and state of California both recently passed stricter data-collection regulations, and consumers are becoming savvier about what companies know about them.

PillPack gives Amazon the chance to lure consumers away from the local pharmacy, and win the store purchases that can come with the trip.

Amazon will be limited in what it can do, especially to start. PillPack's specialty—packaging a month's supply of pills for chronic-disease patients—is a small part of the overall market. It has said it has tens of thousands of customers versus Amazon's hundreds of millions.

The health-care market is highly regulated. While marketers can freely exchange

data on consumers' nonprescription purchases and browsing activity, the federal government tightly controls the privacy of medical information through the Health Insurance Portability and Accountability Act, or HIPAA.

Companies can't sell patient data to another party or market complementary products based on a person's health condition—such as sending coupons for diapers to a woman with a prescription for prenatal vitamins.

The federal privacy act does allow companies to share information about patients for marketing purposes, but only with the patient's consent. That consent could be given when patients simply check a box on privacy disclosures that come with most medical transactions.

"Nobody reads the notice of

privacy practices," said Ryan

Stark, senior privacy attorney with the law firm of Page, Wolfberg & Wirth. He said Amazon likely would need to wall off PillPack from its larger operation, otherwise it might have to take steps to ensure the entire business meets federal privacy standards, which govern things such as who has access to data and how user passwords are encrypted.

An Amazon spokeswoman said the company will comply with HIPAA, as well as with all other laws and regulations.

Pharmacy rivals CVS Health Corp. and Walgreens Boots Alliance Inc. have long relied on low-tech methods such as loyalty cards to collect data.

CVS has a rewards program in which shoppers get \$5 to spend in CVS stores for every 10 prescriptions filled. Customers must sign a waiver to participate and, even with that

consent, the only information shared with the retail side of the business is the number of prescriptions filled, without details on the medications themselves.

The federal privacy act was created specifically to prevent marketers from unwittingly targeting people based on what medical services they access, said Ms. Roth, the regulatory attorney.

Amazon already has insight into people's health by tracking consumers' browsing and shopping habits. A shopper

who has suffered from health issues might have purchased over-the-counter medicines and vitamins, plus medical equipment such as a heating pad or humidifier. Amazon can potentially surmise when that person is sick, because they order tissues and cold medicine for two-hour delivery via Prime Now.

Perry Ellis Founder Faces Rival Deal Bid

BY DANA MATTIOLI

Perry Ellis International Inc.'s founder is about to get some competition on his proposed buyout of the apparel brand.

Men's accessories company **Randa Accessories** is preparing to submit a \$28-a-share bid for Perry Ellis that could upend Perry Ellis founder and former Executive Chairman George Feldenkrais's \$27.50-a-share deal to take the apparel company private, according to people familiar with the matter.

Mr. Feldenkrais and his son Oscar, the company's current chief executive, are two of Perry Ellis's biggest investors. Their deal in place for Perry Ellis values the company at about \$437 million; the Randa bid would value it at about \$444 million.

Perry Ellis, a popular brand of the 1990s, has since lost some of its luster in the fashion community, especially compared with some other brands popular at that time. Other hot brands of the '90s, such as Champion and Calvin Klein, have been staging a comeback and positioning themselves as vintage in the streetwear community.

In addition to its namesake men's apparel, Perry Ellis has a portfolio of brands including Laundry by Shelli Segal, Original Penguin and Cubavera.

Based in New York, Randa is one of the world's largest menswear accessories companies. The company has more than 50 brands it owns or licenses including Dockers, Nautica and Pierre Cardin. It also does private-label manufacturing for some of the largest department stores in the U.S. Its products are sold in retailers ranging from Walmart and Amazon to Nordstrom.



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TECHNOLOGY

Businesses Criticize California's New Data-Privacy Law

Businesses across the U.S. panned California's new consumer-privacy legislation, saying it risked far-reaching damage to everything from retailers' customer-loyalty programs to data-gathering by

*By Marc Vartabedian,
Georgia Wells
and Lara O'Reilly*

Silicon Valley tech giants.

The bill, which was introduced one week before it was passed and was largely sold as a way to rein in big tech firms, affects a range of businesses. It requires them to offer consumers options to opt out of sharing personal information, and it gives Californians the right to prohibit the sale of their personal data.

Companies late last week were working out what they now may need to do to strengthen their privacy practices, or, in the case of some Silicon Valley firms, preparing to lobby hard for changes to the law before it takes effect in 2020. One attorney said many law firms see the new bill as generating a "bonanza" in fees as companies rush to either comply or push for changes.

"We firmly believe the best approach is for Congress to take action sooner than later on privacy," said a spokesman for **Verizon Communications** Inc. "The right approach is not to do this state by state, but through a national framework."

Tech companies view the new law as a knee-jerk response to a series of revelations over the past year, such as Facebook's handling of user data, that shook consumer confidence. The companies are frustrated they weren't consulted about how to implement the law.

Still, the legislation was considered a better alternative than a more restrictive ballot initiative that recently qualified to appear before California voters in November. The initiative, which now won't go forward, was strongly opposed by most of the tech industry.

*—Keach Hagey, Sarah Krouse
and Khadeeja Safdar
contributed to this article.*

BUSINESS & FINANCE



Hurricane season is often make-or-break for insurers. A State Farm claims adjuster at a Texas home after 2017's Hurricane Harvey.

Insurers Ready for Hurricanes

Continued from page B1
ment portfolios and solid results in many product lines that weren't exposed to the storms.

Big car and home insurer Allstate Corp., for instance, posted net profit of \$3.07 billion for the year, even as catastrophe losses reached \$3.23 billion. Its bottom line benefited from premium growth and other improvements in the company's car-insurance operations, among other factors.

Also helping keep capital so robust is the simple fact that pension funds, hedge funds

and other big investors continue to deploy money into the industry through "catastrophe bonds" and other reinsurance vehicles. With interest rates remaining low globally since the 2008 financial crisis, many yield-hungry investors are buying these securities in search of better returns than traditional fixed-income holdings.

Outside investors added another \$8 billion last year, bringing the total of alternative capital to \$89 billion at the end of 2017, according to Aon Securities.

Outstanding cat bonds and other insurance-linked securities totaled \$32.8 billion as of March 31, representing growth of about \$1.8 billion since the end of 2017, according to data from researcher Artemis provided by Wells Fargo Securities.

Sophisticated investors buy these high-yielding securities with the understanding that they could lose some or all of their principal to help pay claims if a specified type of disaster occurs in a designated region. Cat-bond issuance in the first quarter was \$4.24 billion, or about \$2.4 billion above the 10-year first-quarter average, according to the Artemis data.

The continued appetite was "part of the reason that reinsurance rates probably didn't climb as much as a lot of market participants thought it would," said James Lynch, chief actuary at the trade group Insurance Information Institute.

Some executives and analysts last fall predicted that premium rates on property catastrophe reinsurance in hurricane-prone areas would rise to 20%. But premium rates in-

creased much more modestly, analysts and brokers say.

For instance, the risk-adjusted Florida Property-Catastrophe Rate-on-Line Index, which shows the reinsurance rate for the region and is one of the indexes reflective of the marketplace, rose 1.2% this year, as calculated by brokerage firm JLT Re.

Outside of the hurricanes, wildfires and other disasters, a lot of things went right for primary insurers to explain their improved fortunes.

The industry's capital declined in 2017 from the second quarter to the third, but "earnings and investment income throughout the rest of the year helped the industry reach higher capital levels" than at the start of the year, according to Elyse Greenspan, an insurance-stock analyst with Wells Fargo Securities.

Dinosaur Blockbuster Grabs Top Spot Again

Associated Press

a reported \$35 million to \$40 million to produce.

Landing in fourth place was the basketball comedy "Uncle Drew," which features NBA All-Stars Kyrie Irving and Shaquille O'Neal. With a production price tag under \$20 million, the film exceeded expectations, grossing \$15.5 million, and got audience stamp of approval with an A CinemaScore.

The ad and marketing campaign included spots during the NBA playoffs and finals, a Wheaties box featuring Irving as Uncle Drew and an Uncle Drew capsule collection from Nike.

Lions Gate, which distributed the movie, knew the film had built-in marketability because of the celebrity of the stars but was also pleased to discover that the film in early screenings appealed to non-basketball fans, too.

"That was the surprise, that wow, we have a picture that really plays to a general audience," said David Spitz, Lions Gate's president of domestic distribution.

Lower down on the charts, the Indian film "Sanju," a biopic about Bollywood star Sanjay Dutt, earned an impressive \$2.6 million from only 356 screens in its opening weekend.

And the Fred Rogers documentary "Won't You Be My Neighbor?" now playing on 654 screens, continues to do well in its expansion.

Estimated Box-Office Figures, Through Sunday

FILM	DISTRIBUTOR	SALES, IN MILLIONS		
		WEEKEND*	CUMULATIVE	% CHANGE
1. Jurassic World: Fallen Kingdom	Universal	\$60	\$264.8	-59
2. Incredibles 2	Disney	\$45.5	\$439.7	-43
3. Sicario: Day of the Soldado	Sony	\$19	\$19	--
4. Uncle Drew	Lion's Gate	\$15.5	\$15.5	--
5. Ocean's 8	Warner Bros.	\$8	\$114.7	-30

*Friday, Saturday and Sunday Source: comScore

THE WALL STREET JOURNAL. GLOBAL FOOD FORUM

Explore key risks and opportunities shaping the global business of food

SEPTEMBER 27, 2018 | NEW YORK, NY

On September 27, The Wall Street Journal will bring together leaders in agribusiness, food production, consumer products, economics and government to focus on how changing consumer tastes, new technology, global competition and other forces are transforming this critical sector of the economy. Join our Global Food Forum audience and leaders from the top companies in the sector. The organizations below are just a sampling of our 2016 and 2017 participants.

915 Labs | Accenture | AeroFarms | AgFirst Farm Credit Bank | AgriCapital | Agrivida | AgroFresh | AgTech Accelerator | Ahold Delhaize | Alantra | Algenol Biotech | Alico | American Farm Bureau Federation | AMERRA Capital Management | Analog Devices | Anterra Capital | Apio | Applied Invention | Aqua Spark | Archer Daniels Midland | Arrell Food Institute | Arrowhead Beef | ASPIRE Beverage Company | Australia and New Zealand Banking Group | Australis Aquaculture | Bank of America | Barclays | Beaver Creek Ranch | Bellisio Foods | Berjé | Beyond Meat | Bimbo Bakeries USA | Biotechnology Innovation Organization | BioWiSH Technologies | Blackland Capital Partners | BMO Harris Bank | Bojangles' Restaurants | Bunge | Calysta | Campbell Soup | Cargill | The Center for Food Integrity | Chobani | CHS | Clara Foods | Clear Creek Farm | Clear Labs | The Climate Corporation | Closed Loop Capital | CoBank | Conagra Brands | Corn Refiners Association | Country Partners Cooperative | Cultivating New Frontiers in Agriculture | Dairy Farmers of America | DBL Partners | Devault Foods | Dietz and Watson | Diversigen | DLA Piper | DowDuPont | DuPont | Edlong Dairy Technologies | eMeals | Environmental Defense Fund | The Equity | EY | fairlife | FamilyFarms Group | Farmers Pride | Farmland Partners | Farmstead | Federal Agricultural Mortgage Corporation | Federal Farm Credit Banks Funding Corporation | Feeding America | Finke Farms | Food Future | Food Marketing Institute | Foster Farms | Foundation for Food and Agriculture Research | Freshly | FultonFishMarket.com | Gelson's Markets | General Mills | GEOSYS Intl | Givaudan Flavors | Glanbia | Golden State Foods | The Good Food Institute | Grain Craft | Griffith Foods | Grocery Manufacturers Association | Guckenheimer | The Hain Celestial Group | Hancock Agricultural Investment Group | HarvestPlus | HEB Grocery | Hershey | Highland Family Farms | Hormel Foods | The Humane Society of the U.S. | Illinois Farm Bureau | Ingredion | Innovation Center for U.S. Dairy | International Farming | International Food Information Council | J.S. Ferraro | KEEN Growth Capital | Kroger | Kuli Kuli | Lamb Weston | Land O'Frost | Land O'Lakes | Larsen & Toubro | LG Corporation | Local Roots Farms | Lopez Foods | Louis Dreyfus | LT Foods Americas | Mars | The Maschhoffs | McDonald's | McKinsey | Memphis Meats | Merck | Michigan Department of Agriculture | Mission Foods U.S. | Mitsui | Modern Meadow | Mosa Meat | Munchery | Mutima Capital | National Aquarium | National Pork Board | Nestlé | Newman's Own | NGEN Partners | Nima | Nomura Securities | Noosa Yoghurt | North American Meat Institute | North Castle Partners | NSF International | Olam International | Orange County Produce | Oregon Farm Bureau | Paine Schwartz Partners | Panera Bread | PAR Technology | Peapod | Pennsylvania Department of Agriculture | PepsiCo | Perdue Farms | Peri & Sons Farm | Pete and Gerry's Organics | Phibro Animal Health | Pinnacle Foods | Piper Jaffray | Quirch Foods Company | Rabobank | RBC Capital Markets | Ready Pac Foods | Reily Foods | Reiter Affiliated | Retail Ready Foods | S2G Ventures | Sample6 | Sapient Global Markets | Sargent Foods | Schwan's | Scoular | Sensient Technologies | Shanghai Farms | Siggi's Dairy | Simple Mills | Smithfield Foods | Soft Robotics | South Carolina Department of Agriculture | Southeastern Grain | Spoon University | Starbucks | Strassburger Steaks | Sun Capital Partners | Sustainable Insight Capital | Swander Pace Capital | Teays River Investments | Tecumseh Poultry | Thomas Foods Intl | Tilia Holdings | Trace Genomics | Trader Joe's | Tyson Foods | U.S. Bank | U.S. Department of Agriculture | U.S. Farmers & Ranchers Alliance | U.S. Food and Drug Administration | U.S. Trade Representative | Unilever | Valent BioSciences | Virox Technologies | Walmart | Waycrosse | Weber Shandwick | West Liberty Foods | White Oak Pastures | Wish Farms | World Economic Forum | The Yield Lab | Zoetis | Zume Pizza

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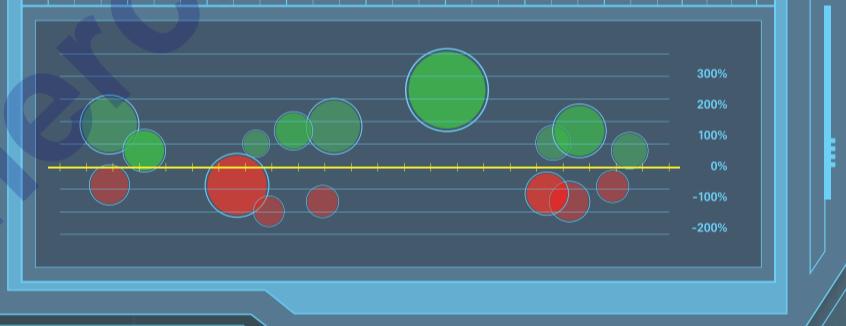
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MARKETS REVIEW & OUTLOOK | SECOND QUARTER

Initial Coin Offerings Draw Big Demand

Controversial tool has raised \$11.8 billion in 2018 to May despite regulatory pressures

Investors have continued to pour money into cryptocurrency startups this year through a controversial fundraising method despite a regulatory crackdown that threatened to stifle the na-

By Paul Vigna,
Shane Shifflett
and Caitlin Ostroff

scent market.

Initial coin offerings raised \$11.8 billion this year through May, more than double the \$5.5 billion such offerings raised in all of 2017, according to a Wall Street Journal analysis of nearly 900 offerings listed on ICOBench.com. Fundraising amounts aren't independently verified, and monthly figures are compiled based on the date each offering ended.

ICOs, a hybrid of an initial public offering and crowdfunding campaign, have become popular with cryptocurrency startups looking to raise funds. These companies create digital tokens similar to bitcoin and sell them to the public, often before they have even developed or released a product.

Investors generally don't get equity stakes, but rather bet that the tokens, which often unlock services on a to-be-launched product, will rise in value if the startup is successful.

Their surge this year comes despite intense scrutiny from regulators like the Securities and Exchange Commission, well-publicized frauds and scams and a broad selloff in the cryptocurrency market. Those chal-

lenges have scared away some retail investors, but big technology-focused investors continue to plow into ICOs in the hopes of hitting it big.

A few offerings account for a big chunk of this year's ICO volume. **Telegram Group**, the developer of the popular messaging app Telegram, raised \$1.7 billion earlier this year, while **Block.one** finished raising an estimated \$4 billion for its EOS network in June.

Still, excluding Telegram and EOS, the fundraising total for the first half of 2018 tops all of 2017.

The pace of ICOs also has picked up in 2018. Some 490 coin offerings successfully raised an average \$24 million in the first five months of 2018, while 300 startups raised an average of \$14 million over the final five months of 2017, according to the Journal's analysis.

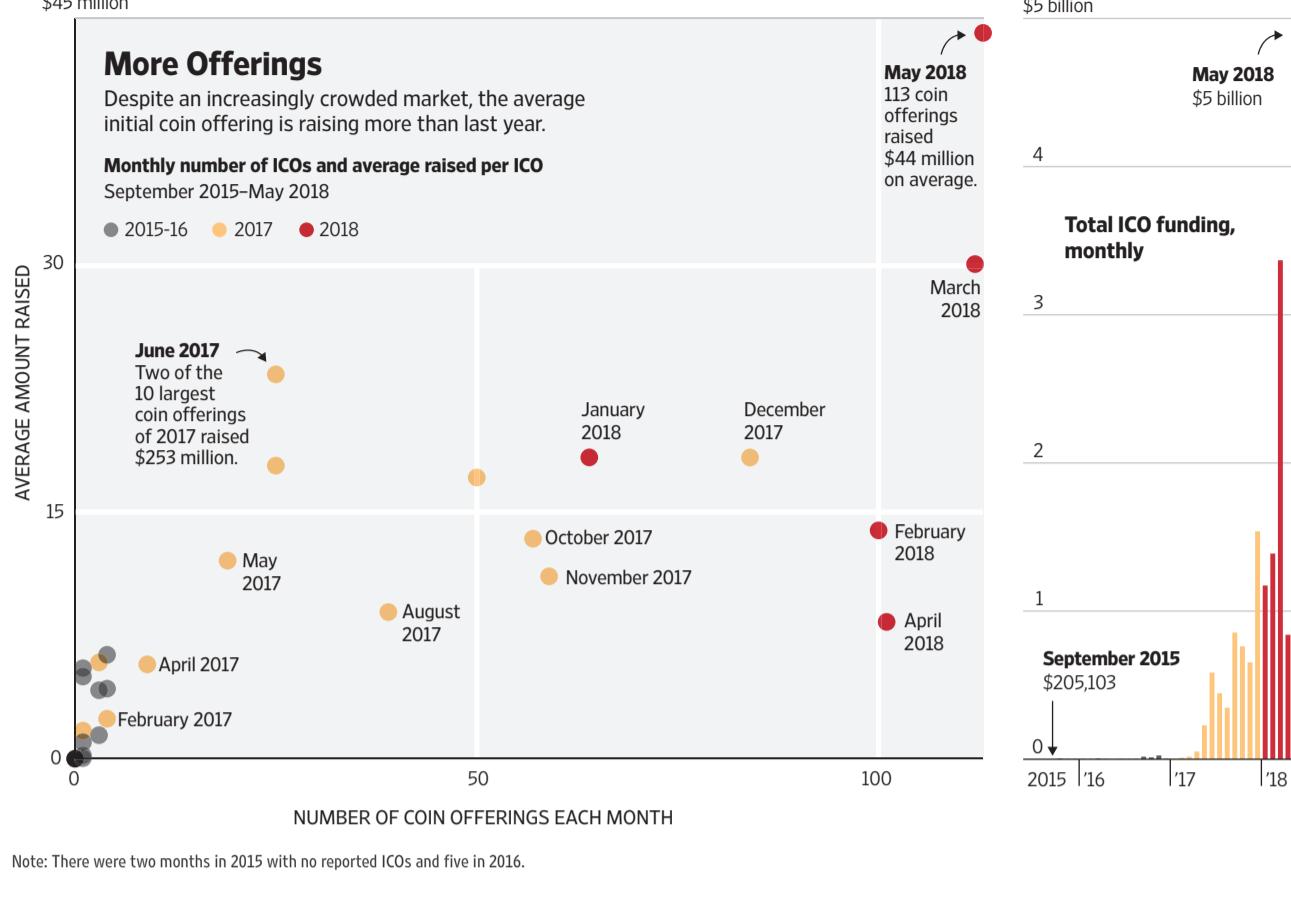
U.S.-based startups continue to dominate the market, but they are losing ground. Switzerland and other countries popular with cryptocurrency startups have adopted ICO-friendly policies as the U.S. has stepped up regulatory oversight, prompting some companies to exclude U.S. investors or move their offerings overseas.

The SEC crackdown also is changing the character of U.S. offerings. Even before the SEC stepped up its involvement, many companies began requiring customers to submit personal information to participate in offerings.

These details are typically used by regulators to track money launderers and other criminal activity.

Meanwhile, more startups are limiting their offerings to accredited investors to avoid running afoul of the SEC.

Telegram, for example, called off a public offering after its ICO raised \$1.7 billion from a small group of private



Note: There were two months in 2015 with no reported ICOs and five in 2016.

investors.

The majority of the money is now flowing to these private offerings and away from public ones, allowing ICOs to continue raising billions of dollars despite a steep drop in the prices of dominant cryptocurrencies such as bitcoin and ethereum.

"The public markets are basically dead," said Kyle Samani, co-founder and managing partner of crypto-focused investment fund Multicoin Capital. "The private market is going to be hot for a while."

The shift to private markets is contributing to a "normalization" of the ICO market, said Bart Stephens, a co-founder of crypto venture

fund Blockchain Capital.

ICO projects now are trying to be more transparent and deliver more information to investors. Some are even requiring investors to hold their tokens for an agreed-upon lock-up period. "The summer of 2017 was the high-water mark of, frankly, greed," he said.

The lock-up periods could trigger a future selloff if cryptocurrency prices continue their downward trend, Mr. Stephens said. That is because all of the hedge funds that have moved into this space have yet to be hit with redemption requests. "We could see another leg down in terms of redemption selling," he said.



A New York event in May by cryptocurrency exchange CoinDesk

Dollar Expected To Stay Strong

By IRA IOSEBASHVILI

The dollar rally that started early in the second quarter is showing little sign of letting up, an unexpected reversal after the U.S. currency slumped for most of the past year.

The WSJ Dollar Index, which measures the currency against a basket of 16 others, rose 5.1% in the second quarter and stands near its highest level in a year. The dollar rose 5.5% against the euro and 4.2% against the yen in the second quarter.

Driving those gains are expectations that the Federal Reserve will raise rates at a faster pace this year in response to a robust U.S. economic expansion that has outpaced growth in Europe and other regions. Higher rates make the dollar more attractive to yield-seeking investors.

The dollar's surge—along with signs that the U.S. economy is strengthening while growth in other major economies is slipping—is helping draw global investors to U.S. stocks and bonds. U.S.-focused equity funds attracted \$3.2 billion of inflows in the second quarter, compared with \$25 billion in outflows for Europe-focused funds, according to EPFR.

But a stronger dollar can hurt economies in the developing world, making it more difficult for governments and companies to service their dollar-denominated debt. Countries with large current account deficits, such as Argentina and Turkey, have suffered particularly big currency declines in recent weeks.

A rising dollar also can weigh on the prices of raw materials, most of which are priced in dollars, which become more expensive to foreign investors when the U.S. currency rises. Copper has fallen 2.3% in the second quarter, while gold stands near its lowest level since late 2017 after a 5.4% drop.

Many investors started the year believing that a global recovery would shift growth momentum from the U.S. to the eurozone, which experienced

its biggest economic expansion in a decade last year. That growth abroad punished the dollar, which fell 0.4% in the fourth quarter.

Yet eurozone data has been uneven during the last few months, and European Central Bank officials said in June they didn't expect to raise rates at least through the summer of 2019. Meanwhile, the Federal Reserve signaled a faster pace of rate increases this year, spurred by stronger growth in the U.S.

Expectations that U.S. yields will rise while borrowing costs elsewhere are making the dollar more attractive to investors seeking yield.

As U.S. borrowing costs rise, "people ask themselves if they really want to be invested in risky instruments, or in the U.S., where they can earn a de-

Investors have sought refuge in the dollar amid an intensifying trade conflict.

cent return for much less risk," said Ben Randol, senior analyst of G-10 FX Strategy at Bank of America Merrill Lynch.

Investors have also sought refuge in the dollar amid an intensifying trade conflict between the U.S. and China. Many believe a prolonged conflict between the world's two largest economies will initially have a larger impact on growth in Europe and Asia.

An escalation of trade-war rhetoric would likely accelerate the dollar's appreciation, especially against the currencies of export-dependent countries such as Canada and Australia, analysts at Bank of America Merrill Lynch said in a note to clients.

BNP Paribas expects the dollar to get a lift from U.S. companies repatriating cash from abroad to take advantage of a Republican tax holiday signed into law in late 2017. The bank estimates that companies repatriated around \$160 billion in the first quarter.



After hitting a four-year high last month, copper prices tumbled 10% and posted their second consecutive quarterly drop, falling 2.3%.

Trade Fears Sting Metals Markets

BY AMRITH RAMKUMAR

The threat of a trade war roiled industrial metals including copper during the second quarter, troubling investors who rely on their prices as economic indicators due to their uses in construction and manufacturing.

After hitting a four-year high earlier in June, copper tumbled 10% and posted its second consecutive quarterly drop, falling 2.3%.

The red metal in June recorded its biggest monthly trading range so far this year, with investors bracing for more swings.

The recent volatility is a marked shift from last year, when copper rose 31% following a furious December rally that capped an eight-quarter winning streak.

Now, investors are considering whether trade tensions will continue to hurt sentiment in the sector.

"We're at a higher level of risk than we were even a couple of weeks ago," said Marisa Hernandez, a metals and mining research analyst at Neuberger Berman. "People are pricing in a higher risk of de-

mand being less than what we thought it was going to be."

Trade barbs between the U.S. and China have ratcheted up in recent weeks, fueling concerns that protectionist trade policies might spread, slowing the global economy and choking demand for raw materials.

Investors started taking the potential for a trade war more seriously in recent sessions, sending prices of metals including zinc and tin lower for the quarter.

In June, President Donald Trump asked his administration to name \$200 billion in Chinese goods to be penalized with tariffs.

He also has threatened levies on European Union-made cars.

The threats involving China have been of particular focus to metals investors because the country is the world's largest user of commodities, accounting for roughly half the world's copper consumption.

While prices for U.S. steel and aluminum initially rose after the Trump administration unveiled tariffs for imports of the metals, they are now sliding as investors grapple with

the possibility of a far-reaching economic slowdown.

Shares of steel- and aluminum-producing companies also have slumped. **United States Steel** Corp. and **Alcoa** Corp. are more than 20% below their multiyear highs hit in March and April, respectively.

"You've got a dark cloud hanging over the sector," said George Gero, managing director at RBC Capital Markets.

Copper's bearish signal on global growth also has reinforced an outlook that economic momentum has shifted from emerging markets to the U.S. That trend has pushed the WSJ Dollar Index, which tracks the U.S. currency against a basket of 16 others, to its highest level in a year.

A stronger dollar hurts commodities by making them more expensive for overseas buyers.

The changes have prompted some money managers to scale back bullish wagers on copper that they held on to all last year. Hedge funds and other speculative investors have cut net bets on higher copper prices by nearly 80% this year. Commodity Futures Trading

Commission data show.

Data indicating steady supply have also hurt copper and other materials.

The International Copper Study Group, a group of copper producers and consumers, said in April that it expects global supply to exceed demand in 2018, after previously projecting a supply deficit. June ICSG figures showed a supply surplus for the first quarter.

Despite the recent volatility, some analysts still think copper and other metals can rebound if supply disruptions occur, as mining companies negotiate with emerging-markets countries over operating agreements and worker wages.

But many remain anxious that a rare period of synchronous growth among the world's largest economies could be ending—a development that had sent commodity prices rallying in the past year.

"The expectation was that was going to continue. Well, it's not," said David Spika, president of GuideStone Capital Management. "The growth rates that we're seeing overseas are maybe not as sustainable as we thought they were."

MARKETS REVIEW & OUTLOOK | SECOND QUARTER

Emerging Markets Stumble as Investors Flee Risk

Emerging markets tumbled in the second quarter after a stronger dollar and higher U.S. interest rates led many investors to flee from riskier investments in the developing world.

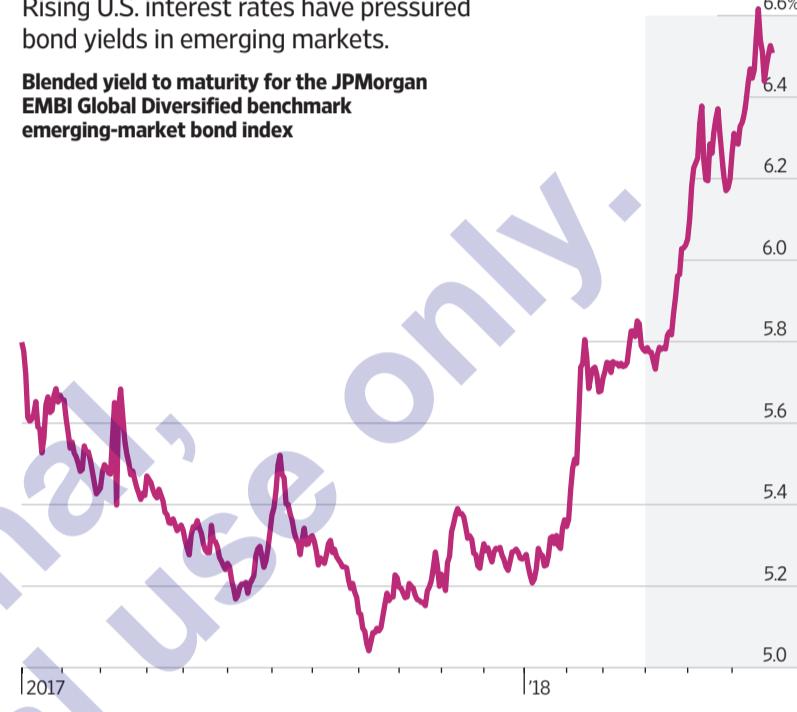
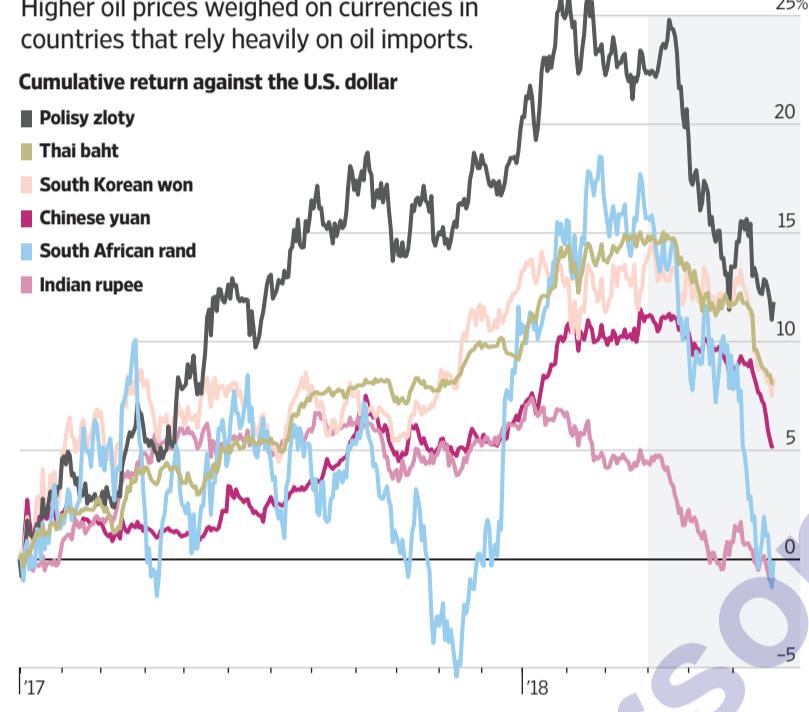
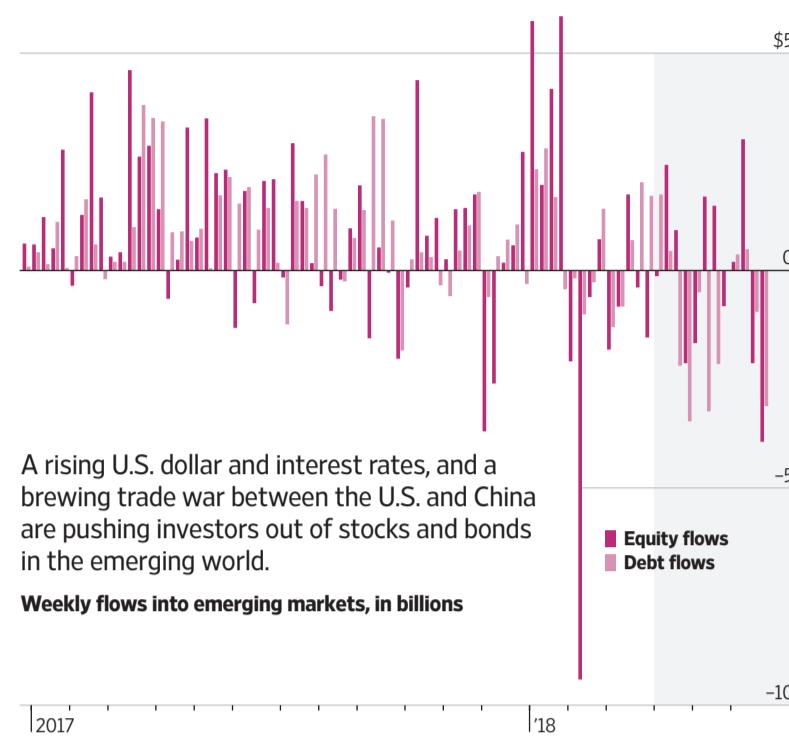
The MSCI Emerging Markets stock index fell 8.5% over the past three months, the index's worst quarterly performance since the third quarter of 2015. Emerging-markets bonds lost 3.6% in the J.P. Morgan EMBI Global Diversified, a benchmark bond index.

Currencies in places like Argentina and Turkey, which rely heavily on outside capital to finance their budgets, dropped the most against the dollar. That raised fears that their dollar debt would be harder to pay off and more expensive to sell, widening their deficits.

Fears that U.S. and China could escalate a trade dispute has become another concern, especially for trade-dependent countries like Russia, South Korea and Brazil.

Emerging markets' recent declines cut short a rally that had powered these stocks and bonds higher in 2017, as the period of low interest rates caused many investors to look at Asia, Latin America and Eastern Europe for yield.

Some emerging-markets investors say they are ready to dip their toes back into these markets, believing that recent declines make prices attractive again. But many global investors say they are hesitant when the Federal Reserve and other major central banks are paring back the stimulus policies that kept global interest rates low and encouraged risk. At the same time, higher oil prices are delivering a blow to countries that rely heavily on oil exports.



Sources: The Institute of International Finance (flows); Tullett Prebon (currencies); Thomson Reuters (yield)

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