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STOXX 600 388.60 ▲ 0.66%

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What's News

Business & Finance

Amazon's deal to buy Whole Foods would unite two maverick CEOs with sharply different strategies and missions. **A1**

♦ Investors are turning away from Britain, as disappointing economic data and an inconclusive election stoke concerns. **B1**

♦ U.S. companies with ties to Europe are benefiting from the Continent's brightening outlook. **B5**

♦ China's central bank loosened monetary policy after the Fed tightened it, injecting \$36.7 billion into the financial system Friday. **B5**

♦ Trump meets Monday with tech industry CEOs in talks expected to focus on modernizing government. **B1**

♦ Aerospace startups for the first time will have a prominent role at this week's Paris Air Show. **B2**

♦ Airlines are bracing for added security checks as the U.S. weighs expanding its carry-on laptop ban. **B3**

♦ Robo-advisory services are focusing on socially responsible investing, driven by millennials' interest. **B7**

♦ Google faces an EU fine for rigging search results to favor its own comparison-shopping service. **B4**

♦ Big oil firms are piling into the Permian Basin, hoping to turn a profit where smaller drillers failed. **B3**

♦ GM's Cruise unit is entering the mapping business as the auto maker competes to make self-driving cars. **B4**

World-Wide

♦ Macron was set to win a commanding majority in France's parliamentary elections, empowering him to carry out contentious economic overhauls. **A1**

♦ Israel has been aiding Syrian rebels near its border, in a secret effort to carve out a buffer zone populated by friendly forces. **A1**

♦ A lawyer for Trump said the president wasn't under investigation, following reports that he was the target of an obstruction probe. **A1**

♦ May faced mounting accusations that she fumbled the response to a deadly London fire, as the U.K. leader prepared for Brexit talks. **A2, A3**

♦ EU leaders are set to extend sanctions on Russia over Ukraine, but some economic and political ties are broadening again. **A3**

♦ Iraqi forces pushed into Mosul's Old City, in what is expected to be the final phase of a fight to retake the city from Islamic State. **A4**

♦ U.S. diplomats have held secret talks with North Korea's top nuclear negotiator in Pyongyang and Europe for more than a year. **A4**

♦ Forest fires raging in central Portugal have killed at least 61 people, with the death toll likely to rise. **A3**

♦ Senate and House panels plan open hearings Wednesday to examine Russian election-hacking efforts. **A5**

♦ Died: Helmut Kohl, 87, ex-German leader who presided over reunification. **A3**

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Portugal Battles Deadly Forest Fires



ON THE MOVE: At least 61 people died from fires raging through central Portugal. Above, Portuguese Republican National Guard soldiers. **A3**

Israel Aids Syrian Rebels

Fighters receive cash and humanitarian help in effort to create 'buffer zone' on border

Israel has been regularly supplying Syrian rebels near its border with cash as well as food, fuel and medical supplies for years, a secret engagement in the enemy country's civil war aimed at carving out a buffer zone populated by

friendly forces. The Israeli army is in regular communication with rebel groups and its assistance includes undisclosed payments to commanders that help pay salaries of fighters and buy ammunition and weapons, according to interviews with about half a dozen Syrian fighters.

Israel has established a military unit that oversees the support in Syria—a country that it

has been in a state of war with for decades—and set aside a specific budget for the aid, said one person familiar with Israeli operation.

Israel has in the past acknowledged treating some 3,000 wounded Syrians, many of them fighters, in its hospitals since 2013 as well as providing humanitarian aid such as food and clothing to civilians near its border for years.

"Israel stood by our side in a heroic way," said Moatasem al-Golani, spokesman for the rebel group Fursan al-Joulan, or Knights of the Golan. "We

Please see ISRAEL page A4

French Election Boosts Macron

BY WILLIAM HOROBIN AND STACY MEICHTRY

PARIS—French President Emmanuel Macron was projected to win a commanding majority in parliamentary elections, empowering him to carry out economic overhauls that are contentious at home but pivotal in persuading Germany and the European Union to insulate the common currency from shocks.

Mr. Macron's party, La République en Marche, and its centrist ally won 355 of the 577 seats at the National Assembly after the second and final round of voting on Sunday, according to projections based on a partial count of the votes by Ipsos Sopra-Steria.

The victory for the staunchly pro-Europe movement undercuts nationalist forces that had

Please see FRANCE page A2

U.K. Prime Minister Faces New Pressure



Theresa May is dealing with a crisis as Brexit talks loom. **A3**

IN NEW COLD WAR, TWO GENERALS SQUARE OFF

National security adviser H.R. McMaster has long battled wits with Valery Gerasimov, in a contest of U.S. force against Russian cunning

A quarter-century after the Cold War ended, U.S. and Russian tank formations are once again squaring off.

By Nathan Hodge in Moscow
And Julian E. Barnes in Pabrade,
Lithuania

This spring, the North Atlantic Treaty Organization moved armored forces to the Russian border, where they are conducting daily drills from Poland to Estonia. Less than 100 miles away, Moscow's forces are preparing for large-scale maneuvers in the

autumn, a demonstration of the country's revitalized might, including new equipment and improved tactics meant to keep the West guessing in the event of a clash.

Facing off behind these front lines and shaping each side's grand strategy are two of this generation's most influential officers in Washington and Moscow: U.S. Army Lt. Gen. H.R. McMaster and Russian Gen. Valery Gerasimov.

The two men's lives have evolved in parallel. Both began their careers as junior armor officers at the height of the Cold War. Both were tested in irregular warfare against separatists

Please see COLD page A6

Amazon Deal Unites Two Maverick CEOs

BY LAURA STEVENS AND HEATHER HADDON

Amazon.com Inc.'s planned \$13.7 billion acquisition of Whole Foods Market Inc. unites two maverick businessmen who will now have to blend very distinct approaches to make the deal a success.

The acquisition, if it goes through, will require Amazon Chief Executive Jeff Bezos and Whole Foods CEO John Mackey to work together to combine Amazon's technology and customer know-how with Whole Foods' brick-and-mortar grocery expertise.

Messrs. Bezos and Mackey

share some traits. The two men—who only got to know each other a few weeks ago, people familiar with the matter say—are iconoclasts whose outsize personalities shaped their companies. They pioneered new strategies in their industries—Mr. Bezos by shifting retail online, Mr. Mackey by popularizing health food—and they are intensely competitive, say people who have

Please see AMAZON page A7

♦ Keywords: Tech companies spread their tentacles..... B1

♦ Whole Foods to join mass-market crowd..... A7

Lawyer: Trump Isn't Under Investigation

BY ANDREW ACKERMAN AND IAN TALLEY

WASHINGTON—A personal lawyer for President Donald Trump maintained Sunday that the president wasn't under investigation, following recent news reports that Mr. Trump was being probed over whether he tried to obstruct justice.

"The president is not and has not been under investiga-

tion," Jay Sekulow, an attorney for Mr. Trump, said on CBS's "Face the Nation." Asked how he knew that, Mr. Sekulow said there has been "no notification from the special counsel's office that the president is under investigation," which he said he would expect in this circumstance.

The Wall Street Journal and other news outlets reported that investigators are

Please see TRUMP page A5

INSIDE



NAVY SHIP COLLISION PROBED

WORLD NEWS, A4



VENEZUELAN CRISIS TESTS WALL STREET

BUSINESS & FINANCE, B1



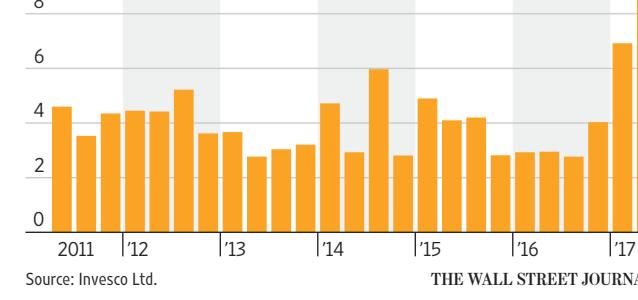
PYONGYANG NEGOTIATOR MET WITH U.S.

WORLD NEWS, A4

High Prices, Low Volatility

Tech stocks have seen big gains with calm trading, pushing tech's representation in a popular low-vol ETF to a record. **B7**

Tech sector weight in the PowerShares Low Volatility Portfolio ETF



A Beard-Building Venture Sprouts in Indonesia

Entrepreneur touts balding treatment for those seeking facial hair

BY JAMES HOOKWAY

JAKARTA, Indonesia—People in Indonesia like the idea of growing beards just as much as hipsters in Brooklyn or Berlin. Sports stars such as David Beckham and the Houston Rockets' James Harden helped cement the trend, as have actors such as Brad Pitt and Hollywood star Shah Rukh Khan.

The thing is, some Indonesian men struggle to grow beards and often end up with just a few wispy strands or

some spotty patches of peach fuzz. It is something that many Asian men face, from Japan to Vietnam, Thailand and China. Japanese-American YouTuber star Ryan Higa last year poked fun at the difficulties some faced during

"No-Shave November," when men try to grow facial hair to raise awareness of men's health issues.



Clippers sold by

Misterbrewok

Now 23-year-old student Fariz Gamal thinks he has found a better way of doing it: Just use minoxidil, the active ingredient in Rogaine and other hair-loss treatments. In a Jakarta coffee shop, Mr. Gamal explained how he stumbled across the stuff when he was trying to grow his own beard and get women to notice him. "I never

Please see BEARD page A6

WORLD NEWS

As Brexit Talks Start, U.K. Tensions Simmer



EUROPE FILE

By Simon Nixon

If Theresa May's position was precarious a week ago, it looks even worse now.

The British Prime Minister was already facing accusations that her robotic public demeanor and inability to connect with ordinary voters had cost the Conservative party its parliamentary majority in the June 8 general election.

Now her bungled response to a deadly fire in a residential tower block in which at least 58 people died has reinforced doubts about her leadership.

Meanwhile, her inability so far to complete a deal to secure the parliamentary backing of Northern Ireland's

Democratic Unionist Party has raised further questions about her political skills. All this on the eve of the formal start of Brexit talks, the most consequential negotiations in Britain's postwar history, which start Monday.

Even so, Mrs. May's position is more secure than it looks. Both her party and the DUP know that failure to maintain a united front risks handing power to the Labour Party and its far-left leader Jeremy Corbyn.

For Brexiteers, there is the added anxiety that a protracted and potentially messy Conservative leadership election could derail the Brexit timetable which already only has 21 months of its allotted two years left to run, giving opponents of Brexit a pretext to try to overturn the referendum result.

With their support, Mrs. May is likely to remain as Prime Minister with an unchanged Brexit strategy. This would see the U.K. quit the EU's customs union and single market, end the jurisdiction of the European Court of Justice and end the auto-

matic right of EU citizens to live and work in the U.K.—a strategy which is after all broadly accepted by the Labour Party.

Even so, the core Brexit fault line that runs right through the Conservative party and the country is likely to remain unresolved. At the heart of the U.K.'s Brexit agonies lies a divide between those who believe that a post-Brexit U.K. needs to remain closely bound to EU structures and rules to minimize barriers to trade with its closest trading partners—perhaps like Turkey, by creating a customs union with the EU's custom union or, like Norway, by creating parallel legal structures that replicate the single market—and those who want Britain to have maximum flexibility to forge a new economic model centered on new trading arrangements with the rest of the world.

What hard-line Brexiteers really fear is that an EU-supporting establishment will try to impose a half-baked version of Brexit that will leave the U.K. bound by rules over which it will cease to



KEVIN COOMBS/REUTERS

British Prime Minister Theresa May on Sunday, the day before formal Brexit negotiations are set to begin.

have control; what proponents of a "soft" Brexit fear is that hard-liners are bent on a path that will inflict major economic damage.

Until the election, many assumed this tension would come to a head early in the negotiations, most likely in a fight over the so-called Brexit bill—the money that the EU wants the U.K. to pay to settle its outstanding obligations

and which the EU says is a precondition for talks on any future free trade deal. In the grand scheme of things, the sums themselves are less important than the opportunity that the bill offers hard-line Brexiteers to blow up the talks early in the process, thereby guaranteeing a complete rupture with the EU.

Thanks to the weakness of Mrs. May's position, this no longer looks so likely since any attempt to walk away early in the negotiations could prompt a split in the Conservative party which the Labour Party could easily exploit, having explicitly committed itself to opposing a "no deal" scenario in its manifesto.

But this just means that the inevitable showdown has been deferred to later in the Brexit process when Mrs. May must bring any deal back to parliament. Her problem is that there is next to no chance that the U.K. and EU will have negotiated a new trading relationship by the end of the two-year Article 50 process. The best she can expect to show for a deal to pay the Brexit bill is a prolonged transitional

deal, almost certainly taking the form of some kind of standstill agreement that preserves all the current U.K. arrangements and obligations for a period of several years. This would almost certainly be accompanied by some form of declaration on the framework for a new trade deal, but this wouldn't be legally binding and there's no guarantee it would be delivered.

The British Parliament would then be confronted by a deeply unpalatable choice: pay the bill or crash out of the EU with no deal at all. Hard-line Brexiteers might still try to torpedo the deal if they thought what was being contemplated kept the U.K. too closely aligned with the EU and in any case left the U.K. at the mercy of the EU. But even if parliament did accept a deal on these terms, the U.K. would still be left facing the same cliff-edge at the end of the transitional period. Either way, the toxic question of the U.K.'s relationship with the EU is unlikely to be resolved for many years.

before we start thinking about new ones," Mr. Krichbaum said in an interview.

Behind the scenes, French officials say they are skirting demands for new European bodies in order to first establish common ground with Germany on how much sovereignty each side is willing to give up.

"We're talking about a fundamental construction site that will take some time," one French official said.

Mr. Macron has said he would seek a mandate from his parliamentary majority in July to legislate by decree, fast-tracking his labor overhauls, so they will go into effect as early as September. That month, Ms. Merkel faces a re-election campaign.

The changes aims to give companies greater leeway in reaching agreements with employees that sidestep restrictions in France's labor code. Mr. Macron's government will seek parliamentary approval in July so the changes can be effective as early as September.

Some German officials say that if Mr. Macron shows he is serious about what Germans say are long overdue overhauls, there will be an expectation that Germany after its own elections make some political concessions.

—Giovanni Legorano in Rome and Anton Troianovski in Berlin contributed to this article.

FRANCE

Continued from Page One

appeared ascendant in the wake of the U.K.'s vote last year to leave the EU. Marine Le Pen's far-right National Front hoped to mount robust opposition force after reaching the presidential runoff in May, but on Sunday her party only landed eight seats, according to projections, not enough to guarantee space on parliamentary committees.

The vote also left the country's traditional parties on life support. The Socialists of former President François Hollande went from being a majority party to the edge of oblivion, notching 48 seats. The center-right Les Républicains and an ally finished a distant second to Mr. Macron's party, with projections showing they only won 128 seats. That center-right alliance previously held 225 seats.

Instead Mr. Macron, a 39-year-old political newcomer, has reshaped Parliament in his own image, handpicking academics, athletes, business owners and deserters from traditional parties to fill the National Assembly and pass legislation of his choosing.

"By a wide majority, the French chose hope instead of anger," said Prime Minister Édouard Philippe.

The only weakness in Mr. Macron's majority on Sunday was the historically low turnout that produced it. As of 5 p.m. Paris time, only 35.33% of voters had cast ballots, compared with 46.42% in 2012.

"The French people wanted to give us a clear majority, but...they didn't want to give us a blank check," said Christophe Castaner, Mr. Macron's secretary of parliamentary relations, who also won a seat on Sunday.

"Even if the Macron government has a very strong majority, his ideas are in the minority," Ms. Le Pen said after winning a seat, her first ever, in northern France.

Lackluster support from the broader public could weigh on Mr. Macron's ability to make unpopular changes to the domestic labor market and keep France's end of what he considers a "New Deal" for Europe.

That involves loosening rigid protections for workers to bring France in line with other European countries and stir growth and job creation. Such changes have sunk past presidencies as the ultimate arbiter of national politics, the French street, unleashed crippling strikes and protests.

If Mr. Macron succeeds at home, it will go a long way in rebalancing the Franco-German axis that led the construction of the EU, European officials say. France's economically weakened neighbors in

the south are particularly eager to see France resume its traditional role as advocate for their economies, which rely on looser monetary and fiscal policy to stimulate growth.

"The quicker Mr. Macron will be in transforming France, the more rapidly he will become strong in Europe," said Sandro Gozi, Italy's undersecretary on European affairs.

Mr. Macron wants Germany and other strong eurozone countries in the north to make longstanding commitments to backstop the whole currency union rather than responding ad hoc to crises. Ultimately, the French president has cam-

paign for the eurozone to have its own budget and Parliament with a shared finance minister.

German Chancellor Angela Merkel, who once dreaded the prospect of a National Front victory, has promised to work with Mr. Macron, praising him for a "magnificent campaign against populism."

Ms. Merkel followed up on Sunday, as a Twitter post by her spokesman said, "Here's to continue good cooperation for" Germany, France, and Europe.

Still, Mr. Macron's plans face deep-seated skepticism in Germany, where leading politicians have long been suspicious that

Paris's calls for EU integration amount to demands that Berlin foot the bill for profligacy in Greece and beyond.

Ms. Merkel and her key allies have largely shied away from backing Mr. Macron's specific demands of a eurozone finance minister and a common eurozone budget.

Gunther Krichbaum, chairman of the German parliament's EU affairs committee,

said Europe should focus instead on using its established instruments to help struggling countries rather than creating new structures.

"We must first make full use of the existing possibilities

before we start thinking about new ones," Mr. Krichbaum said in an interview.

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—Giovanni Legorano in Rome and Anton Troianovski in Berlin contributed to this article.

British Government Faces More Pressure Over Blaze

BY WIKTOR SZARY

LONDON—The British government sought to defend itself from accusations it hadn't done enough to prevent the deadly fire that swept through a London high-rise last week, saying the cladding that appears to have contributed to the fire's spread is already banned for use on tall buildings in the U.K.

At least 58 people are presumed dead from the fire that ripped through a west London low-income residential tower, police said over the weekend, warning that the number might change as the search operation continues.

Residents, who had complained for years that the building wasn't fire-safe, said the newly installed cladding may have contributed to the fire's quick spread.

Asked if the government would implement a ban on the type of cladding used in Grenfell Tower, a 24-story building consumed by a blaze early Wednesday, Treasury chief Philip Hammond on Sunday said: "My understanding is that the cladding in question, this flammable cladding, which is banned in Europe and the U.S., is also banned here."

"So there are two separate questions. One is: Are our regulations correct, do they per-

mit the right kind of materials, ban the wrong kind of materials?" Mr. Hammond told the British Broadcasting Corp. "Second question is: Were they correctly complied with?"

These issues will be the focus of the public-inquiry order by Prime Minister Theresa May, as well as a criminal investigation by the police, he said.

The material was a sandwich of metal panels and a common plastic known as polyethylene, according to the company that conducted the installation as part of the building's refurbishment last year.

This kind of material wouldn't be compliant with

current building-regulations guidance, and shouldn't be installed in buildings above 18 meters (59 feet) in height, the department for communities and local government said. It said it couldn't specifically comment on the type of cladding used on Grenfell Tower.

The fire-safety rules first came into effect in 2007 and were last amended in 2013.

The cladding wouldn't have met widely adopted U.S. standards, building groups said, though the material has been used in a number of high-rise buildings around the world.

Robert Pontin, a spokesman for Harley Facades Ltd., the company that installed the

cladding, has previously said the company was unaware of a link between the fire and the material.

The Conservative government also came under sharp criticism for not having concluded a review of fire-safety standards prompted by a 2009 fire in a high-rise in south London, which killed six people. Mr. Hammond denied an accusation that the government "sat" on the review, which has yet to be published.

Protesters on Friday barged into a meeting of local authorities responsible for Grenfell Tower, chanting: "We want justice!" and "Shame on you!" The building is owned by the Bor-

ough of Kensington and Chelsea, a subdivision of London.

Mrs. May has ordered a public inquiry into the blaze and said she had established a £5 million (\$6.3 million) fund to pay for emergency supplies, food, clothes and other costs, such as for funerals.

The mounting pressure on the government follows a major setback in elections this month, when the ruling Conservative Party lost its parliamentary majority days before the start of Brexit talks with the European Union.

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Emergency-services workers inspected remains of the Grenfell Tower in west London on Saturday.

CORRECTIONS & AMPLIFICATIONS

Ryan Petersen founded Flexport Inc. A graphic titled "Technology Companies to Watch" in Thursday's Journal Report incorrectly said that Trae Stephens also was a founder. Separately, Ben Rubin, Itai Danino and Sima Sistani founded Life On Air Inc. in 2012. The graphic incorrectly said that Roi Tirosh also was a founder and that the company was founded in 2013.

Stephen Harvey and Perry Sayles own a colonial farmhouse that was built in 1788. A Mansion article in the Friday-Sunday edition about Shelter

Island, N.Y., incorrectly said it was built in 1778.

About 80% of the rosés from Spain are from the regions of Rioja and Navarra, according to the Denominación de Origen Rioja. An Off Duty article June 9 about rosés from Spain incorrectly said that about 90% of the rosés from Spain are made in Rioja.

Global alcohol volumes across all types fell 1.4% in 2016, according to industry tracker IWSR. A Business News article Friday on falling global alcohol volumes incorrectly said they fell 1.3%.

Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com.

WORLD NEWS

U.K.'s May Faces Crisis as EU Talks Begin

Criticism over response to the Grenfell Tower fire follows recent election setback

By JENNY GROSS
AND WIKTOR SZARY

LONDON—A day before negotiations between the U.K. and the European Union were set to begin, Prime Minister Theresa May faced a ballooning crisis at home, with critics accusing her of fumbling the government's response to a London apartment tower fire that left at least 58 people dead.

Mrs. May, already weakened by an election setback less than two weeks ago, on Sunday pledged to make more funding available to victims of the Grenfell Tower fire, including £5,500 (\$7,045) for each destroyed household, after saying the government's initial response was "not good enough." On the back of a string of government policy reversals, Mrs. May heads into the talks with plummeting public support amid questions about her Brexit strategy.

Keir Starmer, the Brexit spokesman for the main opposition Labour Party, said Mrs. May's diminished standing and her approach to negotiations has put the U.K. in the "worst possible starting position."

"I think the prime minister has got us into a complete mess," Mr. Starmer told the British Broadcasting Corp.,



A woman in London writes on a fence containing tributes to the victims of the Grenfell Tower fire.

saying she has alienated Britain's allies in Europe and weakened its position with the EU. "She's got no mandate here, and she's got no authority abroad."

Criticism over Mrs. May's response to the fire, including her initial refusal to meet residents of the tower amid security concerns, has cast further doubt about how long she can continue as leader, after losing her parliamentary majority. She said a public inquiry

would answer urgent questions around how the fire spread so quickly and why persistent warnings by residents of the public housing building's fire hazards were ignored.

In three months, Mrs. May has gone from being one of the country's most popular leaders in decades to approval ratings of minus 34 percentage points, according to a YouGov PLC poll taken before the fire, a sign of the extent to which this month's election damaged her

and her Conservative Party.

The election result has emboldened pro-EU lawmakers, who are pressuring Treasury chief Philip Hammond to champion a Brexit that would maintain as close as possible ties to the EU.

He said the U.K. will definitely leave the EU's single trading market and customs union, which applies a common external tariff across all member states. He sidestepped a question about how long

Britain Wants Clean Break from EU, Hammond Affirms

LONDON—U.K. Treasury chief Philip Hammond sought to pour cold water on any notion that the ruling party's recent election setback could change Britain's negotiating stance in the coming Brexit talks, saying the U.K. would "definitely" leave the European Union's single market and customs union.

With the first round of negotiations between the EU and the U.K. set to begin Monday, Mr. Hammond also struck a defiant tone against Brussels's financial demands, accusing it of "egregious" posturing.

Prime Minister Theresa May last week held meetings with officials from Northern Ireland's Democratic Unionist Party, seeking to hash out an alliance following her Conservative Party's failure to secure a

majority in the election earlier this month.

Critics have said the election result amounts to a rejection of her negotiation strategy, which envisaged a clean break with the bloc.

But speaking to the British Broadcasting Corp. on Sunday, Mr. Hammond said there would be no change in course.

"Definitely, we're leaving the EU, and because we're leaving the EU we will be leaving the single market. And, by the way, we'll be leaving the customs union," he said.

Britain aims to secure a deal ensuring it can segue seamlessly from the customs union to the new arrangement, he said, with its main focus on avoiding bureaucratic delays at the U.K.-EU border.

The talks will have to be completed and an agreement reached by the end of March 2019, unless all EU governments agree to an extension.

—Wiktor Szary

didn't know.

Mrs. May could stay on as prime minister, saying the country needed "a period of calm."

The election exposed the deep divisions within the U.K. over Brexit and Mrs. May's strategy. A Survation PLC poll, published over the weekend, showed that in light of the election result, 47% of people wanted to stay in the single market and customs union, compared with 36% who wanted to leave. The rest

didn't know.

Talks between the Conservative Party and the Democratic Unionists, a small Northern Irish party, are ongoing.

Mrs. May wants to secure a loose alliance with the mostly Protestant, pro-British party to prop up her minority government.

A key test for Mrs. May will come Wednesday, when she is expected to lay out her legislative agenda for a parliamentary vote.

WORLD WATCH

GERMANY

Unification Leader Helmut Kohl Dies

Helmut Kohl, who as chancellor engineered the unification of West and East Germany and was a principal architect of the European Union, died at age 87 at his home in Ludwigshafen on Friday, his party, the Christian Democratic Union, said.

Mr. Kohl was chancellor from 1982 to 1998, making him the longest-serving leader of post-World War II Germany. He presided over the reunification of Germany in 1990 and was one of the main drivers of Europe's monetary union.

He helped to elevate Chancellor Angela Merkel to the national stage but fell out with her years later.

After the Berlin Wall collapsed in 1989, Mr. Kohl was instrumental in persuading allies of the Federal Republic, including British Prime Minister Margaret Thatcher and French President François Mitterrand, that a reunited Germany would remain a pillar of the Western alliance.

Mr. Kohl's health had been deteriorating over the past years, and he spent several months in the hospital recently following surgery on his hip and intestine.

—David Crossland, Harriet Torry and Anton Troianovski

AFGHANISTAN

Taliban Attack Police At Station in Paktia

Taliban militants assaulted a police headquarters in eastern Afghanistan, killing seven policemen and wounding several others, one critically, Afghan officials said.

A suicide bomber detonated a truck laden with explosives at the entrance of the police headquarters in Gardez city, the capital of Paktia province, on Sunday, said Mohammad Rahman Qadari, a member of the provincial council in Paktia. The blast allowed six other attackers to get inside the base, he said.

Security forces killed the last of the attackers after a daylong standoff. Three of the seven attackers detonated explosive devices while the other four were killed in the firefight, Mr. Qadari said, adding 17 people had been wounded, including civilians.

"The truck bomb was the strongest blast to hit the province since 2001," Mr. Qadari said.

The Taliban claimed responsibility for Sunday's attack. There has been a spurt in militant attacks across the country since the group's spring offensive began. A truck bomb late last month in a heavily fortified diplomatic area in the Afghan capital killed at least 150 people.

—Habib Khan Totakil



A stream reflects a wildfire at Penela, in Coimbra District in central Portugal.

cent memory from forest fires.

Portugal declared three days of national mourning.

At least 61 people were injured,

Paulo Santos, a commander for Portugal's national civil-protection agency, said in an interview. More than 1,500

national firefighters, hundreds

of firefighting vehicles and

more than a dozen airplanes

were battling six major fires

and dozens of smaller ones.

Nearly half of the firefighters

were focused on extinguishing

the biggest active

fire—and the one that has

caused the greatest devastation—near Pedrógão Grande,

about 120 miles northeast of

the capital, Lisbon. Other major fires in the area were near

Coimbra and Castelo Branco,

Mr. Santos said.

Authorities ruled out foul play and said the cause of the blazes appears to have been lightning strikes on Saturday afternoon.

Most of those who died fleeing their homes were

killed late Saturday afternoon

and evening, Mr. Santos said.

Mr. Costa said separately he

expected the death toll to rise

above 61 people.

Temperatures in the region

were around 100 degrees Fahrenheit (about 38 Celsius) on

Sunday, and were expected to

top 90 degrees Fahrenheit on

Monday. The heat, very low hu-

midity and strong winds trig-

gered by the blazes were com-

plicating emergency responders'

efforts, Mr. Santos said.

"It's going to be a long time

until they are stopped," Mr.

Santos said.

EU compared with 15% in the first four months of 2016. However, officials say sanctioned Russian state-owned companies are still squeezed because they must repay \$26 billion in overseas debt over the next two years while Russian banks are still struggling with high levels of nonper-

forming loans.

The paper said that European exports to Russia of dual-use goods—products that can be used for civilian or defense purposes—fell 9.6% last year. EU authorities denied 164 export requests for products to Russia last year, more than for any other country.

Mr. Putin said Thursday that sanctions had an impact but the measures—and Russia's countermeasures on EU food exports—had even helped some sectors, including agriculture. "Yes, they affected us," Mr. Putin said. "Dramatically or not? I think not."

The commission paper said the drag on the EU economy created by its sanctions against Russia and Russian countermeasures was just 0.1%

of EU output in 2016 and is ex-

pected to be zero in 2017.

Russia Adapts as the EU Prepares to Extend Sanctions

Even as the European Union sets plans to extend economic sanctions on Russia over its interference in Ukraine, some economic and political ties between Europe and Moscow are broadening again.

On Monday, EU foreign ministers are set to extend for another year sanctions they imposed in 2014 on Russian companies and others who gained from the Kremlin's annexation of Crimea in March 2014.

EU leaders will discuss a six-month extension of broader economic sanctions at a summit late in the week.

EU and Russian officials say the latest sanctions, which curtail defense, energy and financial ties, will harm the Russian economy—though Russia's economy appears to have adapted.

At the same time, the EU also wants to broaden what it terms "selective engagement" with Moscow.

The EU and the U.S. have linked economic sanctions to the February 2015 Minsk cease-fire accord, which aimed to end fighting between Ukraine's forces and Russia-backed separatists.

Progress on the agreement has stalled, European diplomats say, meaning there was little real debate about sticking to the course and extending the sanctions until January 2018.

A formal decision will come shortly after the summit, officials said. The EU has also placed a travel ban and an asset freeze on 37 businesses and 150 people, including top aides to Russian President Vladimir Putin.

Despite the expected extension, U.S. and European sanctions could be set to diverge for the first time since the Ukraine crisis began.

The U.S. Senate last week backed a bill that would impose new sanctions on Russians linked to human-rights abuses, arms sales to Syria and cyberattacks. The measures also curtailed U.S. President Donald Trump's ability to ease sanctions, something he

floated doing during the presidential campaign, causing consternation in the EU.

Still, the proposed bill has drawn criticism from Germany and Austria because it would let Mr. Trump penalize European firms involved in the construction of Russian energy-export pipelines.

Russia's economy in 2014 entered a two-year recession, sparked by sanctions and plunging oil prices, but the World Bank forecasts it to grow 1.3% this year.

So far, U.S. and European restrictions on drilling technology haven't curbed Russian oil production, which has broken post-Soviet records. The sanctions target attempts to develop huge resources in the Arctic and hard-to-recover oil in Western Siberia.

Financing for Russian companies dried up in 2014 as Western banks and investors hesitated to lend to any firms there.

But Western capital markets have more recently cracked open, allowing Russia's government and large firms to more easily tap international debt markets.

A huge Arctic gas project led by Russia's second-largest gas producer, PAO Novatek, said Tuesday that it had agreed a credit line of €425 million (\$475 million) with several European banks. Novatek is barred by U.S. sanctions from raising loans in dollars.

European officials say the

Fading Impact

Russia's economy is growing again despite continued European sanctions.

EU-Russia Trade

Total trade in goods



€350 billion

300

250

200

150

100

50

0

-50

-100

-150

-200

-250

-300

-350

-400

WORLD NEWS

Iraqi Troops Press Into Mosul's Old City

U.S.-backed military aims to reclaim Islamic State's last stronghold in Iraq

BY BEN KESLING
AND GHASSAN ADNAN

BAGHDAD—Iraqi forces on Sunday pushed into Mosul's historic Old City, in what is expected to be the final and most intense phase of the fight to retake the country's second-largest city from Islamic State control.

The U.S.-backed offensive began soon after sunrise, with troops advancing on the Old City from three sides, Iraqi military officials said. By nightfall some units had pushed forward a few hundred yards, the military said, which can be considered a substantial gain in an urban environment.

"With the blessing of God, the army, counterterrorism forces and federal police started breaking into the Old City to liberate what is left of the western side of Mosul," Lt. Gen. Abdul Amir Yaralla, operations commander in Nineveh province, said in a brief statement.

The fighting is expected to mark the heaviest and bloodiest



Members of the Iraqi army are photographed with an Islamic State flag, claimed after fighting militants in western Mosul, on Saturday.

to the east of the city. Despite casualties among the troops, they made relatively quick progress before entering the city itself.

With U.S.-led coalition air support, including a new policy from Washington that allowed a more visible American troop presence on the ground and greater flexibility in air and artillery targeting, the Iraqi forces retook the east side of the city by the end of January.

In February, Iraqi troops crossed the Tigris river, which splits the city in half, and began squeezing Islamic State deeper into the heart of Mosul's dense neighborhoods. Fighting slowed in recent weeks as Iraqi troops engaged in bitter street-to-street battles in the neighborhoods adjacent to the Old City.

As many as 100,000 civilians remain in the Old City, according to United Nations estimates last week. Fighting has displaced more than 600,000 people just from the west side of the city, the U.N. estimates, with a large number of those pushed into camps near the city.

Iraqi forces gave no timeline for concluding the operation, though officials praised its launch before the end of Islam's holiest month of Ramadan.

est stage of the months-long fight for Mosul because the Old City district is a densely populated warren of narrow streets and alleys, which will likely require house-to-house combat to clear out the militants.

"For sure Daesh is going to fight in a fierce way since this is their last place," said Lt. Gen. Abdul Ghani al-Assadi,

commander of Iraq's counterterrorism force, the country's special forces, using another name for Islamic State. "But we have taken into consideration how the place is densely populated, the streets are narrow and explosive devices might be placed by the enemy."

The Iraqi military said it has given Islamic State fight-

ers a chance to surrender via announcements by loudspeaker on the battlefield. But both Iraqi and U.S. forces have said in the past they expect the militants to keep fighting.

As night fell, Lt. Gen. Jabbar al-Darraj, commander of the country's 16th division, said on state TV that he hoped Islamic State fighters would give up, and that the Iraqi

troops remained ever mindful of noncombatants.

"We have prepared safe corridors to receive civilians and prepared vehicles to transport civilians when we reach them," he said.

The fight for Mosul began in October, with Iraqi military and Kurdish Peshmerga troops pushing through rural areas and outlying villages primarily

into a conflict that it has watched warily but mostly stayed out of since it began in 2011. Israeli officials haven't ruled out such an escalation at a time when they are cultivating other alliances with Arab states against their common enemy—Iran.

Fursan al-Joulan's com-

mander, who goes by the nickname Abu Suhayb, says his group gets roughly \$5,000 a month from Israel. It isn't linked to the Western-backed Free Syrian Army and doesn't receive Western funding or arms.

Iran and its Lebanese proxy Hezbollah have played a major role in propping up Mr. Assad's forces. That help, as well as significant military intervention by Russia, has given the regime the upper hand in the multi-sided war.

Israeli officials have several

times accused the Syrian regime and its Iranian and Shiite allies of planning attacks against Israel from the Syrian side of the Golan. By contrast, Israeli officials have pointed out that rebels in that area have never tried to attack.

An Islamic State affiliate also has carved out a pocket of control on the south end of the Syrian Golan and clashes with rebels at times. Its fighters exchanged fire with Israeli forces last year.

The Israeli army has occa-

sionally intervened in the Syrian war by launching airstrikes to stop suspected Iranian arms shipments bound for Hezbollah

but said it goes for humanitarian purposes. However, rebels said they use the cash to pay fighters' salaries and to buy weapons and ammunition—something the Israeli military wouldn't comment on.

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U.S. NEWS

THE OUTLOOK | By Jacob M. Schlesinger

Trade War Risks From 'National Security' Tariffs

Donald Trump's trade policy has so far been more bark than bite: dramatic rhetoric about shaking up the old order, backed mainly by new studies and completion of routine Obama-era cases touted with extra fanfare. That may change as soon as this week, when the president bares his "America First" teeth with more ferocity, advancing plans to curb steel imports in the name of "national security."

In doing so, Mr. Trump is dusting off little-used presidential powers rooted in a claim rarely invoked in world commerce—one that has the potential to destabilize the global postwar trading regime.

"Justifying import restrictions based on national security is really the 'nuclear option,'" Chad Bown, a trade expert at the **Peterson Institute for International Economics**, wrote recently, warning of a "downward spiral" as trading partners "use similar exceptions to halt U.S. exports of completely different products to their markets."

In April, Mr. Trump began to make good on his campaign promises, exhuming

Weighing Steel Import Security Threat

Rising steel imports have prompted the Trump administration to consider new limits in the name of 'national security.' Skeptics say most foreign steel purchased in the U.S. comes from close allies.

Share of steel imports by country, 2016



*2017 figure through April
Source: American Iron and Steel Institute

Section 232 of a 1962 trade law giving presidents the power to block imports that threaten national security, and ordering aides to provide options on implementing the law. Officials are preparing to do so by the end of June, with action expected to follow quickly.

Do steel imports threaten security? The Bush administration weighed that question in 2001, and rejected the idea—the last time a

Imports overall as a share of the U.S. steel market



THE WALL STREET JOURNAL

Section 232 investigation was launched. The Commerce Department concluded at the time that only a tiny fraction of domestic steel output was needed for security-related uses, and that could be "easily satisfied...even if there were a substantial diminution of U.S. production." It also noted most steel imports come from close U.S. allies, which remains true today.

But domestic laws give an

American president wide latitude to determine what threatens security.

The law's "definition of national security is much broader than what you might think," Commerce Secretary Wilbur Ross told a Wall Street Journal conference last week, citing measures like trade's impact on employment. He said officials were looking beyond strict military concerns, noting that "there is only one U.S. manufacturer of the kind of steel that goes into transformers" for the electrical grid. "That, to me, is a legitimate national security issue," Mr. Ross added.

Global rules also give countries tremendous discretion to curb imports for national security. That's where the Trump actions could have the biggest repercussions.

The international trading system has long reflected the uneasy balance between the need to create consistent rules that could be enforced globally with the need to respect the sovereignty of member states.

The postwar arrangement overseen by the World Trade Organization includes a na-

tional security exemption, giving countries significant freedom to use it how they see fit.

Trade law scholars call it the WTO's only "self-judging" provision. Officials have long worried that the exemption, if used liberally, could upset the whole regime, posing a no-win dilemma for the Geneva-based trade arbiters.

The WTO could declare the policy illegal, stoking domestic political anger toward a world government challenging a country's right to protect itself. Or it could approve it, encouraging other nations to do the same route, triggering a tit-for-tat protectionism the system was designed to prevent.

The result for 70 years has been the trade version of the Cold War's "mutually assured destruction" doctrine preventing nuclear war. Only 10 national security complaints have been lodged in Geneva since 1949, all settled before the parties pushed the trade body into making a ruling.

In 55 years, the U.S. had launched only 26 Section 232 studies, with just two leading to limits, both on oil imports: from Iran in 1979

and Libya in 1982. Ronald Reagan did brandish the 232 threat as a bargaining chip, using it to persuade Japan in 1986 to "voluntarily" cut machine-tools exports.

Mr. Trump has already launched two such probes—on aluminum as well as steel—and Mr. Ross said last week "others are being considered."

When world trade leaders first created the national security exemption in 1947, officials acknowledged they were creating a potentially perilous loophole, one participant warning at the time that "the spirit in which Members of the Organization would interpret these provisions was the only guarantee against abuses," according to records of that debate.

Trump aides are still wrestling with just how strong to make their steel curbs, a struggle indicated when they twice canceled congressional briefings on the measure recently. But Mr. Trump's core trade pledge has been to challenge the spirit U.S. presidents have applied to the global trading system for 70 years, which is why the looming steel case could have such broad reverberations.

Russia Hack Probes Are Set for Hearings in Congress

The Senate and House intelligence committees are set on Wednesday to hold two open hearings examining Russian hacking efforts during the 2016 election, featuring testimony from current and former Department of Homeland Security and Federal Bureau of Investigation officials as well as state election directors.

By **Rebecca Ballhaus, Erica Orden and Valerie Bauerlein**

Steve Sandvoss, the executive director of the Illinois State Board of Elections, is expected to walk the Senate committee through a cyberattack last July that allowed hackers to breach a database of up to 200,000 personal voter records.

The board informed the state attorney general's office of the cyberattack. The board was subsequently contacted by the FBI, but the agency hasn't informed the board who was responsible for the attack, according to Ken Menzel, the board's general counsel.

An information-technology report to the board in August said the FBI was "highly confident" that no voter data had been altered.

The Senate committee will hear testimony from J. Alex Halderman, a Michigan computer scientist who helped lead a push last year for an examination of paper ballots and electronic voting machines in Wisconsin, Pennsylvania and Michigan to conclusively prove that hackers hadn't manipulated the results. A series of legal rulings ultimately halted some of the recount efforts, while others were completed and found no widespread irregularities.

The hearings represent the most robust effort to date to elicit public testimony from state election officials concerning what federal officials have



J. Alex Halderman, below, a computer scientist who pushed to examine voting results last year, is set to testify Wednesday.

described as an aggressive and sustained effort by Russia to interfere with the 2016 presidential election.

Special counsel Robert Mueller is investigating whether campaign advisers to President Donald Trump had ties to the Russian activities, a probe that has expanded to include whether the president obstructed justice by trying to influence its outcome, according to a person familiar with the investigation. Russia has denied the allegations.

On Sunday, a personal lawyer for Mr. Trump, who has called the investigations a "witch hunt," denied that the president was under investigation.

States are also examining their own systems. A survey by The Wall Street Journal of election officials in nearly 50 states found many continue to participate in a DHS program of periodic checks of their election systems for any vulnerabilities.

Many officials had been in touch with the FBI before the election, when the bureau had provided states with a list of suspicious IP addresses.

The North Carolina State Board of Elections' investigations unit, led by a former FBI agent, is investigating the reported attempts to compromise VR Systems Inc., a Tallahassee, Fla., firm whose electronic poll book software was used on Election Day in 21 of the state's 100 counties.

The software deals with checking voters in, not with counting their votes. But on Election Day last year, that system failed in Durham County, which holds the state's most reliable Democratic voters. That forced the county to issue ballots by hand, meaning longer lines and delays—factors that

can often depress turnout. The county voted for Democrat Hillary Clinton by 77.7%, while Mr. Trump won the state with 49.8% of the vote, according to the state's board of elections.

The aim of the Senate hearing, according to an email sent by a committee aide to those testifying, is to "give the public an unclassified look at Russian activity in the 2016 U.S. elec-

tion, as well as a look at what we are facing from an election security standpoint in 2018 and 2020."

Department of Homeland Security officials have said at least 20 states were targeted during the 2016 election. Last August, the FBI issued a warning to state governments that cited the Illinois breach and a hacking attempt in Arizona. Speaking before the House Judiciary Committee in September, then-FBI Director James Comey said the agency's counterintelligence investigators were "doing an awful lot of work...to understand just what mischief is Russia up to in connection with our election."

An FBI spokeswoman declined to comment on the agency's investigation.

DHS is weighing whether to maintain the designation of voting apparatus as "critical infrastructure," which gives the federal government additional authority to protect the systems, Homeland Security Secretary John Kelly said in testimony to the Senate Homeland Security Committee earlier this month.

Many states have expressed concern about additional federal authority over their election systems and have said the Constitution provides states the right to run their own elections.

In his testimony earlier this month, Mr. Kelly said he doesn't support rolling back the designation and hopes to persuade states that they allow the federal government to be helpful on such issues. When asked about the review of the designation, a DHS official defended it, emphasizing that it allows the department to "prioritize our cybersecurity assistance to election officials, for those who request it."

Arian Campo-Flores, Sharon Nunn and Byron Tau contributed to this article.

TRUMP

Continued from Page One
now looking into whether the president sought to obstruct an FBI investigation into Russian meddling in the presidential race and possible collusion between Trump campaign aides and Russia. Special Counsel Robert Mueller is examining whether the president fired FBI chief James Comey as part of a broader effort to alter the direction of the FBI probe, a person familiar with the matter told the Journal last week.

In his comments Sunday, Mr. Sekulow said Mr. Trump's recent tweet in which he said he was being investigated was a reaction to news reports, not confirmation of the probe's existence.

"The tweet from the presi-

dent was in response to the five anonymous sources purportedly leaking info to the Washington Post," he said on NBC. The Washington Post was the first to report an investigation into Mr. Trump over possible obstruction.

Subjects of federal probes often aren't initially told of an investigation in progress. But this case is an unusual one.

Earlier in the Russia probe, Mr. Comey had informed Mr. Trump several times that he wasn't under investigation, prior to Mr. Comey being fired on May 9. Asked if it was possible a probe of Mr. Trump started since then, unbeknownst to the White House, Mr. Sekulow told CBS on Sunday: "I can't imagine a scenario where the president would not be aware of it."

Peter Zeidenberg, a former top prosecutor at the Justice Department who is now a

partner in Arent Fox's white-collar crime division, said he wouldn't expect the special counsel to immediately notify Mr. Trump or his lawyer if the president were under investigation.

"Prosecutors don't call up subjects or targets of an investigation and say, 'You're the target,'" said Mr. Zeidenberg, who served as deputy special counsel in the prosecution of former Vice President Dick Cheney's chief of staff, Lewis "Scooter" Libby.

"And certainly you wouldn't be at the beginning phases of an investigation."

Mr. Trump has repeatedly called the Russia investigation a "witch hunt" and denied any collusion by his campaign with Russia. He has also said he put no inappropriate pressure on the course of the Russia investigation.

In recent days, Mr. Trump has stepped up his criticism of the investigation, targeting the people leading the Justice Department probe.

On Friday morning, Mr. Trump tweeted he was the victim of "the single greatest

WITCH HUNT in American political history—led by some very bad and conflicted people!" He added: "I am being investigated for firing the FBI Director by the man who told me to fire the FBI Director!"

The president also tweeted.

Mr. Trump didn't name the people he was referring to in the tweets, but they most closely align with Mr. Mueller and the man who appointed him, Deputy Attorney General Rod Rosenstein.

On Sunday, he again tweeted about the "witch hunt," calling it a distraction from his policy agenda.

Rep. Adam Schiff of California, the top Democrat on the House Intelligence Committee, said on ABC's "This Week" that Mr. Trump's tweets are aimed at "the besmirchment" of Mr. Mueller and his investigation. "They want to lay the foundation to discredit what-

ever Bob Mueller comes up with," he said.

Sen. Marco Rubio (R., Fla.), a member of the Senate intelligence committee, said he believed in the integrity of Mr. Mueller's review, and cautioned the White House against any steps that might be seen as tampering with the probe.

"The best thing that can happen for the president and country is for a full and credible investigation," Mr. Rubio said on CNN's "State of the Union." "Let's not undermine the credibility of the investigation."

On Thursday, Mr. Rosenstein issued a statement saying people should be wary of reported leaks, and of their source. "Americans should exercise caution before accepting as true any stories attributed to anonymous officials." he wrote.



Attorney Jay Sekulow in 2015

STEVE HELBER/ASSOCIATED PRESS

IN DEPTH



COLD

Continued from Page One

and militant groups. Both have coped with the rise of disruptive technologies including drones, precision bombs and sophisticated new forms of propaganda.

They haven't ever met. But each—like Patton and Rommel or John Le Carré's fictional Smiley and Karla—has made a career of studying his opponent's moves.

Their dynamic sheds light on the evolving military competition between the world's two biggest nuclear powers at a time of rising diplomatic tension. Moscow has narrowed a yawning gap in the quality of its conventional forces, but the U.S. remains far more powerful in that category. It is this imbalance that has shaped the strategic thinking of the two generals. It's American force and resolve against Russian cunning and diversion.

Gen. McMaster, now President Donald Trump's national security adviser, has emphasized that America's true strength lies not in shadowy commando raids or pinprick drone strikes, but in well-equipped land, air and naval forces working together to clearly demonstrate overwhelming superiority.

Pentagon spending

Military officers who know Gen. McMaster said they believe he will help shape the Trump administration strategy and influence the Pentagon's spending. Already the administration, which has been critical of allied defense budgets, has proposed a 40% increase in U.S. military spending in Europe, money that will pay for additional forces—from Army helicopters to Navy sub-hunters—to deploy there.

Gen. McMaster was a hero of the first Gulf War's most important tank battle. He later honed his reputation in Iraq, implementing one of the first counterinsurgency campaigns in the city of Tal Afar, which later became a model for the 2007 troop surge. More recently Gen. McMaster has overseen two critical Army initiatives to prepare America for wars of the future and counter Russia's military advances.

Gen. Gerasimov, by contrast, has always looked for American weaknesses and how Russian prowess can overcome American power. The chief of Russia's General Staff, he has been the most articulate proponent of Russia's emerging vision of conflict, something Western observers dub "hybrid warfare." In conflicts in Syria and Ukraine, he has pioneered new approaches to hybrid war by combining traditional military weapons with powerful nonlethal tools such as cyberwarfare, fake news and elaborate deception.

Both men obtained outsize reputations as military thinkers, lauded for their studies of the other side's strategy and tactics. Each was assigned by his military to predict the contours of future conflict. Perhaps more than anyone else on either side, the two men have delineated the strategy now playing out in Europe.

Gen. McMaster, who declined to speak for this article, in essence rejected prevailing wisdom that viewed the Taliban's toppling in Afghanistan by U.S. special-operation forces as the future of warfare. Instead he focused on the Cold War, when conflict was avoided by ensuring adversaries understood America's conventional might.

That means honing force-on-force war-fighting skills that had been neglected at the Army's main training ranges. "This is one officer who has done his homework over the years," said retired Army Gen. B.B. Bell, a former senior military commander in Europe and Korea. "H.R. spent the last couple years pointing the path forward for the Army to put it on a strong path to relearn the capacities it must have to defend the nation."

Gen. McMaster is the author of a secret study compiling lessons of Russia's strategies in Ukraine. The work, according to officials, drew on front-line reports by Ukrainian troops and U.S. officers, analyzing how

Moscow used advanced jamming techniques, electronic surveillance and drones to make its artillery more lethal than ever.

Army officials say the research is continuing and the report remains classified.

Hybrid war is how you prepare the ground before you send in the men with guns.'

He has also influenced a generation of officers—including those serving on NATO front lines in the Baltics—with a talk on what he dubbed "Four Fallacies." The lecture argues that technology alone cannot deliver quick, clean military victories; commando raids don't amount to a military strategy; proxy forces aren't enough to win a conflict; and deterring war by demonstrating the presence, strength and capability to defeat an enemy is vital.

His idea underpins NATO strategy in Europe: the move to eastern and central Europe of four battle groups led by the U.S. and its allies, plus America's deployment of a 3,500-soldier heavy brigade.

NATO's maneuvers are also a response to the Russian gambit devised by Gen. Gerasimov, who has overseen Russian military



A U.S. Apache assault helicopter participates in NATO exercises, above; Gens. H.R. McMaster and Valery Gerasimov, above left.

modernization and its innovative use of its armed forces in Ukraine, Syria and elsewhere.

Gen. Gerasimov, who didn't respond to an interview request, has also studied the American way of war in recent conflicts. The Russian general's most influential article—an often-quoted but little-understood 2013 essay in a military journal—reflects close study of U.S. regime-change operations in Afghanistan and Iraq, and argues Russia must adopt similar methods.

Those ideas have been implemented in the separatist conflict in eastern Ukraine and Russia's annexation of Crimea, and are now seen as textbook examples of Russian hybrid warfare.

While the Russian strategy was designed specifically to beat Ukraine's army, American officers studying the fight see Russian techniques that would also undermine U.S. military advantages, such as control of the skies and superior surveillance through drones and satellites.

Equally worrying for the U.S. and its allies is Russia's mastery of what the Russians call "information war." The genius of Gen. Gerasimov, according to NATO and U.S. officials, is he has paired advances in military hardware with new strategies of disinformation. His insight was that Moscow could practice deception operations not just on a battlefield but on a global scale.

Writing last year in a leading Russian defense journal, Gen. Gerasimov extolled the virtues of nonmilitary means to defeat or contain an adversary. "Indirect and asymmetric actions...allow you to deprive the opposing side of de facto sovereignty without seizing any territory," he wrote in a review of the lessons learned from the Russian military's combat role in Syria.

U.S. and other Western strategists scrutinize Gen. Gerasimov's writings. "The important point is that while the West considers these nonmilitary measures as ways of avoiding war, Russia considers these measures as war," wrote Charles Bartles, an analyst at the U.S. Army's Foreign Military Studies Office at Fort Leavenworth, Kan.

Tanks

Attack Helicopters

Artillery

Submarines

Fighter Jets

Aircraft Carriers

BY LAND

BY AIR

BY SEA

Force Against Cunning

Russia has been investing in its conventional forces, but it remains behind U.S. military, by far the most powerful in the world.

ACTIVE-DUTY TROOPS

■ U.S.
■ Russia

1,367,450
831,000

BY LAND

ARTILLERY

TANKS

6,831
5,281

2,831
2,950

FIGHTER JETS

ATTACK HELICOPTERS

2,988
633

760
348

SUBMARINES

AIRCRAFT CARRIERS

79
107

10
1

Source: IISS Military Balance 2017

THE WALL STREET JOURNAL.

media-driven popular revolts of the Arab Spring, informed his concepts of hybrid warfare, according to analysts.

An early test of those ideas came in 2008 during Russia's brief conflict with Georgia, which provided an opportunity for experimentation in cyber-warfare. Before combat started, the Georgian government faced a concerted campaign to hack and disable websites, which it blamed on Moscow. Russia denies involvement in any hacking.

That experience presaged what analysts say is Russia's relentless focus on information operations, which range from planting fake news stories to directly interfering in the elections in the U.S. and Europe through cyberattacks. Russia denies such meddling.

Mark Galeotti, senior researcher at the Institute of International Relations, a foreign-policy think tank in Prague, said Gen. Gerasimov saw the tools of hacking and disinformation as a way for Russia's military to set the conditions on the conventional battlefield, sowing chaos behind the lines before the shooting started. "The West doesn't get that what Gerasimov has described—hybrid war—is how you prepare the ground before you send in the men with guns," he said.

Gen. Gerasimov's approach now emerges wherever the Russian military deploys, either overtly or covertly.

Drones overhead

"Their drones work around the clock," said Col. Vyacheslav Vlasenko, a Ukrainian battalion commander deployed recently in the country's east, referring to forces opposing him. "They correct their artillery fire. They also started using precision weapons."

Gen. McMaster and other U.S. military officers have studied Ukraine closely, including sending officials on low-profile trips to the front lines to watch the Gerasimov strategy in action.

Like Gen. Gerasimov, Gen. McMaster burnished his reputation through his writing. His 1997 book, "Dereliction of Duty," focused on the failure of the Joint Chiefs of Staff and national security establishment to prevent strategic errors of the Vietnam War. The book, originally his Ph.D. dissertation from the University of North Carolina at Chapel Hill, remains required reading at America's war colleges.

BEARD

Continued from Page One

had much success approaching girls before," he said. "But after using minoxidil for six months I had a pretty good beard. And I also got a girlfriend."

Mr. Gamal's discovery is providing a new lease on life for a baldness treatment that is often the butt of jokes in the West. He is now promoting the hair-loss treatments through his website, Misterbrewok, or Mister Beard in Indonesia. He has nearly 28,000 followers on the photo-sharing site Instagram, many of whom submit before-and-after shots comparing their new beards with their old, baby-fresh faces.

Recently, Mr. Gamal has begun touring Indonesia to meet his "Beard Bros," as his customers call themselves, sharing tips on how to grow a thick, luscious beard and maybe selling a few bottles of hair-growth treatment afterward, much as traveling salesmen

used to do in the Old West.

More important, they encourage each other to keep going through long months of doubt until some whiskers finally begin to show.

"I had only a small bit of mustache and some stubble when I started using minoxidil," said one Beard Bro, Kamal Muhammad, 21. "I got stuck on the fourth month when there wasn't much progress, but I realized it was just a matter of time before I would make my breakthrough."

He says his beard has now grown so much that he has had to trim it a couple of times—something he didn't dare imagine a few months before. The effect on his love life? "Awesome," Mr. Muhammad said.

Minoxidil was first conceived as a tablet in the 1950s to treat ulcers, but it turned out to be more successful as a way to lower blood pressure. It also encouraged hair growth, prompting the drug's developer, Upjohn Co., to patent it as a rub-on treatment for male pattern baldness in the 1980s. The Rogaine brand is now owned by Johnson & Johnson.

There are potential side ef-

tions. In some cases, users can put on a few pounds because minoxidil can encourage water retention. Mr. Gamal recommends people with low blood pressure avoid it, too.

A Johnson & Johnson spokeswoman said Rogaine, where registered, is approved for the treatment of hereditary hair loss and isn't indicated for use on the face or other parts of the body and

mander. For a time he was stationed in Eastern Europe, preparing for the clash of armor and infantry that both the Soviet and U.S. militaries long saw as a real possibility.

Gen. McMaster's first overseas post was also to Europe, in the final years of the Cold War. In 1989 he was assigned to the 2nd Armored Cavalry Regiment, the same unit that recently sent a battle group to a NATO force to Poland.

The careers of Gens. Gerasimov and McMaster both took dramatic turns in 1991. Gen. McMaster's first brush with fame was in the Gulf War, and he took part in the Battle of 73 Easting, the decisive tank clash that helped quickly win the war. In the battle, then-Capt. McMaster's company destroyed 28 Iraqi tanks in 23 minutes with no U.S. casualties. Gulf War vic-

tory was a fillip for the U.S. military, showing its prowess against Saddam Hussein and shaking off humiliation that had lingered after the disastrous end of the Vietnam War in 1975.

For Gen. Gerasimov, 1991 was also life-changing. The U.S.S.R. collapsed and Moscow lost its global superpower status almost overnight.

Russia's first post-Soviet decade was tumultuous. Russian troops found themselves fighting separatist insurgents during a brutal conflict in Russia's predominantly Muslim region of Chechnya. Then military leaders such as Gen. Gerasimov watched as revolutions swept through former Yugoslavia, Georgia and Ukraine from 2000 to 2004, further eroding Russian power in what it viewed as its rightful sphere of influence. Those upheavals, along with the social

and starts shaving again.

But the desire to emulate soccer stars such as Lionel Messi or Sergio Ramos seems to be what many other beard-growers are aiming for, he says—along with the romantic payoff.

A study of facial hair fashions in Britain between 1842 and 1971 by academic Nigel Barber found beards and mustaches grew more popular in Britain whenever there were more single men competing for fewer women. Something similar appears to be happening in Indonesia, where the number of males born has risen from 98 per 100 females, to over 105 today.

Muhammad Wildan Attamimi, 27, began using minoxidil in mid-2015 and found himself becoming surprisingly attractive. "The ladies suddenly began looking at me in a different way, like they were interested," he said.

A friend introduced him to Sri Fina Wulandari. "She told me she likes my beard," said Mr. Attamimi, who is still shocked by the turn of events. They got married late last year.

Anita Rachman contributed to this article.

JAMES HOOKWAY/THE WALL STREET JOURNAL

Fariz Gamal, operator of the Misterbrewok site, has begun touring Indonesia to meet his Beard Bros, as his customers call themselves.

Generic versions soon followed, among them Mr. Gamal's favorite formula, which is sold under Costco's Kirkland Signature imprint. The treatment is applied twice a day. He sells a one-month supply for 150,000 rupiah or \$11. Customers are willing to pay a markup for a variety of reasons, including talking with Mr. Gamal.

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AMAZON'S WHOLE FOODS TAKEOVER

Acquisition Delivers A Blow to Wal-Mart

BY SARAH NASSAUER
AND IMANI MOISE

Amazon.com Inc.'s purchase of Whole Foods Market Inc. isn't just a \$13.7 billion bet that many shoppers still want to buy groceries at physical stores. It is a direct strike at the world's biggest retailer: Wal-Mart Stores Inc.

Wal-Mart generates more than half of its \$486 billion in annual revenue from groceries and is the country's largest grocer. Shoppers' penchant for picking their own produce and the unprofitable nature of delivering fresh food to homes has given Wal-Mart a rare edge over Amazon and breathing room while ramping up its digital business with a string of e-commerce acquisitions and other investments.

"I feel great about how we are positioned with 4,700 stores," Wal-Mart's U.S. e-commerce chief, Marc Lore, said Friday in an interview. "It's fun playing offense and I like the fact that we aren't chasing."

That edge may narrow for Wal-Mart and other retailers who have relied on a grocery advantage. In the wake of Amazon's grocery bet, Wal-Mart shares fell 4.7% in Friday trading. Costco Wholesale Corp. dropped 7.2% while Kroger Co. slid 9.2%.

"This deal just accelerates where we thought the world was going with Wal-Mart and Amazon fighting over price, assortment, and convenience as titans for the next decade," said Brandon Fletcher, retail analyst at Bernstein in a research note.

On Friday morning, five minutes after Amazon's mega-deal was announced, Wal-Mart

said it completed another small web purchase, laying out \$310 million for online menswear retailer Bonobos, known for its \$98 chinos. The purchase gives Wal-Mart access to a brand that exists primarily online, said Mr. Lore, as well as talent. Bonobos founder Andy Dunn will head Wal-Mart's efforts to build online, direct-to-consumer brands.

It is the fourth small e-commerce acquisition for Wal-Mart this year and its latest counter to Amazon.

The rivalry heated up last fall as Wal-Mart bought Mr. Lore's startup Jet.com for \$3.3 billion and put him in charge of the retailer's e-commerce operations. Mr. Lore, who had sold a previous startup to Amazon, vowed to use his Wal-Mart perch to take on Amazon.

Mr. Lore has since engineered a series of small acquisitions, adding niche online chains—such as Moosejaw and ModCloth—that appeal to wealthier or more fashion-forward shoppers than Wal-Mart's core customer. Wal-Mart has also ramped up efforts to use its stores to ship online orders. It is also expanding its online grocery pickup service to around a thousand stores and testing the use of store workers to deliver online orders on their way home from work.

Earlier this month Amazon took direct aim at Wal-Mart by discounting its Prime membership program for shoppers on government assistance, a core Wal-Mart cohort.

Wal-Mart executives have repeatedly cited their massive U.S. store base as an advantage over Amazon.



As mainstream grocers began stocking more natural and organic food at cheaper prices, Whole Foods began to lose its advantage.

How a Pioneer Lost Its Way

Whole Foods set the pace with healthier fare, but its prices and rivals caught up with it

BY ANNIE GASPARRO
AND HEATHER HADDON

Whole Foods Market Inc. lost its edge, and now it is losing its independence.

With a sale to Amazon.com Inc. announced Friday, Whole Foods is entering a new frontier, joining the mass retailers from which it has long striven to differentiate itself.

For decades, the natural and organic food retailer grew faster than the rest of the grocery industry by tapping into an emerging population of affluent urbanites interested in a new way of eating and grocery shopping. It had a certain cachet, with a distinct offering of organic foods and specially trained salespeople promoting an experience for which customers were willing to pay more.

But in recent years, as mainstream grocers from Kroger Co. to Wal-Mart Stores Inc. began stocking more natural and organic food at cheaper prices, Whole Foods began to lose its advantage.

"They didn't do enough to continue to command the higher prices," said Gaurav Gupta, a corporate-strategy consultant at Kotter International. "Their competitive advantage has eroded slowly over the last five years."

For nearly two years, Whole Foods, which has about 460 stores, has faced its longest stretch of quarterly same-store sales declines since it began trading on the stock

market in 1992. Its share price had been cut in half leading up to Friday's announcement.

Pressure on Whole Foods, and its co-founder and Chief Executive John Mackey, mounted this year, when activist investor Jana Partners, with several allies, unveiled a stake in Whole Foods and publicly pushed the company to explore a sale. The new dynamic added to shareholder tension that had been more quietly bubbling.

Since it opened its first store in 1980, Whole Foods has prided itself on its independence. Mr. Mackey, a strict vegan, aimed to bring organic and natural food to the world. During the 1990s and 2000s, Whole Foods expanded rapidly, buying 11 regional health-food chains and opening more stores. As recently as last year, he spoke of expanding the chain to 1,200 stores in the U.S.

Whole Foods' problem with its prices worsened in the summer of 2015, when the New York Department of Consumer Affairs accused it of

overcharging customers in nine stores by putting incorrect weights on some items.

"That was when these other competitors were really starting to ramp up, so that was when they needed to reverse that perception, not reinforce the negative perception," said Sonia Lapinsky, managing director in the retail practice at AlixPartners. Whole Foods' sales and stock never came back from that, she said.

Whole Foods put its efforts toward lowering its prices compared with rivals like Kroger. It expanded its private-label brand, called 365, to more foods and opened a new line of smaller stores called 365 by Whole Foods.

But it was too little too late, Wall Street analysts say.

"Retail is a really easy game when you're growing," said Paul Beswick, a partner and global head of Oliver Wyman's digital practice. "Whole Foods reached the point where there wasn't a lot of easy growth left." It was forced to advance its operations to compete with

mainstream rivals, and that wasn't its expertise, he said.

Despite its efforts, Whole Foods' prices are still 20% to 30% higher than mainstream grocers', according to consulting firm OC&C Strategy Group. Earlier this year, Whole Foods said it was no longer aiming for 1,200 locations in the U.S.

In November, Whole Foods said its longtime co-chief Walter Robb would step down, leaving Mr. Mackey to make swifter decisions. Last year, Whole Foods' profit declined by more than 5% and its comparable-store sales fell 2.5%.

Mark Bittman, the cookbook author who joined Jana's activism campaign as a consultant, said that Whole Foods diverted from its original mission to improve the quality of food people eat. "Without the mission, what is it? A fancy supermarket," said Mr. Bittman, who spoke on behalf of himself and not Jana.

Whole Foods and Jana declined to comment on Friday.

— David Benoit contributed to this article.



A Wal-Mart employee waits beside a truck in Bentonville, Ark.

Deal Seen as Ideal For Urban Pickup Hubs

BY ERICA E. PHILLIPS
AND JENNIFER SMITH

Amazon.com Inc.'s purchase of Whole Foods Market Inc. could fill an important logistics gap for the online retailer, providing hundreds of stores perfectly positioned to serve as pickup and delivery hubs for urban customers.

For more than two years, Amazon has been building out a network of urban warehouses, located in highly populated neighborhoods, and offering "Prime Now" delivery of food and sundries within a one- or two-hour delivery window. They are essentially large convenience stores, without the customers.

Adding the more-than-430 stores in Whole Foods's network would expand Amazon's current neighborhood network by a factor of at least five, logistics experts said Friday. "It's going to give them little warehouses all around the country in some of the big markets," said Michael Kneimeyer, a professor of logistics at Ohio State University's Fisher College of Business.

Prime Now warehouses are around the same size as grocery stores, or slightly larger, and in urban areas where Amazon shoppers live and work, and delivering mostly same-day orders—some within one hour. Inside, there are pallets of bulk items like paper towels and cases of soda, shelves of produce and a few freezer and refrigerator aisles.

That is a contrast with the behemoth fulfillment centers that are the backbone of Amazon's extensive and expanding logistics operations. Those are located in far-flung suburbs and stock a much wider array of goods, fulfilling and shipping orders for delivery within two days or more.

AMAZON

Continued from Page One

worked with them.

But the two founders also have sharply different strategies and missions that could prove tough to marry. Mr. Mackey's Whole Foods, whose sales totaled \$15.7 billion last year, has catered to wealthier customers with boutique brands and hands-on customer service.

Mr. Bezos has appealed to the masses with low prices enabled in part by centralization and automation. And Amazon, with \$136 billion in revenue last year, has achieved far larger success financially—putting Mr. Bezos firmly in charge.

"On both sides, they will have challenges with accepting that they can learn from each other, and letting go of the 'that's how we've always done it' mentality," says Forrester Research analyst Brendan Witcher, a former retail executive who now researches e-commerce and consumer behavior.

The companies have said little about how they plan to integrate, and declined to make their CEOs available for interviews. But at least some benefits of the combination seem clear.

Mr. Bezos gains more than 460 stores across the U.S., a network that could let Amazon sell its private-label brands and devices in stores, expand its distribution network, and bolster its Prime Now and

Fresh delivery businesses.

Whole Foods gets access to Amazon's data and technology, and the combined buying power of Amazon Fresh and Whole Foods could win better prices from grocery suppliers. Also, Mr. Mackey's new boss has been tolerant of thin profit margins, a welcome relief after activist investor pressure over profit and other issues. Amazon has said Mr. Mackey will remain CEO of Whole Foods.

Still, Mr. Bezos's team is likely to scrutinize Whole Foods' business practices seeking opportunities for change, former Amazon employees say. To better compete

with rivals including Wal-Mart Stores Inc., for example, Amazon likely will push for lower prices, new technology, and more uniform stores to save costs, they say.

Mr. Mackey has balked at activist investors for criticizing his firm.

with rivals including Wal-Mart Stores Inc., for example, Amazon likely will push for lower prices, new technology, and more uniform stores to save costs, they say.

Mr. Mackey has balked at activist investors for criticizing Whole Foods as too slow to innovate, despite the company's recent efforts to do so.

Mr. Mackey, a 63-year-old Texan who studied philosophy and religion in college but didn't graduate, built Whole Foods with his partners into a national brand from one natu-

ral-food store in the basement of an Austin, Texas, house. They bought up local health-food chains, using capital from investors to open big stores in a sector long dominated by mom-and-pop shops. Whole Foods patched together 11 regions that were given autonomy to develop their own store concepts, signage and other flourishes.

"They are free to try new things," said Mr. Mackey in a recent interview.

Mr. Mackey is more focused on the big picture than immersed in the details of everyday operations, former executives said. A strict vegan, he likes to cook dinners showcasing good eating to bring parts of the company together, said people who have attended.

Some say that the close-knit culture has drawbacks. "It's been a very paternalistic culture where it's a job for life. If someone doesn't deliver, you don't necessarily suffer the consequences," said Burt Flickinger, a grocery consultant.

At Amazon, performance is prized and, as with other tech companies, employees come and go more frequently, former employees say.

Mr. Bezos, 53, earned a degree from Princeton University in electrical engineering and computer science and worked on Wall Street before founding Amazon in his garage in 1994. He "has this unique ability to stay focused on a long-term vision, while

also staying very focused on the details," says Joseph Thompson, a former general manager of retail at Amazon and current vice president of marketing and growth at BuildDirect, a home-improvement marketplace.

Despite Amazon's size, Mr. Bezos tries to maintain a startup culture. Teams are typically kept small (defined by the ability to be fed with two pizzas). There is a strict process for developing new ideas and inventing devices, which includes writing six-page papers for explanation, according to former employees.

When former Amazon employee Eric Heller met with Mr. Bezos more than a decade ago to push for requiring customers to enter credit-card security codes while checking out, the CEO dug in on the details. The requirement would save costs by reducing the likelihood of fraud, but Mr. Bezos worried it would make transactions more cumbersome, Mr. Heller recalls.

"Until my mother knows what a [card verification value] is, we're not putting it on the transaction page," Mr. Bezos said, according to Mr. Heller, who has since founded consultancy Marketplace Ignition.

In meetings before the deal's announcement, executives at Amazon and Whole Foods found they shared a willingness to let employees take risks and an emphasis on customer experience, according to people familiar with the matter.



An Amazon distribution center

RALPH D. FRESCO/REUTERS

LIFE & ARTS

WEEKEND CONFIDENTIAL | By Alexandra Wolfe

Sebastian Junger Focuses on Syria

ONE OF THE most poignant scenes in Sebastian Junger's new documentary, "Hell on Earth," shows a Syrian family in the back of a smuggler's utility truck, a large vehicle with high metal walls surrounding the cargo bed. Huddled under a tarp, they are trying to escape from their home in Manbij, at the time in an Islamic State-controlled area, and reach Turkey.

Three children, who look to be under the age of 6, give a small smile as another member of the family records video of their 15-minute border crossing on a smartphone. In the film, the father says, "During those 15 minutes, I felt like I died 100,000 times."

The film, which premiered at the Tribeca Film Festival in April and is now being shown on the National Geographic Channel, connects Syria's descent into civil war with the rise of Islamic State, mixing footage of the battles in the country with expert interviews, Islamic State recruitment videos and personal stories of Syrians trying to escape.

The crew gave smartphones to a handful of civilians so they could document their experiences.

Mr. Junger, 55, who co-directed the film, wanted to highlight the human hardships and costs of the war, without taking a conservative or liberal perspective. "I think most documentary filmmakers are actually activists, not journalists," he says. "Journalists shouldn't set out to deliberately make people think a certain way, but it is good to lay out the facts in a way that allows for some emotion."

"Hell on Earth" builds on Mr. Junger's 25 years as a war reporter. Along with writing nonfiction books such as "The Perfect Storm" (1997), "War" (2010) and "Tribe" (2016), he has directed and produced several documentary films. His 2010 film "Restrepo," which was nominated for an Academy Award, followed a platoon of soldiers with whom Mr. Junger had embedded in Afghanistan.

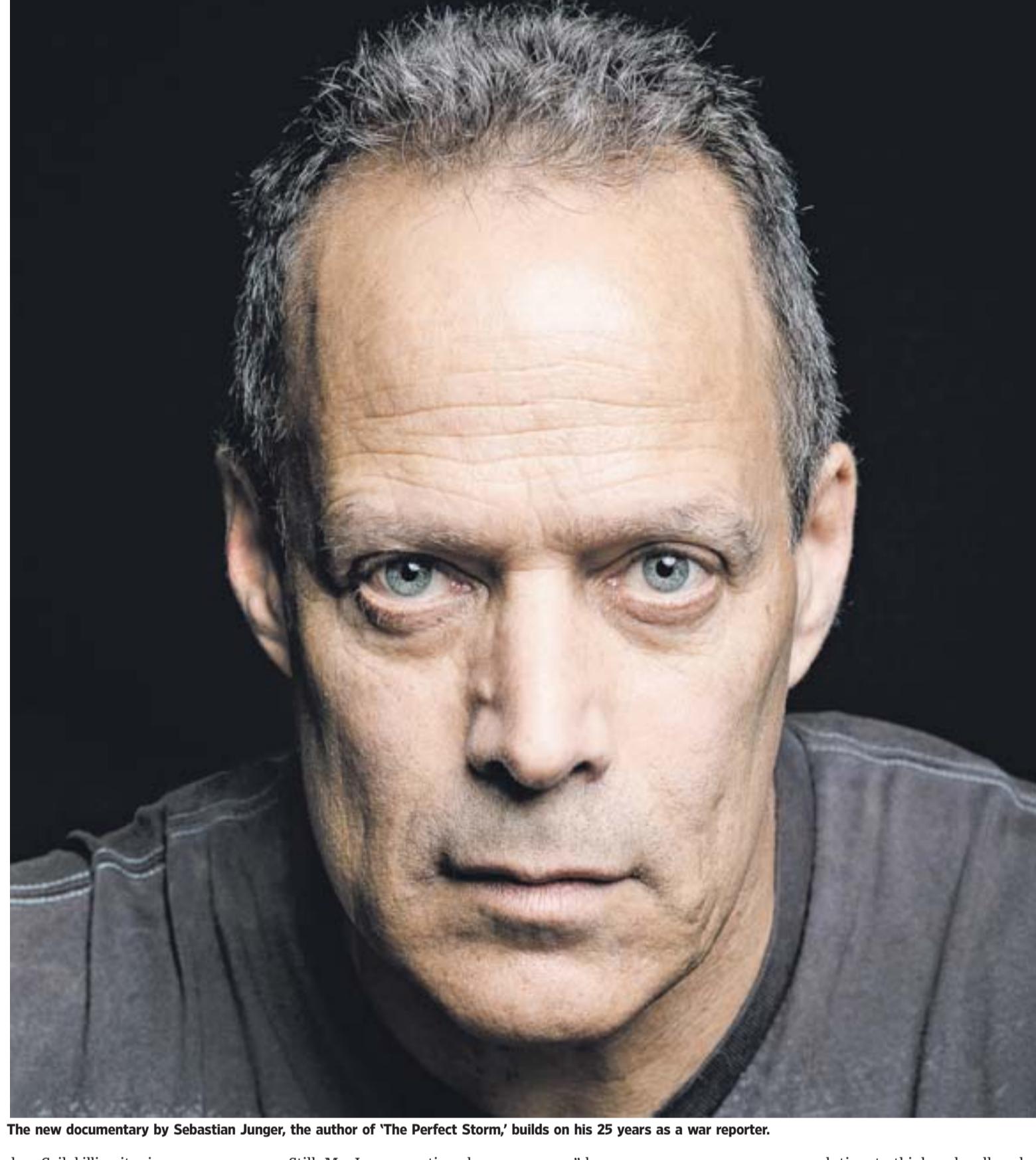
"The Last Patrol" (2014) follows him, photojournalist Guillermo Cervera and two combat veterans as they talk about the challenges of re-entering normal life during a long hike from Washington, D.C., to Pennsylvania.

Mr. Junger grew up in Belmont, Mass., the son of a mother who is a painter and a Jewish physicist father who fled to the U.S. from Europe at the beginning of World War II. He found the wealthy suburb cold and sterile. "It just felt like a bubble," he says.

After graduating from Wesleyan University in 1984, he moved around and eventually landed in Gloucester, Mass. While working as a freelance writer, he found a side job as a climber for a tree company until a chain saw tore into his left leg, leaving him severely injured.

During his recovery, an intense, three-day Nor'easter hit the East Coast and sank a local boat, the An-

'I think we're doomed to a mild unhappiness.'



The new documentary by Sebastian Junger, the author of 'The Perfect Storm,' builds on his 25 years as a war reporter.

AXEL DUPEUX FOR THE WALL STREET JOURNAL

drea Gail, killing its six-man crew. After doing some research, Mr. Junger thought that the storm, along with the dangers deep-sea fishermen face in their work, would make a compelling topic for a book.

He wrote a proposal and found an agent to shop it around to publishing houses but assumed it wouldn't sell. So he went to Bosnia to become a freelance war reporter. "When your plan B is to become a war reporter, you're facing the wrong direction," he says with a laugh. While he was there, his agent faxed him to let him know that the book had sold. "The Perfect Storm" quickly became a best-seller and was the basis of the blockbuster film of the same name.

Still, Mr. Junger continued working as a war reporter; he went to Kosovo as soon as he finished his book tour for "The Perfect Storm." He decided to stop reporting from the front lines after his friend Tim Hetherington, a war photographer who had co-directed "Restrepo," died of a mortar wound while covering the civil war in Libya in 2011. "It's too dangerous," he says. "I do miss it, but I don't want to go back to it."

He did not go to Syria for "Hell on Earth." His co-director, Nick Quested, went to border areas and made contacts in Syria from there. Mr. Junger thought it was important to document Islamic State's rise. "It seemed like a gnarly, tragic topic we should try to

cover," he says.

In his latest book, "Tribe," he looks at the human need for community. He came up with the idea for the book after wondering why he got depressed when he left Sarajevo for short breaks in the 1990s. He found that soldiers felt the same way when they left the battlefield, as did people who left cancer wards as survivors. They missed the community they had left. "All of a sudden, I got it," he says. "There's a theme here." What people instinctively want, he says, is to belong to small groups with a clear purpose.

Too many of us are missing that sense of community and purpose in our increasingly isolated modern lives, he says. Technology and modern comforts give people too much time to think and wallow, he adds. "When you have the free space to indulge in anxious rumination, your state of mind deteriorates," he says.

To avoid distractions and try to be present in his daily life, Mr. Junger carries a flip phone so that he isn't tempted to check his email all day. He lives in a low-income, mostly Spanish-speaking neighborhood in New York City. "It's the exact opposite of the wealthy and desolate suburb I grew up in," he says. "There's something about that feels real and human."

He also likes the sense of community in his neighborhood. How can others find something similar? It isn't easy, he says: "I think we're doomed to a mild unhappiness."

PLAYLIST: LISA SCOTTOLINE

DORM-WINDOW WISDOM

Lisa Scottoline, 61, known for her legal thrillers, is the author of "One Perfect Lie" and co-author with Francesca Serritella of "I Need a Lifeguard Everywhere but the Pool" (both St. Martin's Press). She spoke with Marc Myers.

In the early 1970s, I didn't quite get Joni Mitchell. I was in high school, and her songs weren't resonating with my life. That was before I heard

"A CASE OF YOU" coming through a dorm window at college.

In the spring of 1975, I was a sophomore at the University of Pennsylvania. By then I was dating a guy I thought I loved.

The relationship wasn't going well. Deep down I wanted a real boyfriend, a guy who would say something true, not what he thought I wanted to hear.

One day, while walking in the Quad past Speakman dorm, I heard Joni's voice on an album finishing a song. Inwardly, I rolled my eyes. But when the next song on the album



began, I stopped to listen.

As Joni played and sang, I heard the truth: "Just before our love got lost you said / I am as constant as a northern star / And I said, 'Constantly in the darkness, where's that at? / If you want me I'll be in the bar.'"

Joni was calling out a guy who was trying to B.S. her. I had goosebumps. I knew that feeling.

Joni continued: "Oh I could drink a case of you darling / Still I'd be on my feet." Yes, Joni, exactly! I was crazy about my guy, but I was getting only empty romantic words and promises from him.

The more I listened to the song, the more I realized Joni was giving me love advice. I physically shook. I went into the dorm and followed the music.

On the third floor, a door was open and the record's last song was playing. A girl returning from a shower told me the album was Joni's "Blue," from 1971, and that the song I liked was "A Case of You."



Joni Mitchell performs in Montreal at a benefit against the James Bay Hydro project in 1973.

I bought "Blue" that day. I didn't have a stereo, so the girl next door in my dorm played the song for me over and over. That night, I broke up with my boyfriend.

I told him I wasn't happy, but I didn't leave him room to sweet-talk me or fix it. I just backed out and left. It felt awesome. That's the day I became a woman.

LIFE & ARTS



NBC/ABC/PHOTO BANK/GOTTY IMAGES

ANATOMY OF A SONG

The Story Behind 'I'll Be Around'

BY MARC MYERS

THE 1970S Philadelphia dance sound can be traced back to the Spinners' "I'll Be Around." Released 45 years ago in August '72, the song climbed to #3 on the Billboard pop chart and to #1 on the R&B chart. Recently, the song's co-writer and producer Thom Bell (who received a Grammy Trustees Award this year), the song's lyricist Phil Hurt and drummer Earl Young talked about the influential hit's evolution. Edited from interviews.

Thom Bell: One Friday afternoon in early '72, I was at Philadelphia's Sigma Sound Studios producing a Stylistics record. When we finished, Vince Montana, a superb percussionist and a friend, started teasing me.

"Man, Thommy, I bet you can't write a simple song with three chords, like the old doo-wop stuff." I laughed and said, "Doo-wop was nice, Vince, but we've evolved." He said, "Yeah, but I still bet you can't do it. You need three legs to dance to some of this stuff."

Back at my office that evening, I couldn't shake Vince's challenge. I turned to my piano and played a series of three-chord combinations. Eventually I landed on E major 7, G sharp minor and F sharp major 6 (Mr. Bell illustrates on the piano).

I realized I had the start of a song for Bobby Smith, the Spinners' lead singer. The Spinners had just signed with Atlantic, and I was producing two songs for them—"How Could I Let You Get Away" and "Just You and Me Baby." I wanted a third, for insurance.

The melody and rhythm that I came up with was perfect for his voice. When I was done, I needed a lyric. But there was a problem.

My writing partner, lyricist Linda Creed, was leaving on her honeymoon. The Spinners were coming into the studio that Tuesday to try out all three songs.

So the next morning, on Saturday, I went into my office and found lyricist Phil Hurt, Bunny Siger's writing partner.

We walked over to my office, and I played Phil the song on the piano. Then I gave him a cassette tape.

I told Phil the title I had in mind—"I'll Be Around"—which was based on my melody.

Phil Hurt: That evening, I was watching the 76ers basketball game with the sound down and listening to Thommy's tape. I started writing the lyric based on his title.

As soon as I came up with the first line, "This is our fork in the road," the rest came fast. (Mr. Hurt sings a verse): "You made your choice, now it's up to me / To bow out gracefully / Though you hold the key, but baby / Whenever you call me, I'll be there."

My lyric was about a guy who

loves his girl but he understands that she's confused and wants to date someone else. Instead of getting angry, he lets her go. He's hurt, but he's betting she'll come back.

Mr. Bell: As soon as I heard the opening lines—"This, is our fork in the road / Love's last episode / There's nowhere to go, oh no"—I loved it.

When Bobby and the Spinners came in that Tuesday, I played piano and sang Phil's words.

Once he was set, I worked with the rest of the Spinners. I sang each of the background notes I wanted them to sing, and they tried them out. Before they left, I recorded each Spinner singing his part and gave them each a tape.

They had just come off the road and were heading home to Detroit for two weeks to rest. By practicing their parts at home, we'd save time and money when they came back to record.

When the Spinners left, I began writing and arranging the basic rhythm-track arrangement.

On the intro, I had Norman Harris open with three notes using oc-

The Spinners, from left to right: Henry Fambrough, Bobby Smith, Billy Henderson, Pervis Jackson and Philippe Wynne

taves on his guitar resolving in an E major 7 chord. Then I answered his line with three chords on the Clavinet, which sounds like an electrified harpsichord.

I wanted the Spinners to record more uptempo dance stuff, so I had Earl emphasize the second and fourth beats. The flavor he came up with was fantastic. It became the start of the Philly dance beat that was adapted for many disco hits that followed.

Earl Young: As a session drummer, I played grooves. My job was to come up with a beat that made the lead vocalist want to sing, so you could hear that energy and excitement in his voice.

On "I'll Be Around," I created a medium-tempo dance beat. I hit the snare and floor tom-tom at the same time on the second and fourth beats to give them a fatter sound.

Meanwhile, I played what I call my "Indian beat" on the bass drum—two hits on the first beat and a one hit on the second, repeating the pattern on the third and fourth beats. This gave the song its groove.

Mr. Bell: When the Spinners came in to record, they put on headphones and added their vocals to the rhythm track. Once the vocal track was combined with the rhythm track, it was time to overdub the horns.

After I recorded their parts, Don Renaldo and his strings overdubbed my "sweetening" arrangement. Then I overdubbed myself playing tambourine on the second and fourth beats to add a little shimmer.

I also added female background vocals. The Spinners were great, but they had low voices. The song needed a greater vocal range. I hired Barbara Ingram, Evette Benton and Carla Benson. They were students at Glassboro State College in New Jersey. I found them through my first wife, who was best friends with Barbara's big sister.

By the end of the year, with "I'll Be Around" a hit, Atlantic had me produce the rest of the tracks for "Spinners," the group's first album for the label, released in April 1973.

In November '72, I saw Vince Montana at one of my recording sessions. Hey, remember that three-chord song you said I couldn't write? 'I'll Be Around' is #1 on the R&B chart and #3 on the pop side."

Vince looked down, shook his head and just laughed. Hey, if Vince hadn't challenged me that day, I probably never would have written that song.

ART

GAUGUIN'S MULTIMEDIA ADVENTURE

BY SUSAN DELSON

PROPELLED by what he called his "terrible itch for the unknown," Paul Gauguin frequently traveled far from the art world of Paris: to France's Breton coast, Panama, the Caribbean island of Martinique, Tahiti and beyond. He also liked to cross creative boundaries, experimenting with woodcarving, ceramics and other media commonly thought of as mere "crafts."

The new show "Gauguin: Artist as Alchemist" explores this less familiar side of the great painter's story, showing how his work in more mundane art forms influenced his most important breakthroughs on canvas.

Opening June 25 at the Art Institute of Chicago, the 240-work exhibition takes a loosely chronological approach, grouping the art by theme and location. Focusing on the moments when the onetime stockbroker was working most furiously in multiple media, the show deliberately bypasses points when Gauguin (1848-1903) worked exclusively on painting—leaving out, for instance, the tumultuous few weeks in 1888 that he spent with Vincent van Gogh in the south of France.

Instead, the exhibition delves deeply into Gauguin's prints, ceramics, furniture, wood sculptures and bas-reliefs, as both personal expression and creative fuel. By the time he made his first trip to Tahiti in

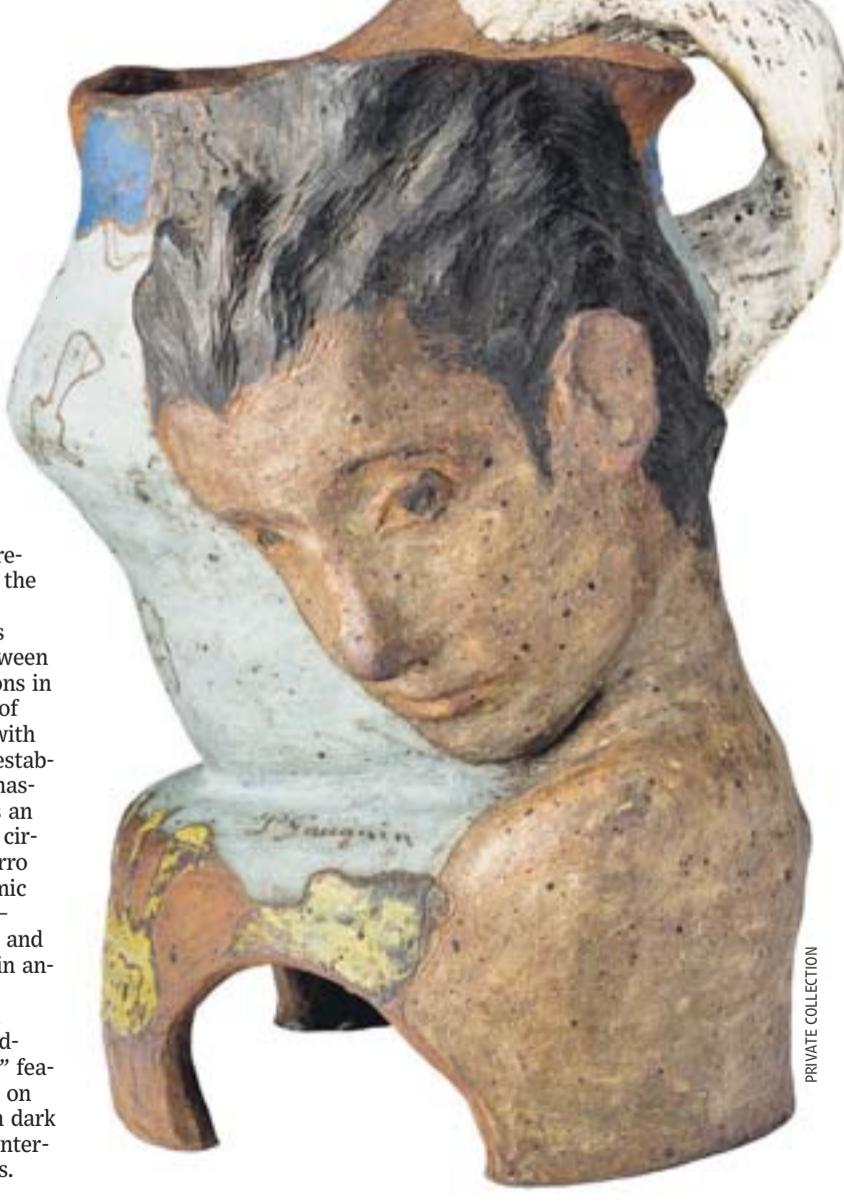
1891, "his toolbox is set," artistically speaking, said Gloria Groom, co-curator of the show and chairwoman of the museum's European painting and sculpture department. "He knows what he's doing and how to do it."

How Gauguin acquired that sure-handed grasp of his own art is the focus of the show's first half.

One early grouping of works draws a strong connection between Gauguin's late-1880s explorations in ceramics and his 1888 "Vision of the Sermon (Jacob Wrestling with the Angel)," the painting that established him as an avant-garde master. Gauguin had started out as an impressionist, falling in with a circle that included Camille Pissarro and Edgar Degas. But his ceramic experiments of the late 1880s—marked by deeply incised lines and solid blocks of color—pointed in another direction.

Depicting a crowd of Breton women in their traditional head-dresses, "Vision of the Sermon" features blocks of color like those on his ceramics, boldly outlined in dark blue. "There are these almost interlocking zones of color," said Ms. Groom.

Made around the same time, "Vase in the Form of Leda and the Swan" (1887-88) displays a similar color-block-and-outline style. The vase, said Ms. Groom, may be seen as "literally a painting in the round." Gauguin soon did a watercolor depicting the vase from dif-



PRIVATE COLLECTION

ferent angles and a year or so later made a print on the same theme, created as a design for a ceramic plate.

The desolate girl, head in hands, depicted in the 1888 painting "The Wine Harvest (Human Misery)" ap-

pears in a watercolor-and-pastel drawing and a print all made the following year. A decade later she's the centerpiece of "Human Miseries, From the Suite of Late Wood-Block Prints," made in Tahiti in 1898-99. All of these works are in

GAUGUIN'S 'Vase in the Form of Leda and the Swan' (1887-88) will be on view in Chicago.

the exhibition.

Drawn to non-European cultures—and implausibly claiming Peruvian Indian heritage through his French-Peruvian mother's aristocratic forebears—Gauguin positioned himself as both civilized and savage, sophisticated and crude. His search for an uncorrupted paradise led him to Panama and Martinique in the late 1880s and to Tahiti in 1891, where he spent two years before returning to France in 1893.

In Paris, Gauguin worked on "Noa Noa," his memoir of Tahiti for which he made a suite of woodblock prints. Experimenting with inks, wax, resin and solvents on different colors and types of paper, he repeatedly printed the 10 "Noa Noa" woodblocks as he continued carving them, producing different effects each time. Figures from his 1894 painting "Mahana no atua (Day of the God)"—one of his best-known works—appear and reappear in the prints.

Despite his intense and innovative output, Gauguin did not experience great success in Paris. Barely two years after he left Tahiti, he went back in 1895, determined "to see no one but savages, to live their life." In Tahiti—and in the more remote Marquesas Islands, where he moved in 1901—Gauguin's art took on a decorative aspect, in which he conceived individual works as related elements in an immersive art environment.

The artist died in the Marquesas in 1903 of causes variously suggested as syphilis, a heart attack and an overdose of laudanum. The exhibition closes with five wood bas-relief panels carved for the entrance to his home there, which he dubbed the House of Pleasure. "Be Mysterious," one panel instructs. "Be in Love and You Will Be Happy," reads another. In media both grand and modest, Gauguin tried to be all of these things.

OPINION

REVIEW & OUTLOOK

Robert Mueller's Mission

That didn't take long. Barely a week after James Comey admitted leaking a memo to tee up a special counsel against Donald Trump, multiple news reports based on leaks confirm that special counsel Robert Mueller is investigating the President for obstruction of justice. You don't have to be a Trump partisan to have concerns about where all of this headed.

President Trump reportedly stepped back last week from his temptation to fire Mr. Mueller, and that's the right decision. The chief executive has the constitutional power to fire a special counsel through the chain of command at the Justice Department, but doing so would be a political debacle by suggesting he has something to hide.

Deputy Attorney General Rod Rosenstein, who appointed Mr. Mueller, would surely resign, and other officials might resign as well until someone at Justice fulfilled Mr. Trump's orders. The President's opponents would think it's Christmas. The dismissal would put the President's political allies in a terrible spot and further distract from what are make-or-break months for his agenda on Capitol Hill. His tweets attacking the probe are also counterproductive, but by now we know he won't stop.

* * *

There are nonetheless good reasons to raise questions about Mr. Mueller's investigation, and those concerns are growing as we learn more about his close ties to Mr. Comey, some of his previous behavior, and the people he has hired for his special-counsel staff. The country needs a fair investigation of the facts, not a vendetta to take down Mr. Trump or vindicate the tribe of career prosecutors and FBI agents to which Messrs. Mueller and Comey belong.

Start with the fact that Mr. Comey told the Senate earlier this month that he asked a buddy to leak his memo about Mr. Trump specifically "because I thought that might prompt the appointment of a special counsel." Did Mr. Comey then suggest Mr. Mueller's name to Mr. Rosenstein? He certainly praised Mr. Mueller to the skies at his Senate hearing.

The two former FBI directors are longtime friends who share a similar personal righteousness. Mr. Mueller, then running the FBI, joined Mr. Comey, then Deputy Attorney General, in threatening to resign in 2004 over George W. Bush's antiterror wiretaps.

Less well known is how Mr. Mueller resisted direction from the White House in 2006 after he sent agents with a warrant to search then Democratic Rep. William Jefferson's congressional office on a Saturday night without seeking legislative-branch permission. The unprecedented raid failed to distinguish between documents relevant to corruption and those that were part of legislative deliberation. GOP Speaker Dennis Hastert rightly objected to this as an executive violation of the separation of powers and took his concerns to Mr. Bush.

The President asked his chief of staff, Joshua Bolten, to ask Mr. Mueller to return the Jefferson documents that he could seek again through regular channels, but the FBI chief refused. Attorney General Alberto Gonzales was also unable to move the FBI director. When Mr. Bolten asked again, Mr. Mueller said he wouldn't tolerate political interference in a criminal probe, as if the Republican Mr. Bush was trying to protect a corrupt Democrat. Mr. Mueller threatened to resign, and the dispute was settled only after Mr. Bush ordered the seized documents sealed for 45 days until Congress and Mr. Mueller could work out a compromise.

The D.C. Circuit Court of Appeals later ruled that the FBI raid had violated the Constitution's Speech or Debate Clause and Mr. Jefferson's "non-disclosure privilege" as a Member of Congress, though the court let Justice keep the documents citing Supreme Court precedent on the exclusionary rule for collecting evidence.

Helmut Kohl

Among the many leaders who shaped modern Europe, few have been as consequential as Helmut Kohl, who died Friday at age 87. He saw his country through the death of the Cold War and the birth of a reunited Germany at the center of a more deeply integrated European Union.

Born in 1930, Kohl came of age amid the furies of a nihilistic German nationalism and then amid the wreckage of its defeat. He was compelled to join the Hitler Youth, as were all boys in that era, but was part of the first generation of Germany's postwar leaders too young to have fought in the conflict. His parents instilled in him a devout Catholicism that shaped his later political outlook.

He entered politics in the Christian Democratic Union, which with its Bavarian sister party the CSU became Germany's main center-right party. He rose to the Chancellorship of West Germany in 1982, a position he would hold for a postwar record of 16 years.

He took power after years of Social-Democratic *Ostpolitik*, or engagement with East Germany, and when the anticommunism of Ronald Reagan, Margaret Thatcher and Pope John Paul II still faced considerable skepticism among putative foreign-policy experts. One of Kohl's early contributions was to defend plans to deploy Pershing II missiles in West Germany against fierce protests across Europe.

His vision shaped post-Cold War Europe for the better.

Kohl also built on the work of his predecessors in reconciling Germany with the rest of Europe. His friendship with French President François Mitterrand was legendary, and that proved crucial in persuading other European leaders to accept a reunified Germany after the Berlin Wall fell in 1989.

That reunification—and the creation of the euro, which Kohl accepted as its price—remains controversial. Economists are right that the euro and many economic-policy decisions governing reunification created challenges that still dog the EU. Kohl was right that peaceful German integration was worth the price.

Europe's first tasks after 1989 were political, not economic: to welcome the formerly subjugated people of Eastern Europe back into Western civilization, and to find a way for Germany to be a nation again without being a threat. Kohl, driven by his commitment to European unity, aided both projects with his policy of rapid reunification and the euro. The result was a Continent that weathered the collapse of a malign neighboring superpower while remaining at peace with itself.

Historians will remember that achievement more than the commonplace political scandals that engulfed Kohl later in his long career. Rarely does a leader change his nation as dramatically for the better as Helmut Kohl did.

We relate all this because it shows how Mr. Mueller let his prosecutorial willfulness interfere with proper constitutional and executive-branch procedure. This showed bad judgment. He shares this habit with Mr. Comey.

* * *

Meanwhile, Mr. Mueller's staff appointments suggest that he is preparing for a long prosecutorial campaign. One unusual choice is Michael Dreeben, a highly regarded Deputy Solicitor General whose expertise is criminal law and the Constitution. He is not a prosecutor or counterintelligence expert. Is Mr. Dreeben on hand to make a legal case for impeachment?

The special counsel has also recruited Andrew Weissmann, who oversaw the Enron Task Force and led the prosecution of the Arthur Andersen accounting firm. The Supreme Court unanimously overturned Andersen's conviction, though too late for Andersen's 28,000 U.S. employees.

Mr. Weissmann has donated to Hillary Clinton's political campaign, but more relevant for this case he was highly criticized for his legal conduct over the years by the New York Observer newspaper. "In Andrew Weissmann, The DOJ Makes a Stunningly Bad Choice for Crucial Role," said one headline in January 2015. The owner of the Observer at the time? Jared Kushner, Mr. Trump's son-in-law and now a White House aide.

With that history, can Mr. Weissmann fairly judge the actions of the Trump family and campaign? And knowing that history, why would Mr. Mueller choose Mr. Weissmann for his prosecutorial team when the appearance of fairness is crucial to public acceptance of the result?

As it happens, the Washington Post reported in its second big story last week that Mr. Mueller "is investigating the finances and business dealings of Jared Kushner." A fair question is whether Mr. Weissmann is another Patrick Fitzgerald who won't stop until he nails someone in this probe.

* * *

Mr. Mueller is widely admired and no one questions his personal integrity, but we raise these issues because the stakes for American democracy are so high. As we've said from the beginning, Russian meddling in U.S. elections is a serious matter and Americans need to know what happened. If Mr. Trump or key associates canoodled with the Russians to steal an election, then he must face the likely consequence of impeachment.

But the public has seen no such evidence, and the FBI has been looking for months. Instead we have leaks that the special counsel whose friend was fired by Mr. Trump is focusing on obstruction of an investigation into an underlying crime that so far doesn't exist. In Watergate at least there was a third-rate burglary.

Much of Washington clearly views Mr. Mueller as their agent to rid the country of a President they despise. Every political and social incentive in that city will press Mr. Mueller to oblige. But you cannot topple a duly elected President based merely on innuendo or partisan distaste without doing great harm to democracy.

Richard Nixon's road to resignation was painful but the facts were clear enough at the end that most Americans accepted the result. The country deserves no less concerning Donald Trump, no matter his character flaws. Mr. Mueller and his team of zealous prosecutors have a duty to bring a case based only on solid and conclusive evidence. Otherwise close the case with dispatch and move on.

American politics is divisive and dysfunctional as it is. Imagine what it will be like if millions of Americans conclude that a presidential election is being overturned by an elite consensus across the vast ideological and cultural divide running all the way from the New York Times to the Washington Post.

Amazon Will Free You From the Minivan



BUSINESS WORLD
By Holman W. Jenkins, Jr.

Amazon's announcement on Friday that it is purchasing the U.S. grocery chain Whole Foods for \$13.7 billion was puzzling to analysts; to the grocery industry it was unalloyed lousy news. Share prices of food retailers from Kroger and Costco to Wal-Mart dropped sharply in the moments after the news broke.

But maybe it's the car industry and its frenemy, Uber, that should really be worried.

The average American makes 1.5 trips to the grocery store a week, spending an average 53 hours a year roaming the aisles. A British survey that studied in detail the reasons for car ownership found high on the list was the need to haul otherwise unmanageable grocery loads from store to home. Some 65% said grocery shopping would be "quite" or "very" difficult without a car.

In the U.S., an even more suburban and exurban society, the same is undoubtedly true. Trips to the grocery store are second only to physically transporting oneself to school or work as a reason for car ownership, and not as easily replaced.

The British study found that even 23% of non-car owners used a car for grocery shopping. Add other food-related trips and the potential displacement is even larger. Daily trip logs kept by 7,665 Atlanta residents in 2011 showed, over a two-day period, 11,995 trips for food, 44% of which were to a store and the rest to some kind of eatery. Only 7% of these trips were made on foot.

Not that Mr. Bezos's ambition is to substitute home delivery for outside shopping. His ambition is oriented toward accelerating consumer gratification however possible. If that means delivering an item to you wherever you might be by drone, he's game. If it means setting up kiosks and lockers so you can grab in an hour what otherwise Amazon would have to ship you overnight, fine.

So what if some of this is uneconomic and effectively a loss leader? So what if free shipping encourages people to order inefficiently small numbers of items at a time? So what if lowering barriers to gratification engenders a higher-than-average incidence of buyer's remorse and elevated product returns?

As every Amazon Prime subscriber discovers, even with these higher costs, the great genius of Amazon's business model is to encourage us to buy more stuff and, gradually, relinquish the habit of using the web as a tool of remorseless price equalization.

The Amazon promise to shareholders is founded on softening customer resistance to buying stuff without carefully comparing prices. Don't kid yourself about this. You're ordering sparkplugs? What a pain to get up and walk five feet to see if the cat food is running out. Just order more. Is the price on Amazon.com

With his Whole Foods purchase, Jeff Bezos takes aim at groceries—and car ownership.

really a bargain even with free shipping? I guess I could Google for a comparison but why bother?

Whole Foods also built its success partly on, ahem, confusing customers about value—especially the value of the nutritionally meaningless term "natural." But it's doubtful Amazon believes now it can rescue Whole Foods' own faltering success in this regard. The chain's same-store sales have been falling for two years. To the very occasional visitor, it still attracts young affluents in puffy jackets and designer hip-tops looking for dates and picking out a dainty handful of items. But serious devotees of household logistics can now fill their carts to the brim with organic milk and free-range drumsticks at Safeway or even Wal-Mart.

Our guess is that Amazon, with \$135 billion in sales, isn't buying Whole Foods, with \$12 billion in sales, to solve a Whole Foods problem. Only 3% of grocery shopping occurs online. The hassle of getting in a car and driving to a store on a crowded Saturday (when 41 million Americans do their grocery shopping) is one large area of antigratification in our retail economy. It's an area where, despite the best efforts of retailers, consumers still are careful about price and have a schlepping motive to ask, "Do I really need this?" If this isn't a challenge the Amazon business model was born to take on, what is?

The Great War's Great Historian

By Roger Kimball

The historian David Fromkin died on June 11, a couple of months shy of his 85th birthday. I first met him over lunch in 1986, when he was working on the book that would be his magnum opus, "A Peace to End All Peace: The Fall of the Ottoman Empire and the Creation of the Modern Middle East."

That book, about how France and Britain endeavored to impose a new political dispensation on the Middle East in the aftermath of World War I, was published in 1989, to near universal commendation.

All of Fromkin's signature virtues were on display in "A Peace to End All Peace." It was the product of prodigious but lightly worn research. It was politically canny about the realities of power (Fromkin had been a student of Hans Morgenthau at the University of Chicago). And it was beautifully written. He commanded a light, allegro prose, spare but deeply evocative, clear as an Alpine spring.

"A Peace to End All Peace" was also shot through with a recurring leitmotif, at once nostalgic and admonitory. The nostalgia focused on the lost sense of innocence and amplitude that marked the decade before the outbreak of war in the summer of 1914—"Europe's Last Summer," as he put it in the title of his 2004 book.

The innocence had to do with the political easiness of the time. The opening decade of the 20th century was a time of apogees and consummations. There was a shared sense, Fromkin wrote in his book "The Independence of Nations" (1981), that Europe, finally, at last, had become civilized. Sweetness and light reigned, and would reign, forever. He quotes the historian A.J.P. Taylor: "Until August 1914, a sensible, law-abiding Englishman could pass through life and hardly notice the existence of the state.... He could live where he liked and as he liked. He had no official number or identity card."

For the most part, there were no passports. One didn't even need a business card when traveling. A personal card would do. This was an age before the income tax, before exchange controls and customs barriers. In many ways, Fromkin notes, there was more globalization than there is now.

There was also immensely more security—or so it seemed. In several of his books, Fromkin quotes a melancholy passage from the Austrian author Stefan Zweig about the decade before the Great War: "The Golden Age of Security," he called it, "Every-

thing in our almost thousand-year-old Austrian monarchy seemed based on permanency."

Except, of course, that it wasn't. The admonitory current that flows through Fromkin's writing has to do with the real permanencies in life: the intransigence of competing cultures, the unyielding imperatives of power, the awful awakenings of shattered illusions.

It is appropriate that one of his abiding passions was ancient Greek civilization—he was involved in several archaeological digs in the islands off the Turkish coast. A recurring theme in his work was the old teaching that nemesis was the inevitable result of hubris.

In politics, Fromkin was a species of Democrat that scarcely exists today. He was an unapologetic American patriot of decidedly cosmopolitan tastes. He adulated FDR and clear-eyed, disabused politicians like Scoop Jackson and Pat Moynihan. He admired much about Bill Clinton, was repelled by Mr. Clinton's wife, and regarded Barack Obama with a mixture of curiosity and revulsion (though he undoubtedly voted for him).

Unlike so many politicians of both parties today, he had the supreme political wisdom to understand that when politics becomes all-important it has failed in its primary duty: to safeguard and promote the good life.

Looking back, it seems significant that my first meeting with David should have been over lunch. Like a character in the cartoon *Tottering-by-Gently*, David was a man who never knowingly underlunched. His nostalgia for the glittering cornucopia of antebellum Europe was an expression of a gentle but thoroughgoing hedonism. When it came to food and wine, David knew the best and wanted the best. For his friends, this had the gratifying result that they, too, encountered the best.

It is one of my regrets that I didn't know David during the years that he owned a restaurant in Paris with his friend Steven Spurrier, the great wine connoisseur. I especially wish I had been on hand for the competition he organized to determine which was better, duck or goose pâté de foie gras. The details of the competition are lost in the mists of time, but I do recall that the event involved sending someone by plane and motorcycle to procure the requisite truffles in Italy. With David, there were still some glints of grandeur post-1914.

Mr. Kimball is editor and publisher of the *New Criterion* and president and publisher of *Encounter Books*.

OPINION

Rage Is All the Rage, and It's Dangerous



DECLARATIONS
By Peggy Noonan

What we are living through in America isn't only a division but a great estrangement. It's between those who support Donald Trump and those who despise him, between left and right, between the two parties, and even between the bases of those parties and their leaders in Washington.

It's between the religious and those who laugh at Your Make Believe Friend, between cultural progressives and those who wish not to have progressive ways imposed upon them. It is between the coasts and the center, between those in flyover country and those who decide what flyover will

A generation of media figures are cratering under the historical pressure of Donald Trump.

watch on television next season. It is between "I accept the court's decision" and "Bake my cake." We look down on each other, fear each other, increasingly hate each other.

Oh, to have a unifying figure, program or party.

But we don't, nor is there any immediate prospect. So, as Ben Franklin said, we'll have to hang together or we'll surely hang separately. To hang together—to continue as a country—at the very least we have to lower the political temperature. It's on all of us more than ever to assume good faith,

put our views forward with respect, even charity, and refuse to incite.

We've been failing. Here is a reason the failure is so dangerous.

In the early 1990s Roger Ailes had a talk show on the America's Talking network and invited me to talk about a concern I'd been writing about, which was old-fashioned even then: violence on TV and in the movies. Grim and graphic images, repeated depictions of murder and beatings, are bad for our kids and our culture, I argued. Depictions of violence unknowingly encourage it.

But look, Roger said, there's comedy all over TV and I don't see people running through the streets breaking into laughter. True, I said, but the problem is that, for a confluence of reasons, our country is increasingly populated by the not fully stable. They aren't excited by wit, they're excited by violence—especially unstable young men. They don't have the built-in barriers and prohibitions that those more firmly planted in the world do. That's what makes violent images dangerous and destructive. Art is art and censorship is an admission of defeat. Good judgment and a sense of responsibility are the answer.

That's what we're doing now, exciting the unstable—not only with images but with words, and on every platform. It's all too hot and revved up. Last week we had a tragedy. If we don't cool things down, we'll have more.

And was anyone surprised? Tuesday I talked with an old friend, a figure in journalism who's a pretty cool character, about the political anger all around us. He spoke of "horrible polarization." He said there's "too much hate in D.C." He mentioned "the heading, the play in the park" and described them as "dog whistles to any nut who wants to take action."

"Someone is going to get killed," he said.



GETTY IMAGE

A June 10 protest in Chicago.

That was 20 hours before the shootings in Alexandria, Va.

The gunman did the crime, he is responsible, it's fatuous to put the blame on anyone or anything else.

But we all operate within a climate and a culture. The media climate now, in both news and entertainment, is too often of a goading, insinuating resentment, a grinding, agitating antipathy.

A comic posed with a gruesome bloody facsimile of President Trump's head. New York's rightly revered Shakespeare in the Park put on a "Julius Caesar" in which the assassinated leader is made to look like the president. A CNN host—amazingly, of a show on religion—sent out a tweet calling the president a "piece of s—" who is "a stain on the presidency." An MSNBC anchor wondered, on the air, whether the president wishes to "provoke" a terrorist attack for political gain. Earlier Stephen Colbert, well known as a good man, a gentleman, said of the president, in a rant: "The only thing your mouth is good for is being Vladimir Putin's c— holster."

Those are but five dots in a larger, darker pointillist painting. You can think of more.

Too many in the mainstream media don't even bother to fake fairness and lack of bias anymore, which is bad: Even faked balance is better than none.

Yes, they have reasons. They find Mr. Trump to be a unique danger to the republic, an incipient fascist; they believe it is their patriotic duty to show opposition. They don't like his policies.

A friend suggested recently that they hate him also because he's in their business, show business. Who is he to be president? He's not more talented. And yet as soon as his presidency is over he'll get another reality show.

And there's something else. Here I want to note the words spoken by Kathy Griffin, the holder of the severed head. In a tearful news conference she said of the president, "He broke me." She was roundly mocked for this. *Oh, the big bad president's supporters were mean to you after*

you held up his bloody effigy. But she was exactly right. He did break her. He robbed her of her sense of restraint and limits, of her judgment. He broke her, but not in the way she thinks, and he is breaking more than her.

We have been seeing a generation of media figures cratering under the historical pressure of Donald Trump. He really is powerful.

They're losing their heads. Now would be a good time to regain them.

They have been making the whole political scene lower, grubbier. They are showing the young what otherwise estimable adults do under pressure, which is lose their equilibrium, their knowledge of themselves as public figures, as therefore examples—tone setters. They're paid a lot of money and have famous faces and get the best seat, and the big thing they're supposed to do in return is not be a slob. Not make it worse.

By indulging their and their audience's rage, they spread the rage. They celebrate themselves as brave for this. They stood up to the man, they spoke truth to power. But what courage, really, does that take? Their audiences love it. Their bosses love it. Their numbers go up. They get a better contract. This isn't brave.

If these were only one-offs, they'd hardly be worth comment, but these things build on each other. Rage and sanctimony always spread like a virus and become stronger with each iteration.

And it's no good, no excuse, to say Trump did it first. Your response to his low character is to lower your own character? He talks bad so you do? You let him destabilize you like this? You are making a testimony to his power.

So many of our media figures need at this point to be reminded: You belong to something. It's called: us.

Do your part, take it down some notches, cool it. We have responsibilities to each other.

Four Principles for Replacing Dodd-Frank

By Charles W. Calomiris

The effort to repeal the 2010 Dodd-Frank Act and reform American financial regulation seems to be losing traction. Although the House voted 233-186 earlier this month to pass Rep. Jeb Hensarling's ambitious and substantive Financial Choice Act, it is unlikely to come to a vote in the Senate soon.

The Treasury last week released the first installment of its own blueprint for reform, another good step. But the urgency of action has been lost as the Trump administration struggles to find its footing on tax cuts, health care and the budget.

Delay is damaging. Financial regulation since 2009 has been a trifecta of failure: It hasn't achieved its stated objectives, yet it has imposed enormous costs on banks and the economy, while creating Kafka-esque procedures that deform democracy by undermining the rule of law. Consider a few examples:

• The 2009 CARD Act sought to protect risky credit-card borrowers from high bank charges. Instead the law has pushed these borrowers into the shadow consumer-finance system.

• Dodd-Frank was supposed to limit mortgage risk through standards for qualified mortgages and qualified residential mortgages. But these requirements have been ineffectual because mortgage transactions by Fannie Mae and Freddie Mac are exempt. Even Barney Frank has publicly recognized the problem. In 2015 he said that regulators had "let the loophole eat up the rule." As a result of relaxed underwriting standards at Fannie and Freddie, mortgage risk has been rising steadily for the past four years.

• Title II of Dodd-Frank was advertised as a way to prevent bailouts of too-big-to-fail banks by offering them a means of orderly liquidation. But it is unworkable and won't produce neat resolution in practice. The path of least resistance remains bailouts, the procedures for which were codified by Dodd-Frank.

• The Durbin Amendment, which limited debit-card fees, failed to help

consumers because banks simply raised other fees. The share of banks offering free checking accounts fell to 37% in 2015 from 75% before Dodd-Frank.

• Dodd-Frank's Financial Stability Oversight Council was supposed to establish a credible means for measuring or controlling systemic risk, but it has failed to do so. The FSOC's one high-profile foray into so-called macroprudential policy was to limit banks' leveraged lending—an initiative designed to deprive private-equity firms of certain types of loans. This was completely ineffectual, since leveraged lending by shadow banks increased dollar-for-dollar.

• Dodd-Frank and its implementing rules have increased banks' minimum capital ratios, but there is little reason to believe that today's prudential regulations will prove more reliable during the next crisis than they were in the last one. Recall that Citigroup's regulatory Basel capital ratio was 12% at the end of 2008. The current goal seems to be to make all banks just as sound as Citi was at that time.

Despite these regulations' ineffectiveness, the compliance costs paid by customers and stockholders are large. Small banks face high regulatory overhead as a fraction of assets—so much so that virtually no new banks have been started since Dodd-Frank was passed. Midsize banks often avoid profitable growth or acquisitions because they want to avoid an increased regulatory burden. Large banks bear unique compliance costs, such as stress testing based on highly questionable criteria, which probably does little to limit systemic risk but crimps the credit supply.

Even more troubling is the adoption of processes inconsistent with the rule of law. Regulators increasingly issue "guidance" rather than go through formal rule making, with little regard for predictability, transparency or accountability. The criteria employed in stress testing are secret and therefore unaccountable. The standards for considering which nonbanks present a systemic threat are arbitrary.

The Consumer Financial Protection

Bureau's new outcome-based theories of lending discrimination are radical. The very structure of the CFPB, as a three-judge panel at the U.S. Circuit Court of Appeals for the District of

First, address incentives: Banks want to avoid costs and regulators tend toward the politically expedient.

Columbia ruled last fall, "violated bedrock due process principles" by giving the bureau's director "more unilateral authority than any other officer in any of the three branches of the U.S. government, other than the president."

With unchecked power comes predictable abuse. For instance, in "Operation Choke Point," the Obama administration, working through financial regulators, warned banks against do-

ing business with industries that the government deemed undesirable—gun dealers, tobacco purveyors and payday lenders, among others.

Why did Dodd-Frank and the rest of the crisis-induced rules fail? Because they didn't recognize the core principles of successful regulation. I would emphasize four:

First, effective regulation must address incentives. Banks and financial firms want to avoid regulatory costs. Regulators tend toward what's politically expedient. Good rules take this into account. For instance, using market-based measures of risk and capital alongside accounting measures would make regulatory arbitrage less likely.

Second, consumer protections should help people make informed choices instead of attempting to dictate choices with prohibitive rules.

Third, macroprudential policy should focus first and foremost on real-estate risk, especially where subsidized and promoted by the govern-

ment. The primary threat to financial stability remains subsidized risk-taking in the mortgage market, which is growing again to worrying levels.

Fourth, regulation should conform to the rule of law—which means ending the reliance on "guidance" and the delegation of excessive discretionary authority to politicized actors such as the FSOC and the CFPB. Financial rules and their enforcement must be transparent, so that regulators are accountable to the public.

The Financial Choice Act is a good start, but there's no time to waste. The longer the Senate waits to take up Mr. Hensarling's bill, the more harm the current regulations will do to America's financial system, the economy and the rule of law.

Mr. Calomiris, a professor of finance at Columbia Business School, is the author of "Reforming Financial Regulation After Dodd-Frank," out last month from the Manhattan Institute.

Time Is Running Out for Nafta

By Carlos Pascual

When the Trump administration notified U.S. Congress last month that it plans to renegotiate the North American Free Trade Agreement, it started a process that could drag on for years. But there's a huge potential obstacle: the Mexican and American political calendars. U.S. trade negotiators should aim for a fast and favorable outcome, but they also need to prepare for the possibility of negotiating with an increasingly hostile southern neighbor.

Mexico will elect a new president and Congress in July 2018. U.S. midterm elections will take place the following November. Starting early next year, domestic electoral politics in both countries likely will pre-empt consensus on a trade agreement. If Nafta isn't renegotiated by the end of 2017, meaningful talks almost certainly will be deferred to 2019.

Mexico's populism-driven presidential race appears set to be focused on corruption and security. Andrés Manuel López Obrador's left-populist Movement of National Regeneration leads in the polls. President Enrique Peña Nieto's center-left Institutional Revolutionary Party and the center-right National Action Party also have significant support, though independents and other parties further split the field.

It's possible Mexico's next president will win with 30% of the vote and a minority of seats in the legislature. Mr. López Obrador's vocal criticism of the U.S., free markets and trade suggests his victory would make any renegotiation difficult.

When Candidate Trump first denounced Nafta, many Mexicans naturally panicked. That fear has since dissipated. Around 80% of Mexico's exports go to the U.S., according to the Congressional Research Service. Mexico is the second-largest recipient of U.S. exports and the third-largest

importer of U.S. agricultural products, data from the Office of the U.S. Trade Representative show.

Mexican entrepreneurs won't accept just any deal. They want one that serves their country's long-term interests. The U.S. states that export the most to Mexico—California, Illinois, Michigan and Texas—also carry huge political weight. Mexican leaders understand that if U.S. exports don't find a home in Mexico, they will have an even harder time finding other markets, especially in Asia.

Trade politics are equally complex in the U.S. Antiglobalization sentiment remains fervent in many quarters of the left and right. The U.S. could threaten tariffs to block Mexican exports, but this would directly hurt U.S. companies and workers.

Consider the automobile industry. Prohibitive U.S. tariffs on Mexican-made automobiles would undermine the American companies that export car parts to Mexican assembly plants.

The energy market further underscores how interlinked the two economies have grown. As of 2016, the U.S. exports more refined-fuel products and natural gas to Mexico than to any other country, according to the U.S. Energy Information Administration. With global fuel markets saturated, the U.S. needs Mexico's energy consumers, and Mexico needs U.S. fuel.

Trade laws further complicate the timeline for renegotiation. Formal talks can begin only when the U.S. completes legislatively required congressional consultations in mid-August. Once Nafta is renegotiated, the Trump administration must report to Congress on proposed "trade remedies" 180 days before signing the agreement. If negotiations close by the end of 2017, the earliest signing date would be July 1, 2018. That very same day Mexico elects a new president. On July 1, the president's fast-track trade promotion authority will

expire. If Congress doesn't extend that authority beforehand, lawmakers could enact myriad amendments.

If the Trump administration wants to negotiate with the current Mexican government, it has five months to complete talks. The president will also have to persuade Congress to extend his trade promotion authority. On Mexico's side, Mr. Peña Nieto would have to convene an extraordinary session of Mexico's Congress before he leaves office to ratify the agreement—or his successor could scrap it.

If Mexico ratifies the new agreement, U.S. Congress can approve it in 2019. But if lawmakers in Washington balk, negotiations will start anew in 2019 with the new Mexican government, or the agreement could collapse entirely. And then there's Canada, which could hold elections in October 2019, another potential complication.

The entire process is fraught with risk that could damage the continent's global economic prospects. If the U.S., Mexico and Canada instead want stability, they should agree from the outset to a "standstill" that honors Nafta's terms while they negotiate. The alternative, a retaliatory trade war, would rob all the parties of markets, efficiencies and exports. China would love nothing better.

Despite all these risks, quickly ratifying an amended agreement could provide a positive outcome for all three countries. The current Mexican administration has little to lose from a good deal that mitigates economic risk. Canada has everything to gain. For the U.S., an interim outcome eliminates uncertainty about a future Mexican negotiating counterpart.

Playing the short game is worth it. Too bad a gloomier outcome appears more likely.

Mr. Pascual, a senior vice president at the consulting firm IHS, served as U.S. ambassador to Mexico (2009-11) and Ukraine (2000-03).

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THE WALL STREET JOURNAL.

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Euro vs. Dollar 1.1192 ▲ 0.41%

FTSE 100 7463.54 ▲ 0.60%

Gold 1254.00 ▲ 0.14%

WTI crude 44.74 ▲ 0.63%

German Bund yield 0.276%

10-Year Treasury yield 2.157%

Markets Point to Worry Over U.K.

By JON SINDREU

In Britain, disappointing economic data and an inconclusive election have stoked investors' concerns about the country and its divorce from the European Union.

The U.K. is fast becoming one of global investors' least favorite places to put money.

Last week, domestically focused shares sold off after British retailers posted their slowest sales growth in almost four months for May. Meanwhile, accelerating inflation and slow wage growth are eroding spending power for the consumer.

The FTSE 250 index of mid-size British companies fell 2.1% Thursday, its worst day this year. Though the index

recovered Friday, fund managers said the stumble was a warning shot.

"I think U.K. equities are going to have a tough time over the next few years, specifically the retail side," said Seema Shah, global investment strategist at Principal Global Investors, a manager of \$620 billion in assets.

Meanwhile, money flowed out of U.K. funds for the eighth week in a row, figures from fund tracker EPFR Global showed Friday, with a net redemption of \$563 million. A survey by Bank of America Merrill Lynch published earlier in the week showed that the U.K. remains the least popular market for European investors. On Monday, the U.K. will begin negotiations to exit from

the EU, a process many investors believe will be bad for its economy and which may have been complicated by Prime Minister Theresa May's loss of her parliamentary majority in this month's election.

Cash flowed out of U.K. funds for the eighth week in a row; Brexit talks will start.

To be sure, many economists predicted a recession in 2016 if Britons voted to leave the EU, and this hasn't happened. Economic growth has accelerated.

But the economy's reliance

on consumers spending almost all their earnings long predates Brexit and isn't diminishing. Consumer spending is responsible for 65% of the U.K. economy against an average of 55% over the EU, according to the Organization for Economic Cooperation and Development. And British consumers are sitting on large debts, raising further questions about their continued ability to power the economy.

During the fourth quarter of last year, U.K. households saved only 3.3% of their income, the lowest proportion since official records started in 1963. And household debt compared to income, while below where it was in 2008 before the financial crisis, is predicted to grow faster over the

next five years than expected by the Office for Budget Responsibility, the U.K.'s independent fiscal watchdog.

That is hurting stocks reliant on the British consumer. Measured in U.S. dollars, the FTSE Local U.K. index, which tracks U.K.-exposed shares, has fallen 14% since the Brexit referendum in June last year.

On Friday, sterling was trading at around \$1.28, down 15% since the Brexit vote. This has made things worse for consumers, because higher import costs push up prices.

In May, the annual rate of inflation was 2.7%, above the Bank of England's 2% target.

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IBM chief Ginni Rometty in Washington earlier this year.

Trump To Meet Business Leaders

By VANESSA FUHRMANS AND PETER NICHOLAS

When tech-industry executives gather at the White House on Monday, brainstorming ways to modernize government will be on the agenda. But on display will be President Donald Trump's evolving relationship with America's corporate chieftains.

Some 300 business leaders have met with Mr. Trump since he took office promising the U.S.'s top executives a direct line to the Oval Office and a chance to shape economic policy. The discussions have helped the president project an image of CEO-in-chief as he awaits a major legislative victory and have given CEOs a voice in initiatives like the administration's push to expand apprenticeship programs.

But corporate leaders are learning about the limits of their clout. Hopes for an overhaul of the corporate-tax code this year are fading, some executives and corporate lobbyists say, as the White House and lawmakers struggle to reach consensus on a plan that could get through Congress. Mr. Trump's move to quit the Paris climate accord has been a stinging lesson for some that White House face time doesn't always translate into influence.

Dozens of business leaders urged the president publicly and privately to keep the U.S. in the climate agreement; many were taken aback when he rejected their pro-business case for upholding the deal, people involved in the lobbying effort say.

Even Ivanka Trump, the president's elder daughter and one of his senior advisers, bet CEOs could sway her father. According to people familiar with the effort, she appealed to Dow Chemical Co. head Andrew Liveris and Apple Inc. chief Tim Cook to make the case directly to the president.

Monday's meeting, five months into Mr. Trump's presidency, is shaping up as a gauge of the value of these sessions to business leaders. Some, including International Business Machines Corp. CEO Ginni Rometty and Apple's Mr. Cook, have faced public or employee pressure not to attend such meetings.

Tanya Meek, a partner at Please see CEO page B4



WIL RIERA/BLOOMBERG NEWS

Widespread hunger and street protests are unfolding under the authoritarian Maduro government. A Caracas bread line in March.

Venezuela Poses Investor Dilemma

Humanitarian crisis prompts portfolio managers to weigh impact of holding on to nation's bonds

By MATT WIRZ AND CAROLYN CUI

Richard House invested in Venezuelan bonds for decades, but the head of emerging-markets debt at Standard Life Investments had a change of heart last year.

Facing plunging oil revenue and dwindling dollar reserves, the Venezuelan government has been squeezing imports of daily necessities, including food and medicine, to make debt payments. Those decisions helped prompt him to sell all his Venezuelan bonds.

"Personally, it's not the policy I would be choosing at this time," Mr. House said. "It feels

very uncomfortable...on many levels."

A crisis of conscience is rippling through emerging markets, where portfolio managers are asking: Dare we hold on to Venezuelan bonds, let alone buy new ones, knowing that the authoritarian government of President Nicolás Maduro is choosing to pay lenders rather than feed its people?

After borrowing tens of billions from global investors in recent years, the country is spiraling into a humanitarian crisis. Venezuela's \$56 billion of outstanding debt makes up 3.5% of a widely followed emerging-market debt bench-

mark. Adding to the dilemma for investors, the 24% yield on some Venezuela bonds places them among the highest-yielding investments in the sector, and the debt has been one of the biggest winners on Wall Street over the past year.

While other countries, such as Turkey, also have poor human-rights records, the street protests and widespread hunger that are unfolding in Venezuela, the third-largest oil supplier to the U.S., feel more acute for many U.S. investors.

"In my memory, there's never been this kind of case for the emerging bond markets," said Mohamed El-Erian, a founding figure in the mar-

ket who is now chief economist for Allianz Group.

The issue came to the fore in recent weeks when The Wall Street Journal reported that Goldman Sachs Group Inc.'s investment arm bought bonds held by the country's central bank and that the government is trying to sell \$5 billion more debt, at a steep discount.

The integration of socially responsible rules into investment decisions has been around in stock funds for decades, but it is virtually absent in the bond world.

The last great divestment controversy—South Africa un-

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Egg Riddle Puzzles Chicken Business

By JACOB BUNGE

The U.S. meat industry is striving to crack a conundrum: why fewer eggs are hatching chicks.

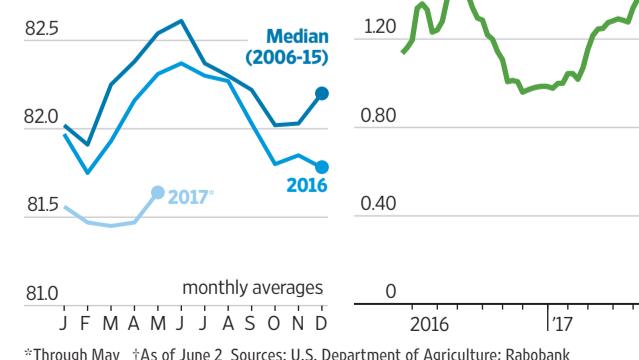
Over the first five months of the year, the percentage of eggs hatching broiler chickens, raised for their meat, fell to its lowest level in over a decade. That is a big problem for companies in an industry that requires about 750 million new chickens each month to raise, slaughter and process into wings, breasts and drumsticks.

"This is pretty out of the ordinary," said Will Sawyer, animal-protein analyst at Rabobank. As to the cause, he said, "I don't think anybody has the for-sure answer."

The chicken sector's decadeslong effort to make chickens grow at rapid speeds has never helped fertility. But industry officials point to a confluence of factors behind this year's decline. Some say new varieties of fast-growing breeder chickens are overeating

Crack Down

As the percentage of chicken eggs that have successfully hatched has declined, wholesale chicken meat prices have climbed.



and growing too top-heavy to effectively procreate in the first place. The breeding flock also might be growing older overall, reducing fertility. El-

derly chickens' libidos also tend to wane, breeders and academics say.

The situation affects both poultry companies and con-

sumers. At current prices, a 1% decline in the percentage of eggs that hatch of those set in incubators translates to about \$121 million in lost sales for the poultry industry over the first five months of 2017, according to analysts' estimates.

For retailers, restaurants and consumers, fewer hatching eggs—together with rising meat exports and strong consumer demand—have contributed to higher prices. Wholesale prices for boneless breast meat have surged 68%, while consumer prices have climbed 3%, according to data from the U.S. Department of Agriculture and Bureau of Labor Statistics. Grocery stores tend to operate on six- to 12-month supply contracts for poultry, suggesting that consumer prices could rise further.

The companies that dominate the \$60 billion U.S. chicken industry, including Tyson Foods Inc., Pilgrim's Pride Corp., Perdue Farms Inc. and Sanderson Farms

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Fewer hatching eggs have contributed to a rise in meat prices.

EGGS

Continued from the prior page

Inc. rely on a tightly managed network of breeding farms and industrial-scale incubators. They place about 180 million baby chicks each week onto farms to raise roughly nine million birds annually.

The parents of those chickens are supplied by breeding companies, which have mapped the chicken's DNA to help choose birds that gain weight rapidly, while consuming the least possible amount of feed. Modern broiler chickens can swell to 2.8 kilograms in about seven weeks, growing to be twice as large as the birds' ancestors.

"These birds can grow to become big ol' couch potatoes," said Phil Stayer, corporate veterinarian for Mississippi-based Sanderson Farms.

Fertility challenges accompanying rapid growth might have contributed to an average 81.52% of eggs placed into incubators successfully hatching during the first five months of this year, the lowest such stretch since early 2007, according to Rabobank estimates. It ranged nearly 1 percentage point below the average of the previous five years.

Aside from possible problems stemming from overeating and age, some industry officials pin part of the egg-hatching decline on new breeding chickens. For instance, Alabama-based Aviagen Inc. over the past two years has been introducing new birds that now make up nearly half the U.S. market in broiler-chicken breeding birds,

according to industry estimates. Tyson, which maintains a breeding subsidiary, also has been introducing a new breeding rooster.

Figuring out how to manage any new breeder bird can be tricky. Underfeeding hens and roosters can reduce fertility. But gaining too much weight can make them lazy, with sore feet and legs, said Dr. Keith Bramwell, a poultry specialist at the University of Arkansas.

"Unfortunately, if you let breeders grow to their potential, they will be horrible breeders," said Mr. Bramwell, who works with poultry companies on their breeding flocks. Feed components, including calorie levels, are being fine-tuned to keep the birds from growing too thin or fat to procreate at the levels poultry executives expect.

An Aviagen spokeswoman didn't respond to requests for comment. A Tyson spokesman said the company's egg-hatching is in line with expectations for its breeds.

Breeding specialists also have been experimenting with male-to-female ratios. Typically there is one rooster for every 10 hens, but if a new male variety proves unusually assertive, fewer are needed.

Producers' zest to capture robust poultry profits has also meant keeping some breeder hens in production longer than usual, to help produce as many baby chicks as possible, industry officials said. As chickens age, a lower percentage of their eggs tend to hatch successfully.

Mr. Bramwell said an infusion of younger, 25-week-old males can boost older rivals' reproductive zeal. He said: "That seems to motivate those older males."

peak of 1.5% in January.

On Thursday, three out of the Bank of England's eight rate setters voted to increase interest rates, surprising investors who expected a less hawkish stance. But yields edged up only a little and closed the week at 1.017%. Investors typically sell bonds when they believe there is a chance rates will rise. Bond yields move opposite to prices.

Jim Leaviss, a fund manager at M&G Investments, which manages £265 billion (\$338 billion), said he believes investors have been buying gilts precisely because they have been anticipating U.K. consumers' woes and the brake that would place on rate rises.

"You see it priced in because nobody expects the Bank of England to raise rates in the foreseeable future," Mr. Leaviss said.

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Continued from the prior page

Workers' purchasing power fell 0.6% in the three months through April.

"It's hard to see the trend in retail sales improving soon," said Samuel Tombs, economist at Pantheon Macroeconomics. "Retailers have not finished yet passing on higher import prices to consumers, wage growth looks set to remain depressed and banks are reporting that they intend to restrict the supply of unsecured credit."

Because this kind of inflation isn't driven by stronger growth or a tighter labor market, all these concerns could boost the market for British government debt, or gilts. Yields on 10-year gilts have fallen, after hitting a

BUSINESS & FINANCE

Jet Makers Jostle for Sales

Boeing, Airbus to unveil orders at Paris Air Show as sector remains under pressure

BY ROBERT WALL
AND DOUG CAMERON

PARIS—It's show time for the world's top plane makers.

For much of the year, Boeing Co. and Airbus SE, the world's top two jetliner makers, have warned investors that orders for new planes would decline this year. But they have said that airline customers generally still want plenty of new aircraft and there is no danger production plans—key to earnings—are in jeopardy. Order books stretch out for years, ensuring plenty of cash flow, even if buyers slow the recent blistering pace of new purchases.

They have a chance to prove that this week, as top aerospace executives, suppliers and airline buyers converge here for the Paris Air Show, which kicks off Monday. Over croissants and foie gras at Le Bourget Airport north of the French capital, Boeing, Airbus and smaller rivals will jostle for sales in what is typically the best opportunity of the year to announce new orders.

For industry watchers, the event will go some way in determining whether the recent orders slowdown is simply a cooling-off period amid years of supercharged growth, or something more worrisome. Few, however, are anticipating a sudden turnaround.

"We expect a quiet show on the order front," said Ken Herbert, an analyst at Canaccord Genuity. In particular, Middle East airline buyers and plane lessors that drove deals at recent shows have largely filled

their appetite, Mr. Herbert said.

In the first five months of the year, Airbus has secured 73 net orders, compared with 162 deals signed for the comparable period a year earlier. Airbus says it expects plane deliveries to outpace new order bookings this year—the first time that has happened since 2009.

Boeing has done better. The Chicago-based plane maker has secured 176 net commercial jetliner orders as of June 13, 10 more than the same period last year.

Airbus and Boeing are expected to announce deals for as many as 680 jets in Paris, estimates consultant Deloitte. That is down 10% from the 2015 Paris Air Show. Paris alternates with Farnborough, England, as the host of the annual aviation event.

Amid the big, existing order books, shareholders have become somewhat less sensitive to deal announcements, focusing instead on deliveries.

"Orders don't matter; it's



Among the jetliners at the air show this week is a E190-E2 plane made by Brazilian aerospace firm Embraer.

those dictate when plane makers are paid.

Both plane makers have backlog stretching past 2020 for their most popular models, underpinning big expected increases in output in the coming years. Boeing had a backlog of 5,646 planes at the end of May. Airbus's stood at 6,705 planes.

"We could have no sales for a number of years and we would still have to increase production to chew down that backlog," Airbus chief plane salesman John Leahy said. Especially popular are the two manufacturers' single-aisle planes, models for which demand so far has remained buoyant.

That has created its own problems, as both Boeing and Airbus have struggled over the past few years with stretched supply lines. Seats, toilets and engines have all been in short supply for both companies at different times amid their recent production increase.

"Orders don't matter; it's

deliveries that count," said Aengus Kelly, chief executive of leasing company AerCap Holdings NV, one of the largest buyers of Airbus and Boeing planes.

Still, any sense at the end of the week that orders are dropping off faster than the industry has expected could spook investors. Especially vulnerable is demand for some of the biggest planes, such as Boeing's 777 long-range jet and Airbus's A350. Airlines such as American Airlines Group Inc. and Delta Air Lines Inc. are among the carriers in recent weeks to announce deferrals of some big plane orders.

Airlines in the Middle East, large buyers of big planes, are grappling with multiple headwinds. Low oil prices have depressed lucrative business travel, and a U.S. ban on the use of laptops and tablets on inbound flights from some Middle East airports has dented bookings for Persian Gulf carriers.

Startups Make Pitches at Air Show

BY ANDY PASZTOR

Some 100 fledgling companies will seek funding from legacy players during a special, weeklong event at the air extravaganza.

Aerospace entrepreneurs and startups for the first time will have a prominent role at this year's Paris Air Show, invading the turf of giant companies that previously enjoyed ultimate domination of the event.

The presence of the newcomers ensconced in a dedicated meeting hall where they plan to make serial pitches for funding demonstrates that established players increasingly are looking to find innovation from such upstarts. From manufacturing breakthroughs to new designs to cutting-edge materials, the startups offer industry leaders different

ways of looking at technology or operations.

"We are just at the beginning of a new wave," said Francois Chopard, the founder and chief executive of Starburst Accelerator, which started operating some five years ago and is organizing the event. "It's almost an exponential trend, because so many more entrepreneurs than before want to enter into the process."

Dozens of legacy companies, including Airbus SE, Boeing Co., Thales Group, Raytheon Co. and Booz Allen Hamilton Holding Corp., over the years have paid Mr. Chopard's group for the privilege of listening to pitches and evaluating what each startup has to offer. Starburst, for its part, provides guidance to startups and conducts technical due diligence on prototypes or

demonstrators. About two-thirds of the startups slated to seek funding in the coming week are based in France or the U.S.

At previous air shows here and in Great Britain, the contingent of startups was much smaller and had a lower profile, according to Mr. Chopard. But this time, he says, "our job is to put them squarely in front of big companies and venture capitalists."

The next step may be for the incubator to join forces with NASA or the Pentagon's advanced research arm to find a government outlet for some of its innovative concepts. Three months ago, Starburst hosted a smaller pitch session in Southern California, the home of many space startups. And in a previously unimaginable move, a different association representing private

BOND

Continued from the prior page

der apartheid—predates the development of modern emerging-market bond trading in the late 1980s. Countries with controversial governments like Iraq, Nigeria and Mozambique have issued international bonds, but the three together make up less than 1% of the market.

The moral calculus can grow complicated. Some investors say providing new funding to the Maduro government, as Goldman Sachs did, is unacceptable but that buying from other funds does no harm. Others say owning any Venezuelan bond is unethical because the money the country uses to service debt would be better spent on its populace.

Investors are also divided over the impact of divestiture. Bond yields would likely rise further, making it even harder for the government to borrow and perhaps accelerating political change. But creditors could also seize oil shipments in the case of default, cutting off the nation's primary source of dollars and further curtailing imports.

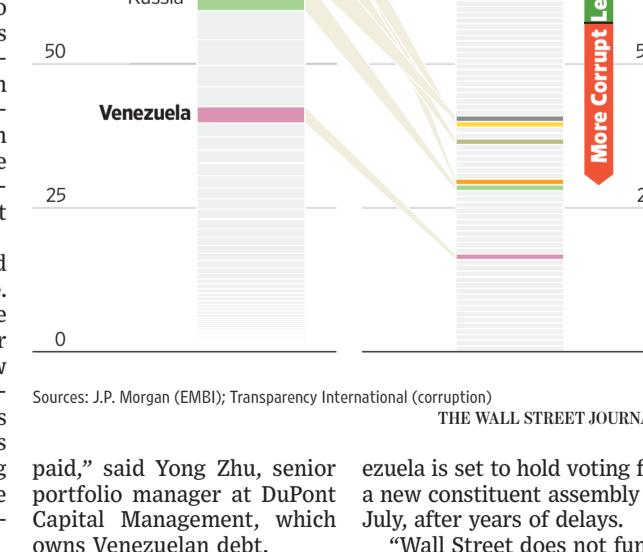
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Continued from the prior page

Weighted Down

J.P. Morgan's Emerging Market Bond Index includes numerous nations facing public corruption problems.



paid," said Yong Zhu, senior portfolio manager at DuPont Capital Management, which owns Venezuelan debt.

Venezuela is set to hold voting for a new constituent assembly in July, after years of delays.

"Wall Street does not function like a moral place. It's a sad truth," he said.

Venezuela's bonds have paid remarkably well, returning 54% in the year through May. That

U.S. mutual funds in May owned about \$2.5 billion of Venezuelan government bonds, according to Morningstar. Fidelity Investments own bonds worth about \$790 million and T. Rowe Price Group Inc. owns about \$407 million.

Representatives for Fidelity and T. Rowe declined to comment.

But the tide is starting to turn. Nearly 41% of the 81 U.S.-based emerging-market debt funds have zero exposure to Venezuela, up from 34% a year ago, according to Morningstar Inc.

Because this kind of inflation isn't driven by stronger growth or a tighter labor market, all these concerns could boost the market for British government debt, or gilts. Yields on 10-year gilts have fallen, after hitting a

BUSINESS NEWS

Big Oil Firms Explore Profits in Shale

Chevron and others expect more success than smaller drillers in Permian Basin region

BY BRADLEY OLSON

MIDLAND, Texas—For Bruce Niemeyer, the **Chevron** Corp. executive overseeing the company's \$15 billion expansion here, one question looms above all: Will we earn money?

Big oil companies including Chevron, **Exxon Mobil** Corp. and **Royal Dutch Shell** PLC are piling into the Permian Basin, the oil-rich region straddling Texas and New Mexico that is the epicenter of the second wave of U.S. shale drilling.

Chevron and others say they will soon achieve something that has proven elusive for their smaller peers: turning a profit. The shale-drilling renaissance rocked global markets and helped send crude prices into a prolonged slump. What it didn't do was bring in much cash. Since 2011, the largest 30 independent U.S. shale producers

spent an average of nearly \$1.33 for every \$1 they made drilling wells, according to a Wall Street Journal analysis.

In the past two years, those 30 have lost \$130 billion. More than 120 companies have gone bankrupt, and many of those that survived have done so with cash infusions from Wall Street, which rewarded the drillers for their fast growth.

That model won't work for Chevron, Exxon and other companies that pay shareholders generous dividends and need to bring in more cash than they spend over time. To transform an important—yet money-losing—technology into a source of profit, executives such as Mr. Niemeyer, the head of Chevron's midcontinent business, are turning to their strengths.

Those include massive scale, deep pockets that have given them time to learn from the successes and failures of others, and an ability to bring techniques used globally into West Texas. They are joining the race to push crude production here to four million barrels a day within a decade, rivaling the output of Iraq.

"The early stages favored

the smaller companies, which could test technology and try different things," said Anish Kapadia, an analyst at Tudor Pickering Holt & Co., an energy investment bank in Houston. "As they move into development mode, those with a low cost of capital will have an advantage. This is the domain" of large oil companies, he added.

The big companies face considerable skepticism from investors who don't see how they can meet growth targets and generate excess cash by exploiting shale fields. In recent years, Exxon, Chevron and Shell have lagged behind top operators in the Permian Basin by a wide margin, with the big companies' individual wells producing about half as much oil and gas in some cases, analysts say.

Executives at the biggest companies counter that these results reflect, in part, a focus on drilling practices that bolster output over the life of the well, rather than maximize short-term flows.

"Big oil companies are basically lethargic, slow-moving giants," said David Arrington, an entrepreneur based in Mid-



MATTHEW BUSCH/BLOOMBERG NEWS

Giants such as Shell benefit from a relatively low cost of capital.

land, Texas, who has drilled wells in Texas for decades.

But last year, the big companies showed signs of narrowing the gap, embracing techniques such as drilling longer wells horizontally. Within a decade, Chevron estimates it might produce as much as 700,000 barrels a day in the Permian, an amount that would exceed the total current output in the U.K.'s portion of the North Sea. Last

year, Chevron's output in the Permian averaged 175,000 barrels a day.

Chevron hasn't disclosed how much it will boost spending in the area over the next 10 years, but analysts say it is likely to exceed \$15 billion.

"Nobody remembers who was winning the Indianapolis 500 after the first 100 miles," said Mr. Niemeyer, 55 years old. "How you start is interesting, but it's far more impor-

tant how you finish."

Chevron is widely acknowledged as having the most valuable Permian position among large oil companies. The land—some of which the company has held since 1920—might hold as much as 18 billion barrels of oil and gas, according to Tudor Pickering.

Exxon in January doubled its potential reserves in the region in a deal valued at as much as \$6.6 billion. From next year through 2020, about half the \$50 billion or more the company plans to spend in its production business will go to the Permian, North Dakota and other areas that can pay off in a short period.

As far back as the 1920s, the Permian was once a land of abundant gushers. But in the past two decades, many companies pulled out because they believed its resources had largely been exhausted.

Chevron didn't.

In 2010 and 2011, a handful of small producers saw promising results when they tested horizontal drilling and other techniques. It was then that Chevron began to entertain the notion that it could be sitting on an immense prize.



SEDAT SUNA/EUROPEAN PRESSPHOTO AGENCY
Passengers checked in for U.S. flights in Istanbul earlier this year. A U.S. laptops measure could affect as many as 150,000 flights.

Airlines Are Awaiting More Security Checks

BY SUSAN CAREY
AND ROBERT WALL

As the U.S. considers expanding a ban of carry-on laptops on international flights, airlines are scrambling to prepare for what would be additional security checks and probably angry customers.

The most likely measure would be secondary airport checkpoints to temporarily confiscate most electronic devices from passengers. Those could lead to longer lines, delayed flights and higher costs, and could be the industry's biggest logistical challenge since 2006, when a suspected bomb plot against trans-Atlantic flights led to limits on liquids and gels on board, say aviation experts.

An initial ban three months ago—by both the U.S. and the U.K.—affected some flights from the Middle East and North Africa. The latest plan under consideration by the Trump administration could involve flights originating

partners with a list of extra security measures including improved information exchange, random testing for explosives and acquiring more advanced airport screening devices to forestall a ban, said an EU official who participated. The Americans gave no deadlines when presenting the measures, this person said, and many already are in place.

In any case, airlines are trying to prepare contingency plans for what could be as many as 150,000 flights affected if the ban goes global, based on travel scheduled for June, according to OAG Aviation Worldwide Ltd.

Secondary checks to seize devices and check them in aircraft cargo holds would add to increasingly cumbersome airport-security procedures.

For instance, many fliers bound for the U.S. make connections through European airports from countries that don't ban carry-on laptops in cabins, so those devices would have to be removed at secondary checkpoints before passengers board U.S.-bound flights.

How and where secondary screening would occur depends in part on terminal layouts at each specific airport, according to a U.S. airline official.

Airports in Europe, including the busy London Heathrow hub as well as facilities in Amsterdam, Barcelona, Madrid and Edinburgh, are pursuing plans known as "Little America" to segregate U.S.-bound flights at gates behind secondary screening points, said a U.S. airline official. But the layout of airports including Athens, Rome and Venice would require secondary screening at each gate, the official said. An airport like Paris's Charles de Gaulle Airport, with its tight space constraints, might require the device checks to be done on the bridges to the individual planes.

Some airport authorities allow airline personnel or vendors to search passengers and bags, but others require the use of their own staffers. United Continental Holdings Inc., Delta Air Lines, Inc. and American Airlines Group Inc. are among those carriers hiring additional screening personnel, said people familiar with their planning.

—Valentina Pop contributed to this article.

Talks between Homeland Security and airports, airlines and the EU continue.

from as many as 71 airports globally, and comes amid what U.S. Homeland Security Secretary John Kelly described as a "very serious" and "constant" threat. He told lawmakers this month that terrorists "are trying every day to knock down one of our airplanes."

The timing and scope of any ban remains uncertain and talks between Homeland Security and airports, airlines and European Union officials continue.

Mr. Kelly recently suggested a ban could affect all international flights to the U.S., though earlier discussions involved just flights from Europe. There is even a possibility some airports won't be affected if they meet increased security standards being developed by DHS, Mr. Kelly said.

At a meeting in Malta last week, U.S. Attorney General Jeff Sessions and Deputy DHS Secretary Elaine Duke presented their European coun-

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May 2017

CHEMCHINA

USD 46.3 billion

Acquisition of Syngenta by China National Chemical Corporation (ChemChina).

HSBC acted as Lead Financial Advisor and Sole Initial Underwriter of \$20bn of "BidCo" debt.

February 2017 (Announced)

RECKITT BENCKISER

USD 17.9 billion

Acquisition of Mead Johnson Nutrition Company by Reckitt Benckiser.

HSBC acted as Financial Adviser and Financier.

September 2016 (Announced)

BAE

USD 57 billion

Acquisition financing in respect of Bayer's announced acquisition of US-based, publicly listed Monsanto.

HSBC acted as Underwriter, Bookrunner and Mandated Lead Arranger.

October 2016 (Announced)

TASNEEM LIAQAT

USD 2.2 billion

The National Titanium Dioxide Company (Cristal) will transfer its titanium dioxide businesses to Tronox Ltd, in return for USD 1.67 billion cash and a 24% stake in the combined entity.

HSBC acted as Financial Adviser.

October 2016

XIWIANG GROUP

USD 730 million

Xiwang Group, through its listed company Xiwang Foodstuffs, in partnership with Primavera Capital, USD 730 million acquisition of 100% of Lovate Health Sciences International.

HSBC acted as Financial Adviser.

April 2016

PINGAN

Acquisition by Shanghai Jahwa (Group) Co. Ltd (a subsidiary of Ping An Insurance), of Mayborn Group Ltd from 3i Group plc.

HSBC acted as Financial Adviser to Jahwa (Group).



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TECHNOLOGY

WSJ.com/Tech

EU Set to Hit Google With Antitrust Fine

BY NATALIA DROZDIAK

BRUSSELS—European Union regulators in the coming weeks are set to hit Alphabet Inc.'s Google with a record fine for manipulating its search results to favor its own comparison-shopping service, according to people familiar with the matter.

The antitrust penalty against Google is expected to top the EU's previous record fine levied on a company for allegedly abusing its market position: €1.06 billion (\$1.19 billion) against Intel Corp. in 2009.

Under EU rules, the fine could reach as high as 10% of the company's annual revenue, which was \$90.27 billion last year.

Google faces additional and perhaps more painful consequences from the European Commission's action, including possible changes not only to its handling of its shopping service but other services as well. The antitrust watchdog's decision could also embolden private litigants to seek compensation for damages at national courts.

The EU is likely to instruct Google to put its comparison-shopping service on equal footing with those of its rivals, such as Foundem.co.uk and Kelkoo.com Ltd. Such companies rely on traffic coming to their site from search engines such as Google's, and the equal-

treatment requirement could lead to greater visibility for rival services on the tech giant's platform.

The EU has been in talks with some of the complainants about how Google should change its search results, though the precise remedy likely would be hammered out only after a decision is announced.

Google General Counsel Kent Walker has previously argued that forcing the company to place competitors' product ads in its search results "would just subsidize sites that have become less useful for consumers."

The regulator's move would be welcome relief to a range of web companies—large and small, European and American—that have been urging the EU for years to take antitrust action against Google. News Corp., owner of The Wall Street Journal, has formally complained to the EU about Google's handling of news articles on its search service.

An EU decision against Google would set the regulator apart from authorities in the U.S.; they closed their own investigation into Google's search practices in 2013 after the company agreed to voluntary changes. The divergence could reflect in part Google's greater presence in search on the Continent, where it holds about 90% of the market.

GM Puts Map Effort Into High Gear

BY TIM HIGGINS
AND MIKE COLIAS

A small autonomous-cars company owned by General Motors Co. is getting into the high-definition mapping business, a move that could help the Detroit auto giant compete with Google and others in the race to develop self-driving vehicles.

Cruise Automation, the San Francisco startup GM bought last year, is recruiting a leader for a fledgling mapping unit, according to the company's website. The role involves overseeing a fleet of mapping vehicles, collection of data needed to lower dependence on human drivers and the creation of "processes that will eventually scale mapping to 100+ cities."

The move is part of an aggressive expansion of Cruise, which GM acquired to help it combat Alphabet Inc.'s Google car project and other Silicon Valley companies looking to edge in on the auto business.

Cruise is also recruiting a head of mergers and acquisitions charged with scouting out potential investments. The M&A leader will look for business targets as well as "acqui-hire opportunities," a Silicon Valley term for recruiting talent.

A GM spokesman, authorized to speak for Cruise, declined to comment on the



ERIC SEALS/TNS/ZUMA PRESS

A Chevrolet Bolt EV test vehicle is shown in Michigan.

moves.

Currently employing more than 150 people, Cruise has begun rapid growth since GM acquired it in 2016. A San Francisco headquarters being constructed for Cruise could add 1,100 staff over five years.

GM is the No. 1 U.S. car seller, but is far behind Google's mapping efforts.

Google's car project, now called Waymo, is expected to be a beneficiary of the tech giant's solid position in high-definition maps. The mapping advantage has given Alphabet's various business units an advantage over Apple Inc. and other companies competing in other business sectors.

GM isn't the only auto maker playing catch-up in HD

maps. BMW AG, Mercedes-Benz-parent Daimler AG and Volkswagen AG's Audi recently grouped together to buy Nokia Corp.'s mapping service in 2015 for more than \$3 billion.

Intel Corp., eager to catch up with competitor Nvidia in the autonomous-car market, announced a deal earlier this year to acquire a 15% stake in the map company as well. Intel is in the process of closing its \$15 billion purchase of Mobileye NV, an Israeli supplier of cameras and software for autonomous driving functions.

Keeping pace with Google has proven difficult. When Apple tried to catch up with Google with its own maps, it stumbled out of the gate with a glitchy product that Chief GM's test fleet could grow to around 300 in coming months, according to a person with familiar with the company's plans.

Executive Tim Cook ultimately ended up apologizing for to users in 2012. Apple since spent years trying to improve its maps.

Uber Technologies Inc. also has been working on maps, especially after it became increasingly concerned about the threat of Google's self-driving robot taxis.

GM ultimately may have an advantage that Google didn't have when its map program began years ago: a fleet of cars on the road. Last year, GM announced it would explore with Mobileye the use of real-time data taken from the auto maker's OnStar system to create the kinds of maps required for self-driving cars.

GM sells about 10 million cars annually all over the globe, many of which are connected to OnStar.

GM is also working to expand Cruise's specialized test fleet, with Chief Executive Mary Barra saying last week that Cruise will have about 180 electric Chevrolet Bolts within a few months, up from 50. The company has been testing the cars in San Francisco; Scottsdale, Ariz.; and near GM's headquarters in southeast Michigan.

GM's test fleet could grow to around 300 in coming months, according to a person with familiar with the company's plans.

MIMS

Continued from page B1
willing to work on everyday problems. In the long run, this might be the smarter move. While Google and Facebook have yet to drive significant revenue outside their core businesses, and Apple is only just beginning to, Amazon Chief Executive Jeff Bezos has managed to create business after business that is profitable, or at least not a drag on the bottom line.

One way he does this is by moving not just laterally—but vertically, through the supply chains that create and deliver goods. Amazon used its experience running its own websites to create Amazon Web Services, a \$14 billion-a-year business. Physical retail—still nearly 90% of consumer purchases as of 2016, not including car and gasoline sales—is just the latest frontier.

This trajectory wasn't obvious 15 years ago. You couldn't guess that a handful of companies would leverage their expertise, talent pools and capital to eat industries outside their own.

The iPhone, Apple's cash machine, is only 10 years old. Mr. Musk's SpaceX was founded in 2002 and Tesla in 2003. Amazon started Web Services in 2002 and made its first big acquisition (Zappos) in 2009. Google founded its X incubator for far-out ideas in 2010, and Facebook only went public in 2012. Two things become apparent from this timeline: First, it's flabbergasting how quickly both the revenue and the ambitions of these companies have grown. Second—and this should really give us pause—they are just getting started.

A key reason these companies are behaving differently than their peers is that the fundamental technologies of the microchip, the internet, wireless connectivity, just-in-time manufacturing, robotics, big data, etc., have made it possible. Those with expertise in these areas can create businesses that solve existing problems in entirely new ways, or at least more efficiently and profitably.

While we might like how these companies deliver services, goods and innovation in new and exciting ways, eventually we're going to have to ask ourselves, as a

country and as a civilization, just how much power we're comfortable having consolidated in the hands of so few businesses.

Imagine a future in which Amazon, which already employs north of 340,000 people world-wide, is America's biggest employer. Imagine we're all spending money at what's essentially the company store, and when we get home we're streaming Amazon's media. The latest update from the Amazon News Network features Jeff Bezos, president of the newly formed North American Union. I'm joking, of course—but only a little.

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Continued from page B1
Global Strategy Group, a Washington-based public affairs firm whose client roster has included Comcast Corp., Airbnb Inc. and Microsoft Corp., said some chief executives are considering those factors before accepting White House invitations.

The White House talks, framed as listening sessions, often turn casual and wide-ranging once cameras leave the room. Participants describe a president who absorbs information from the volley of conversation rather than from dense briefing binders.

"He's a business guy, so he's in his element," said James Kamsickas, CEO of automotive supplier Dana Inc. and a member of Mr. Trump's manufacturing-jobs council.

The White House sent participants a memo laying out Monday's agenda. An early draft solicited ideas for making government "operate like a modern technology enterprise."

"We're 10 to 20 years behind in a lot of technology,"

said Chris Liddell, a former chief financial officer at General Motors Co. and Microsoft who helps manage the White House's business relationships.

Executives expected to attend Monday's session include heads of Amazon.com Inc., Apple, Microsoft and Google parent Alphabet Inc.

Notably absent will be Tesla Inc.'s CEO, Elon Musk, who attended a similar technology roundtable at Trump Tower in December. Mr. Musk quit his role in business councils that advise the president after Mr. Trump's decision to pull out of the Paris accord.

Salesforce.com Inc. leader Marc Benioff—who tweeted he was "deeply disappointed" in the Paris withdrawal—is no longer coming to the Monday session as planned because of a scheduling conflict after the meeting date was changed, according to a person familiar with the matter.

White House officials say they have received an enthusiastic response from executives who see the overall effort to improve government efficiency as an apolitical goal.

Most business leaders say they remain committed to advising the president and see

the sessions as a way to learn how Mr. Trump ticks.

Another factor keeping CEOs at the table: the narrowing window many see for legislating policies to boost competitiveness, particularly on corporate taxes.

"There's a real priority to get that done while there's [Republican] alignment in Congress and the White House," said Kathryn Wylde, president and chief executive of the business group Partnership for New York City. Right now, "the issues at stake are just too important to withdraw from the conversation."

There have been disappointments. At the April meeting with the New York CEOs, Mr. Trump acknowledged their concerns about any tax-reform bill that eliminated state and local-tax deductions.

"We're all lucky that I'm from New York because in some ways New York has unique problems," he told them. Yet, when the White House presented the first rough outline of its tax proposal a few weeks later, it called for taking away the deductions.

—Ted Mann and Yoree Koh contributed to this article.

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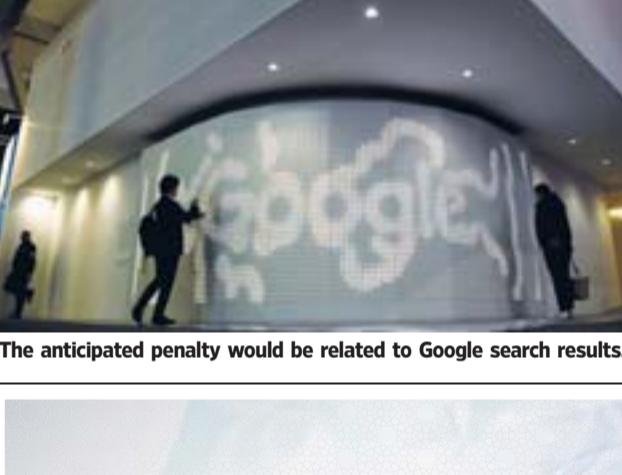
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The anticipated penalty would be related to Google search results.

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REPUBLIC OF TURKEY
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2017

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500
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50
ministers

650 EXPERT SPEAKERS
INCLUDING

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Executive Director, International Energy Agency (IEA)

Bob DUDLEY
CEO, BP, United Kingdom

Amin H. NASSER
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Minister of Energy of The Russian Federation

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CEO, TOTAL, France

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Jeff Bezos's Amazon made an offer Friday to buy Whole Foods.

country and as a civilization, just how much power we're comfortable having consolidated in the hands of so few businesses.

Imagine a future in which Amazon, which already employs north of 340,000 people world-wide, is America's biggest employer. Imagine we're all spending money at what's essentially the company store, and when we get home we're streaming Amazon's media. The latest update from the Amazon News Network features Jeff Bezos, president of the newly formed North American Union. I'm joking, of course—but only a little.

Another factor keeping CEOs at the table: the narrowing window many see for legislating policies to boost competitiveness, particularly on corporate taxes.

"There's a real priority to get that done while there's [Republican] alignment in Congress and the White House," said Kathryn Wylde, president and chief executive of the business group Partnership for New York City. Right now, "the issues at stake are just too important to withdraw from the conversation."

There have been disappointments. At the April meeting with the New York CEOs, Mr. Trump acknowledged their concerns about any tax-reform bill that eliminated state and local-tax deductions.

"We're all lucky that I'm from New York because in some ways New York has unique problems," he told them. Yet, when the White House presented the first rough outline of its tax proposal a few weeks later, it called for taking away the deductions.

—Ted Mann and Yoree Koh contributed to this article.

FINANCE & MARKETS

American Firms Gain From EU's Growth

By RIVA GOLD

A strengthening eurozone economy has drawn global investors back to the Continent, pushing up the region's stocks and common currency.

Now, U.S. companies tied to the bloc are benefiting, too.

Many investors started 2017 expecting U.S. companies focused on the American economy to trump their international peers. But eurozone growth has outpaced that of the U.S. this year, and U.S. firms with exposure to Europe have started to profit from the region's brightening outlook.

It is a trend many analysts expect to continue.

U.S. stocks closely tied to the European economy have outperformed those with looser connections this year, according to an analysis by equity strategists at UBS Group AG who track a basket of stocks with elevated European exposure.

Early signs of a pickup in Europe's economy are creeping into U.S. earnings. The number of companies in the Dow Jones Industrial Average reporting quarterly sales growth in Europe is the highest since 2014,



Philip Morris gets 42% of its revenue from the EU. The stock is up 33% year to date.

according to FactSet.

"A healthier, stronger-growing European economy will benefit U.S. companies that are exposed to that," particularly exporters with end markets in the Continent, said Christopher Dyer, director of global equity at Eaton Vance.

The eurozone economy grew at an annualized rate of 2.3% in the first three months of 2017, its fastest rate in two years. That compares with a rate of 1.2% in the U.S., although many economists predict faster growth in subsequent quarters. Business surveys and indus-

trial-production figures suggest that quicker pace of growth in Europe has continued into the second quarter.

Political risks in Europe, associated with a string of elections, were expected to damp growth and consumer confidence. That didn't happen.

Meanwhile, hopes for tax cuts in the U.S. have dimmed, which has put a dent in smaller stocks more reliant on the U.S. market.

The primary beneficiaries of a stronger Europe are eurozone equities, with shares climbing around 10% this year amid 11 consecutive weeks of investor inflows. Allocation to eurozone stocks remains near two-year highs, according to fund managers surveyed by Bank of America Merrill Lynch, as investors continue to bet on sustained strength in the region's growth and inflation outlook.

But a broad list of U.S. companies, including those involved in software and services, household and personal products and pharmaceuticals, also benefit from greater ties to Europe, said Julian Emanuel, strategist at UBS.

While many investors have tried to capitalize on European growth by sending money directly into European equities, some might not want to take on the currency risk, Mr. Emanuel said. Those investors might prefer companies they are more familiar with, he said. As well, many of the companies most

tied to Europe are household names that also stand to benefit from any potential tax-reparation policy.

It can be difficult to calculate eurozone sales because of the different ways companies report, but shares of some companies with heavy European exposure are already taking off. Shares of online travel company Priceline Group, which generates 76% of revenue from Europe, according to FactSet, are up 23% this year. Shares of tobacco giant Philip Morris International Inc., which gets 42% of revenue from Europe, are up 33%. That compares with an 8.7% rise for the S&P 500 so far this year.

U.S. companies also could potentially benefit from higher business expenditures in Europe—not just more consumer spending. European companies tend to invest in productivity as the economy improves, said Michael Thompson, managing director at S&P Global Market Intelligence. "A lot of European companies are very focused on improving margins," Mr. Thompson said. "Margin improvement in Europe is code for 'tech buy.'"

China's Monetary Policy Zigs as U.S.'s Zags

By SHEN HONG

SHANGHAI—A day after learning that the U.S. Federal Reserve tightened monetary policy, China's central bank effectively loosened, in a move that suggests Chinese authorities are now more concerned about financial turmoil inside the country than money flowing out of it.

The People's Bank of China on Friday injected a net 250 billion yuan (\$36.73 billion) into the financial system—more than it has on any single day since mid-January, when demand for cash was high ahead of the Lunar New Year

holiday.

The huge pump priming comes as a monthslong regulatory crackdown on excessive leverage and financial misbehavior in China has left investors jittery. Most recently, authorities detained Wu Xiaohui, chairman of Anbang Insurance Group, one of China's biggest insurers, for what people familiar with the matter described as a probe into possible economic crimes.

Although market reaction has been muted, a number of Chinese banks had already distanced themselves from Anbang, whose life-insurance unit in May was barred from selling

new products for three months, in what was seen as an attempt to keep any troubles there from spreading to other parts of the financial system.

Regulators also tend to keep plenty of cash in the system in June, analysts say, because of a seasonal surge in demand due to corporate-tax payments and regulatory requirements on banks' capital.

The PBOC's move contrasts with its actions following the Fed's previous rate increase in March, when the PBOC responded by pushing up its own rates within hours. Analysts attributed that reaction to the bank's desire to discourage a

further surge in money leaving the country, a danger if interest rates in the U.S. look much more attractive than at home.

Since then, capital outflows have slowed and analysts say Beijing's chief concerns have shifted to making sure its regulatory crackdowns don't endanger the economy and financial system.

"Apart from the seasonal factors, the central bank's move today also shows it is adopting a milder approach to its effort to reduce financial leverage because the latter has already started to have a negative impact on the real economy," said Tang Yue, an ana-

lyst at Industrial Securities.

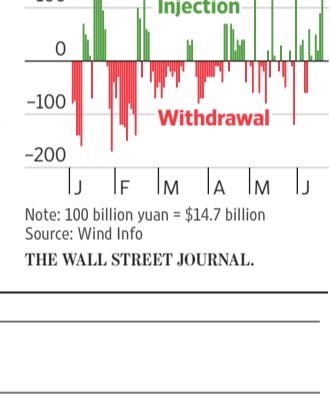
Beijing's campaign to tame highly leveraged investing began last summer and intensified in February and March, when it twice raised a suite of key money-market interest rates.

The move to clean up China's messy and risk-prone financial system has led to a sharp rise in borrowing costs in recent months: Yields on government bonds rose to a 29-month high last month and remain elevated, while a record number of companies have canceled or delayed new bond issuance.

"Apart from the seasonal factors, the central bank's move today also shows it is adopting a milder approach to its effort to reduce financial leverage because the latter has already started to have a negative impact on the real economy," said Tang Yue, an ana-

Flash Cash

China's central bank injected the largest amount of cash into the financial system on a single day since mid-January.



Note: 100 billion yuan = \$14.7 billion
Source: Wind Info

THE WALL STREET JOURNAL.

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Legal Notices

BANKRUPTCIES

UNITED STATES BANKRUPTCY COURT

SOUTHERN DISTRICT OF NEW YORK

In re: SUNEDISON, INC., et al. Chapter 11 Case No. 16-10992 (SMB)

(Jointly Administered)

NOTICE OF HEARING TO CONSIDER CONFIRMATION OF, AND DEADLINE FOR OBJECTING TO, THE AMENDED joint PLAN OF REORGANIZATION OF SUNEDISON, INC. AND ITS DEBTOR AFFILIATES

PLEASE TAKE NOTICE OF THE FOLLOWING:

1. CHAPTER 11 CASE. Beginning on April 21, 2016, SunEdison, Inc. and certain of its affiliates, the debtors and debtors in possession in the above-captioned cases (collectively, the "Debtors") filed voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") in the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court"). By order of the Bankruptcy Court, the cases are being jointly administered for procedural purposes under Case No. 16-10992.

2. APPROVAL OF DISCLOSURE STATEMENT. On June 12, 2017, the Debtors filed the proposed First Amended Disclosure Statement for the First Amended Joint Plan of Reorganization of SunEdison, Inc. and Its Debtor Affiliates dated June 12, 2017 [Docket No. 3319] (including all exhibits and supplements thereto, the "Disclosure Statement"), and the First Amended Joint Plan of Reorganization of SunEdison, Inc. and Its Debtor Affiliates, dated June 12, 2017, attached as Exhibit A to the Disclosure Statement, (as may be amended, modified, or supplemented from time to time and including all exhibits and supplements thereto, the "Plan"). By order dated June 13, 2017 [Docket No. 3319] (the "Disclosure Statement Approval Order"), the Bankruptcy Court approved (i) the adequacy of the Disclosure Statement for the Debtors' Plan; (ii) certain key dates relating to confirmation of the Plan, (iii) procedures for solicitation and tabulation of votes to accept or reject the Plan, (iv) forms of ballots and notices to be distributed in connection with solicitation and (v) procedures for notice of a confirmation hearing and filing objections to confirmation of the Plan.

3. RECORD DATE FOR VOTING PURPOSES. Only Creditors who hold Claims in Classes 1A and 1B and 4A – 4E on June 5, 2017 (the "Voting Record Date") are entitled to vote on the Plan.

4. VOTING DEADLINE. All votes to accept or reject the Plan must be actually received by the Claims and Creditor Agent by no later than July 13, 2017 at 4:00 p.m. (prevailing Eastern time) (the "Voting Deadline"). All Ballots must be properly executed, completed, and delivered to the Debtors' Claims and Creditor Agent by (a) first class mail; (b) overnight courier; (c) personal delivery, or (d) through online transmission solely via, and in accordance with the instructions set forth on, Prime Clerk's E-Ballot platform on the Debtors' restructuring information website (<https://cases.primeclerk.com/sunedison>) (the "Restructuring Information Website"), in each case so that they are actually received by the Claims and Creditor Agent no later than the Voting Deadline. Any failure to follow the voting instructions included with your Ballot may disqualify your Ballot and your vote.

5. ENTITLEMENT TO VOTE ON THE PLAN. Only Holders of Claims in the following Classes are entitled to vote to accept or reject the Plan: Classes 1A, 1B and 4A–4E.

Holders of Claims and Interests in the following Classes are not entitled to vote on the Plan: Classes 2A–2E, 3A–3E, 5A–5E, 7B–7E, and 8A.

6. CONFIRMATION HEARING. A hearing to consider confirmation of the Plan (the "Confirmation Hearing") will be held before the Honorable Stuart M. Bernstein, United States Bankruptcy Judge for the Southern District of New York, in the Bankruptcy Court, One Bowling Green, Courtroom 723, New York, New York 10004, on July 20, 2017 at 10:00 a.m. (prevailing Eastern time), or as soon thereafter as counsel may be heard. The Confirmation Hearing may be adjourned from time to time without further notice to creditors, equity holders, or parties in interest other than by an announcement in open court or as indicated in any notice that is filed with the Bankruptcy Court, and the Plan may be further modified, if necessary, prior to, during, or as a result of the Confirmation Hearing, without further notice to creditors, equity holders, or parties in interest other than by an announcement in open court or as indicated in any notice that is filed with the Bankruptcy Court, and the Plan may be further modified, if necessary, prior to, during, or as a result of the Confirmation Hearing, without further notice to creditors, equity holders, or parties in interest other than by an announcement in open court or as indicated in any notice that is filed with the Bankruptcy Court, and the Plan may be further modified, if necessary, prior to, during, or as a result of the Confirmation Hearing, without further notice to 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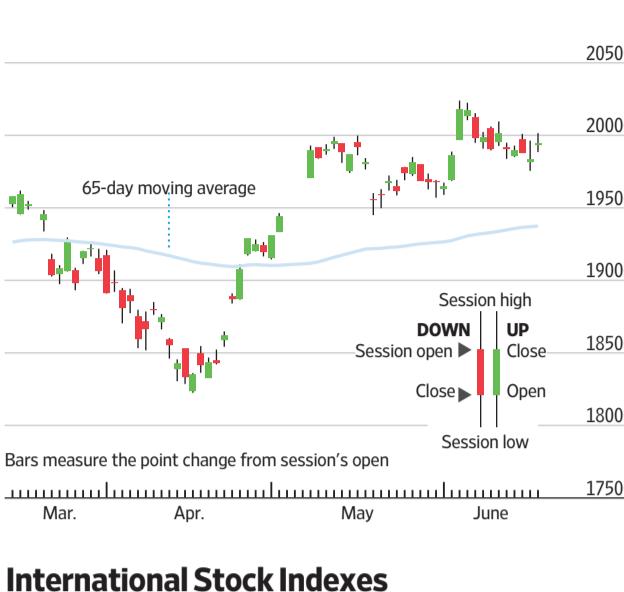
MARKETS DIGEST

Data as of Friday, June 16, 2017

Nikkei 225 Index

19943.26 ▲ 111.44, or 0.56%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

Mar. Apr. May June

STOXX 600 Index

388.60 ▲ 2.55, or 0.66%

High, low, open and close for each trading day of the past three months.



Data as of 4 p.m. New York time

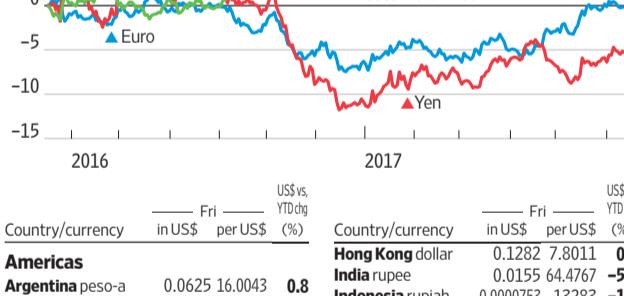
International Stock Indexes

| Region/Country | Index | Close | NetChg | % chg | 52-Week Range | Low | Close | High | YTD % chg |
|---------------------|----------------------------|-----------------|---------|-------------------------------------------|---------------|------------|-------|--------|-----------|
| World | The Global Dow | 2765.33 | 8.74 | ▲ 0.32 | 2197.91 | ● 2790.26 | 9.2 | | |
| | MSCI EAFE | 1892.93 | 15.89 | ▲ 0.85 | 1520.94 | ● 1916.37 | 12.4 | | |
| | MSCI EM USD | 1003.12 | -0.52 | -0.05 | 794.56 | ● 1019.06 | 16.3 | | |
| Americas | DJ Americas | 583.76 | 0.26 | ▲ 0.04 | 480.83 | ● 586.14 | 8.0 | | |
| Brazil | Sao Paulo Bovespa | 61626.41 | -296.52 | -0.48 | 49245.53 | ● 69052.03 | 2.3 | | |
| Canada | S&P/TSX Comp | 15192.54 | 32.12 | ▲ 0.21 | 13689.79 | ● 15922.37 | -0.6 | | |
| Mexico | IPC All-Share | 49221.03 | 81.33 | ▲ 0.17 | 44282.03 | ● 49939.47 | 7.8 | | |
| Chile | Santiago IPSA | 3674.40 | -10.48 | -0.28 | 3067.58 | ● 3782.66 | 14.0 | | |
| U.S. | DJIA | 21384.28 | 24.38 | ▲ 0.11 | 17140.24 | ● 21384.28 | 8.2 | | |
| | Nasdaq Composite | 6151.76 | -13.74 | -0.22 | 4594.44 | ● 6321.76 | 14.3 | | |
| | S&P 500 | 2433.15 | 0.69 | ▲ 0.03 | 2000.54 | ● 2440.35 | 8.7 | | |
| | CBOE Volatility | 10.38 | -0.52 | -4.77 | 9.75 | ● 10.38 | 25.76 | -26.21 | |
| EMEA | Stoxx Europe 600 | 388.60 | 2.55 | ▲ 0.66 | 308.75 | ● 396.45 | 7.5 | | |
| | Stoxx Europe 50 | 3192.89 | 18.22 | ▲ 0.57 | 2636.71 | ● 3276.11 | 6.1 | | |
| Austria | ATX | 3102.19 | -31.32 | -1.00 | 1988.40 | ● 3209.58 | 18.5 | | |
| Belgium | Bel-20 | 3908.43 | 19.56 | ▲ 0.50 | 3141.13 | ● 4041.03 | 8.4 | | |
| France | CAC 40 | 5263.31 | 46.43 | ▲ 0.89 | 3984.72 | ● 5432.40 | 8.2 | | |
| Germany | DAX | 12752.73 | 60.92 | ▲ 0.48 | 9268.66 | ● 12822.94 | 11.1 | | |
| Greece | ATG | 806.12 | 6.39 | ▲ 0.80 | 519.33 | ● 806.12 | 25.2 | | |
| Hungary | BUX | 35512.47 | -22.03 | -0.06 | 25390.23 | ● 35985.82 | 11.0 | | |
| Israel | Tel Aviv | 1423.62 | ... | Closed | 1378.66 | ● 1478.96 | -3.2 | | |
| Italy | FTSE MIB | 20940.73 | 93.22 | ▲ 0.45 | 15103.58 | ● 21787.90 | 8.9 | | |
| Netherlands | AEX | 520.67 | 1.92 | ▲ 0.37 | 411.62 | ● 536.26 | 7.8 | | |
| Poland | WIG | 60481.07 | 100.00 | ▲ 0.17 | 43549.58 | ● 62336.39 | 16.9 | | |
| Russia | RTS Index | 994.38 | 2.42 | ▲ 0.24 | 888.78 | ● 1195.61 | -13.7 | | |
| Spain | IBEX 35 | 10759.40 | 59.80 | ▲ 0.56 | 7645.50 | ● 11135.40 | 15.0 | | |
| Sweden | SX All Share | 591.91 | 4.96 | ▲ 0.84 | 445.00 | ● 595.03 | 10.7 | | |
| Switzerland | Swiss Market | 8963.29 | 110.28 | ▲ 1.25 | 7593.20 | ● 9127.61 | 9.0 | | |
| South Africa | Johannesburg All Share | 50831.89 | ... | Closed | 48935.90 | ● 54548.91 | 0.4 | | |
| Turkey | BIST 100 | 98192.55 | -544.46 | -0.55 | 71594.98 | ● 99636.27 | 25.7 | | |
| U.K. | FTSE 100 | 7463.54 | 44.18 | ▲ 0.60 | 5982.20 | ● 7547.63 | 4.5 | | |
| Asia-Pacific | DC Asia-Pacific TSM | 1623.59 | 2.50 | ▲ 0.15 | 1324.15 | ● 1640.63 | 14.1 | | |
| Australia | S&P/ASX 200 | 5774.00 | 10.80 | ▲ 0.19 | 5103.30 | ● 5956.50 | 1.9 | | |
| China | Shanghai Composite | 3123.17 | -9.32 | -0.30 | 2854.29 | ● 3288.97 | 0.6 | | |
| Hong Kong | Hang Seng | 25626.49 | 61.15 | ▲ 0.24 | 20169.98 | ● 26063.06 | 16.5 | | |
| India | S&P BSE Sensex | 31056.40 | -19.33 | -0.06 | 25765.14 | ● 31309.49 | 16.6 | | |
| Japan | Nikkei Stock Avg | 19943.26 | 111.44 | ▲ 0.56 | 14952.02 | ● 20177.28 | 4.3 | | |
| Singapore | Straits Times | 3231.44 | -0.65 | -0.02 | 2729.85 | ● 3271.11 | 12.2 | | |
| South Korea | Kospi | 2361.83 | 0.18 | ▲ 0.01 | 1925.24 | ● 2381.69 | 16.5 | | |
| Taiwan | Weighted | 10156.73 | 68.38 | ▲ 0.68 | 8458.87 | ● 10226.84 | 9.8 | | |

Source: SIX Financial Information/WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



US\$ vs. in US\$ per US\$ (%)

Country/currency

Fri in US\$ per US\$ (%)

Country/currency

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FINANCE & MARKETS

Automated Advisers Move to Specialize

BY ANNE TERGESEN

As the millennial investor comes of age, two youthful trends are converging: socially responsible investing and robo-advisory services.

Over the past year, a small but growing number of firms have introduced automated—or “robo”—investment services that include socially responsible investments. Driving the interest is a desire on the part of individuals to invest in ways that are consistent with their values. Data also show socially responsible investments can outperform; since 1990, the MSCI KLD 400 Social Index has returned an average of 8.4% a year, versus 7.6% for the S&P 500 index.

“There is a fair amount of evidence from investor surveys that millennials and women are especially interested in sustainable and impact investing,” says Jon Hale, director of sustainability-investing research at Morningstar Inc.

Investing giant TIAA was the latest to jump in with such an offering, launching earlier this month a robo platform with access to three types of investments: actively managed funds, index funds and socially responsible investments. This summer, robo pioneer Betterment LLC plans to introduce investments “that will better meet the needs of customers seeking a more socially responsible portfolio,” says spokesman Joe Ziemer. And Morgan Stanley said that its robo, planned for this fall, will include socially responsible investment options.

The new services are part of a trend toward specialization among robo advisers, says Sean McDermott, a project manager at consulting firm Corporate Insight Inc. “Every major financial-services firm has either launched a robo or has announced plans to do so. The big firms have advantages, including trusted brand names and bigger marketing budgets,” he says. “The startups are trying to carve out a niche to differentiate themselves.”

Other startups are targeting specific segments of the population, including women, Hispanics and Muslims or offering actively managed investments in contrast to the index funds that have been standard fare for robos.

Despite the head start of startups including Betterment and Wealthfront Inc., the robo field is now dominated by traditional financial-services companies. The two biggest players are Vanguard Group, which had \$65 billion in assets in its Personal Advisor Services as of March 31, and Charles Schwab Corp., with \$16 billion in its Intelligent Portfolios service. Vanguard currently offers one socially responsible fund within a robo—the Vanguard FTSE Social Index Fund; Schwab has no such fund in its robos.

Don’t Call Ivascyn a Bond King

Pimco’s investment chief, who likens himself to a conductor, directs firm back to top

BY JUSTIN BAER

Dan Ivascyn’s predecessor at Pacific Investment Management Co. was known as the “bond king.” But the firm’s current investment chief would rather be called just about anything else.

“There’s a tendency to bestow royal terms on asset managers,” he said at a recent conference. “We’re much more like conductors of orchestras.”

Mr. Ivascyn’s ascension to the top of Pimco epitomizes the new direction taken by the California money manager as it recovers from the most tumultuous period in its history. He succeeded Bill Gross, the Pimco co-founder and bond-market legend who exited in September 2014 after clashes with fellow executives.

Hundreds of billions in client money followed Mr. Gross out of Pimco, which later faced a breach-of-contract lawsuit from its former star. Pimco settled that suit for \$81 million in March.

Mr. Ivascyn was able to stop the outflows with a team of managers who oversee more than \$1.5 trillion—one of the largest asset pools anywhere in the world. Inflows have outnumbered defections for three straight quarters.

As manager of Pimco’s Income Fund, Mr. Ivascyn also attracted enough new money to claim the title of world’s largest actively managed bond fund—a perch long occupied by Mr. Gross’s Total Return Fund. The Income Fund now manages more than \$79 billion.

“He is the perfect CIO for the Pimco we think of in the future,” Pimco Chief Executive Manny Roman said in an interview. “What we’ve lost, and I would say it is a good thing, is the autocratic style.”

Pimco’s new CIO bears little

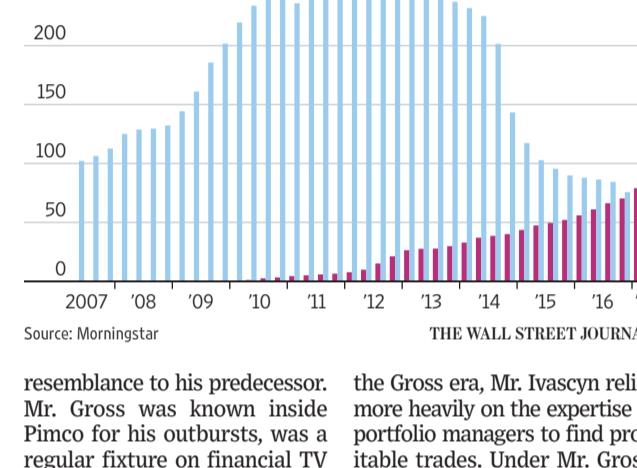


DAMON CASAREZ FOR THE WALL STREET JOURNAL

Pimco CIO Dan Ivascyn, above, has little in common with his predecessor, ‘Bond King’ Bill Gross.

A New King Rises

Dan Ivascyn’s Income Fund has surpassed the size of the Total Return Fund once managed by Bill Gross, making it the largest of its kind in the world.



resemblance to his predecessor. Mr. Gross was known inside Pimco for his outbursts, was a regular fixture on financial TV shows, and occupied an extra-large desk at the center of the firm’s trading floor.

Mr. Ivascyn, 47 years old, typically lets others speak first in meetings, rarely appears on TV, and chose a desk no bigger than others.

In another departure from

the Gross era, Mr. Ivascyn relies more heavily on the expertise of portfolio managers to find profitable trades. Under Mr. Gross, managers more closely followed directives set by broad investment calls.

The son of a school superintendent and a nurse, Mr. Ivascyn grew up in a three-bedroom, 1,150 square-foot home in Oxford, Mass., a small town halfway between Boston and

Springfield. His grandfather, an immigrant from Ukraine, had changed the family’s surname from Ivaszczyszyn.

Mr. Ivascyn got his start in finance after graduating from Occidental College with stints at T. Rowe Price Group Inc., Fidelity Investments and Bear Stearns Cos.’ research department. Later, he earned a graduate degree in business from the University of Chicago.

His career at Pimco nearly ended before it began. It was the summer of 1998, and Mr. Ivascyn was the newest trader on the firm’s mortgage desk. A week into his new job, hedge fund Long-Term Capital Management’s implosion roiled markets around the world.

Mr. Ivascyn, who had never traded anything before, struggled to keep up with the chaos. Pimco pulled him from the mortgage desk and exiled him to the opposite end of the floor, where he sometimes sat alone. Colleagues encouraged him to send out his résumé, people familiar with the matter said. “The kid is not working out,” one portfolio manager told then-Pimco mortgage boss Scott Simon. “He’s not a great fit.”

He survived this rocky start

after Mr. Simon argued that Mr. Ivascyn hadn’t been given a fair shot. But it was the 2008 financial crisis that made him a star within Pimco.

He had just taken over a new mutual fund, launched with little fanfare, that sought to meet retail investors’ appetite for steady income from bonds. Several other senior Pimco officials turned down the chance to manage the Income Fund because it veered from Mr. Gross’s Total Return strategy.

In early 2008, Mr. Ivascyn directed a team of temps to scour the offering documents of scores of bonds linked to souring mortgages. The research helped Pimco determine which bonds were more or less likely to meet obligations to investors.

The analysis helped Pimco weather the downturn. And in the years that followed the crisis, it gave Mr. Ivascyn the confidence to invest heavily in bonds that stood to snap back in value as the economy stabilized. The Income Fund, now co-managed with Alfred Murata, was a prime beneficiary of those trades.

But Mr. Ivascyn wasn’t immune to the strain that developed inside Pimco as Mr. Gross’s relationships with fellow executives deteriorated.

Mr. Gross said in his lawsuit that his Pimco career reached a breaking point when Mr. Ivascyn and other managing directors threatened to resign. He said in the suit that Mr. Ivascyn, who was named as a deputy CIO in 2013, was “foremost” among the individuals who sought to oust him as a way of collecting his share of the bonus pool. Mr. Ivascyn declined to comment about his interactions with Mr. Gross. Pimco officials have disputed Mr. Gross’s allegations.

Unnerved by the potential loss of Mr. Ivascyn and other key employees, Pimco parent Allianz SE intended to fire Mr. Gross. Mr. Gross quit on Sept. 26, 2014, and hours later Pimco named Mr. Ivascyn as CIO.

—Sarah Krouse contributed to this article

Go-Go Tech Stocks Invade Low-Volatility Funds

BY CHRIS DIETERICH AND CORRIE DRIEBUSCH

This month’s brief technology-stock rout reveals an underside for investors of a steady 2017 rally: Shares of giant tech firms are cropping up everywhere, complicating efforts to diversify portfolios.

Alphabet Inc., Apple Inc., Microsoft Corp. and other tech giants are more heavily represented than they were just a year ago in many so-called factor-based investing strategies. Many of these follow indexes that aim to beat or tame down risk in the broader market, rather than mimic it, by systematically selecting stocks according to observed traits such as low volatility and momentum.

Technology now represents 11.3% of the \$7 billion PowerShares S&P 500 Low Volatility Portfolio exchange-traded fund, which buys the least-volatile S&P 500 stocks. That compares with 2.9% a year ago, according

to Invesco Ltd., the ETF’s sponsor.

Google parent Alphabet was tapped in February for the first time ever to join. Microsoft joined the ETF in May for the first time since 2012.

The development means investors holding a mix of seemingly disparate funds in the name of diversification could be surprised to find heavy concentrations in the same group of in-favor stocks, making them vulnerable in bouts of selling. Rules-based funds and strategies that gradually added tech stocks could sell them in a downturn, adding to price declines.

“The fear is that if fundamental events cause volatility to rise, these same passive vehicles will sell and exacerbate downside volatility,” said Robert Boroujerdi, head of global securities research at Goldman Sachs Group Inc.

Quant-focused hedge funds held \$932 billion at the end of

the first quarter, according to estimates by HFR Inc. Such strategies, which have long been available to large investors, are increasingly available to investors in the form of mutual and exchange-traded funds. There were some 637 so-called smart-beta ETFs, a catch-all

a window into how lines of quant strategies can blur depending on market conditions.

Apple, the world’s largest company by market value, is the biggest position in indexes such as the S&P 500, which ranks holdings according to size. But Apple is likewise a large position in a slew of factor-driven ETFs offered by BlackRock Inc., the world’s largest money manager by assets under management, among others.

Apple is the top holding in BlackRock’s iShares Edge MSCI USA Value Factor ETF, representing nearly 10% of the portfolio. Value strategies—the oldest and best-known factor—broadly seek to purchase shares for less than their underlying business worth.

At the same time, Apple is a large holding in a separate BlackRock ETF that aims to capture momentum, an investing strategy based on the idea that stocks that have risen swiftly in the recent past are

likely to continue to do so in the future.

Apple is the fourth-largest position in the iShares Edge MSCI USA Quality Factor ETF, which seeks out firms with high returns on equity, low indebtedness and stable earnings growth. Apple is also a small holding in iShares’ low-volatility stock ETF.

All told, Apple is in five low-volatility ETFs with a collective \$14 billion and nine momentum ETFs with \$17.7 billion, according to the data firm XTF. Alphabet resides in seven low-volatility ETFs and three momentum ETFs, while Microsoft is in 11 low-vol ETFs and four momentum ETFs.

Fast gains in 2017 for the largest U.S. tech and internet stocks came alongside rare plodding. Until early June, the price swings experienced by this group over the previous six months were near the lowest on record, according to Mr. Boroujerdi.

México EXCEEDS EXPECTATIONS

OUR COUNTRY IS THE 8TH MOST ATTRACTIVE INVESTMENT DESTINATION IN THE WORLD



PwC CEO Survey



gob.mx/investinmexico

MARKETS

THE DAILY SHOT | By Lev Borodovsky

The Reflation Trade Faces a Reckoning

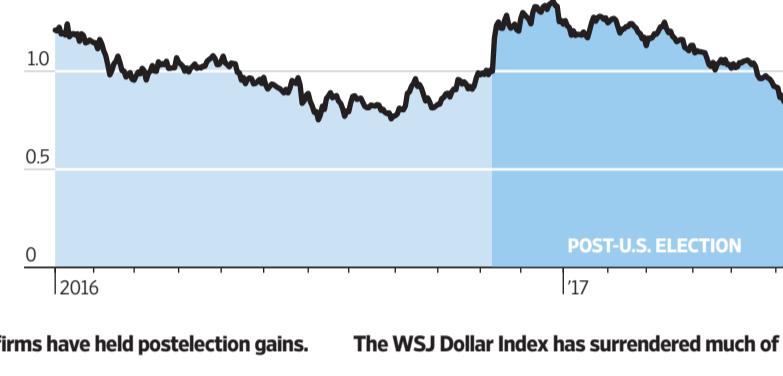
Market inflation expectations are declining again after a brief rebound.

Five-year, five-year forward inflation breakeven rate

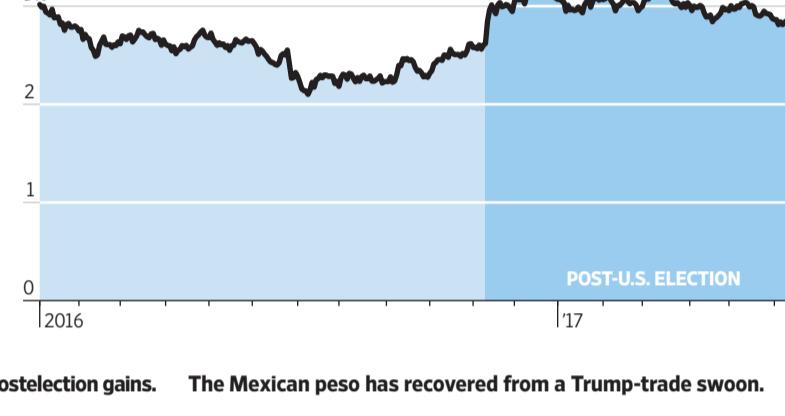


The yield curve has flattened, raising concerns about growth and bank profits.

Yield premium of the 10-year Treasury note over two-year note



Falling yields on the 30-year U.S. Treasury note underscore growth concerns.



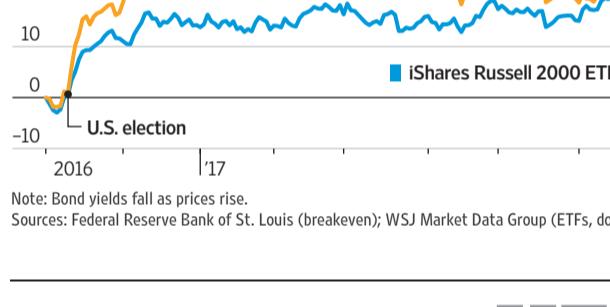
The tumble of U.S. bond yields to 2017 lows this month is the latest sign that investors are losing faith that the Trump administration will succeed this year in implementing policies that will result in a broad increase over time in economic growth and inflation.

For now, falling bond yields are helping to fuel fresh stock-market gains, as falling borrowing costs and a softening dollar loosen financial conditions. But many investors are concerned that falling inflation expectations and a flattening yield curve point to a slowdown ahead in a tepid recovery, reflecting both softening growth projections and weakening bank profits.

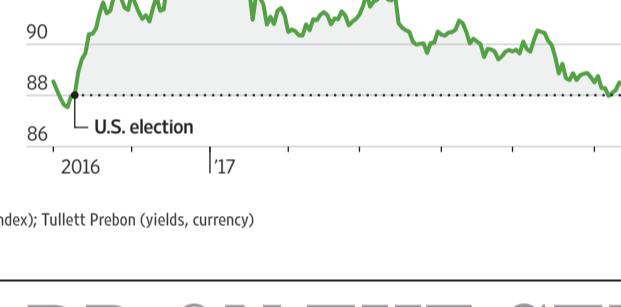
Investors haven't given up hope. Banks and small caps, both of which are deemed likely to benefit from tax cuts and looser regulation, have moved up since former FBI Director James Comey's testimony showed no immediate risk to the Trump administration.

But it's clear that times have changed. The retreat of the dollar and the scaling back of antitrade rhetoric have proven a tonic to the Mexican peso, which in the days after the U.S. election might well have been deemed the asset class least likely to succeed.

Shares of banks and smaller U.S. firms have held postelection gains.



The WSJ Dollar Index has surrendered much of its postelection gains.



The Mexican peso has recovered from a Trump-trade swoon.



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FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Who Might Eat Nestlé's U.S. Candy?

Ulf Mark Schneider's first strategic move as chief executive of **Nestlé** is sweet but small. It supports heady expectations for now, but before long investors may need something meatier.

Nestlé said Thursday it will explore strategic options for its U.S. confectionery business. This covers chocolate bars like Butterfinger and sweets like SweeTarts, but not KitKat, which for historical reasons is licensed to **Hershey**. Given the bite-size nature of the business—brokers estimate its value at between \$1.5 billion and \$3 billion—a sale seems more likely than a spinoff or joint venture.

Despite owning strong brands, the unit has been losing share in a market challenged by consumers' preference for healthier snacks. Two types of buyer are therefore imaginable. Hershey and its rival **Mars** could plug Nestlé's brands into their distribution machines, justifying a decent price with big cost savings. Alternatively, private-equity firms might perform a cost-cutting job, which would also make the sums add up.

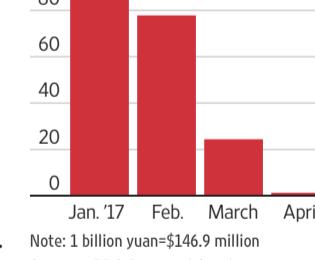
A group from the **Kraft Heinz** austerity school might do both. Mondelez International, which spun off Kraft in 2012, dropped its \$25 billion-plus bid for Hershey last year. Nestlé's U.S. confectionery business would be more manageable.

Nestlé's shares rose 3% Friday and trade at 23 times earnings, a premium to those of Procter & Gamble or Unilever, in which activism has made the impetus to revive growth more urgent. Investors are treating Nestlé's U.S. sale as an appetizer. Mr. Schneider needs to keep cooking. —Stephen Wilmot

Anbang's Tight Ties Could Bind

Cash Drain

Anbang Life's monthly premium income



Anbang Insurance Group headquarters in Beijing

for Chengdu Rural and accounts for 80% of its related-party transactions, most of which are short-term loans. The bank also pays Anbang a high 5% interest on its deposits and holds some of Anbang's debt.

Such tight relationships illustrate how financial stress at Anbang could quickly ripple through China's banking system. Banks like Chengdu Rural have already become reliant on short-term wholesale funding and have been resorting to capital raises. The loss of a big cash provider like Anbang could cause real pain.

Interbank funding conditions are already tight in China; the country's central bank made its biggest one-day cash injection into the market in nearly six months on Friday. If the detention of Anbang's chairman leads to the company stepping back more broadly from Chinese markets, the saga could have a while to run.

—Anjani Trivedi

OVERHEARD

What about us? Investors in **Wal-Mart Stores** might be asking that question.

The big-box retail giant announced the acquisition of men's apparel company Bonobos for \$310 million on Friday morning. The company said the deal, which will beef up Wal-Mart's e-commerce presence, is expected to close as soon as the end of the fiscal second quarter.

Bonobos products will be available via Jet.com, which Wal-Mart said "continues to provide a strong avenue for reaching an urban, millennial customer."

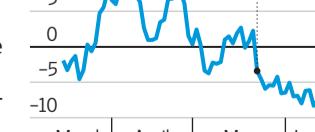
Alas, Wal-Mart and Bonobos were upstaged. **Amazon.com** announced a multi-billion acquisition of **Whole Foods Market** at about the same time.

"Wear no doubts" is the Bonobos corporate mantra. But Wal-Mart investors seem to have a few of their own. Shares of the retailer declined 4.7% on Friday.

Investors Ignore Easy Money in Huntsman-Clariant Deal

Cut-Price Stock

Discount of Huntsman share price versus its value in Clariant stock under the terms of the merger



equivalent of 1.2196 Clariant shares.

Huntsman has fallen further than Clariant. That has left each Huntsman share worth 5.9% less than its value in Clariant stock as of Friday morning in Europe.

The strangest thing is the difference between Huntsman's stock price and its value under the terms of the deal, which turns each Huntsman share into the

That discount has been fairly consistent. The gap has been as wide as 8% at the end of last week and has averaged 6%. If the deal closed tomorrow, owners of Huntsman stock would make a handsome immediate gain, about \$360 million.

Antitrust or regulatory risk is minimal because there is such little product overlap. There is little noise around potential third-party bidders coming in to disturb the deal by bidding for one of these two.

Typically, a valuation gap like this ought to be traded away by arbitrage investors buying the cheap stock and selling the more expensive one. So what gives?

Of the two, Clariant might

be marginally more likely to attract an outside bidder because rivals have looked before, including **Evonik Industries** of Germany. This is encouraging a few investors to buy Clariant and sell Huntsman, pushing the two prices apart, according to one broker.

But there are problems with this trade: Clariant has a group of family shareholders from a company it bought in 2011 who, like the management, don't want to sell the business. The trade also assumes Huntsman shares would fall if the merger was off.

In fact, Huntsman shares might rally if the deal collapsed. The reason is that the U.S. company is spinning

off and listing its volatile pigments and additives business, Venator, which is expected to bring in about \$2 billion. The proceeds are now due to be shared between Huntsman and Clariant shareholders. If the deal didn't work out, Huntsman investors would get the lot.

So, there seems a decent chance Huntsman should rise relative to Clariant or absolutely, whether the deal goes ahead or not. It is a puzzle why there aren't more investors looking to exploit that valuation gap.

With the deal due to close by the end of 2017, more investors should be tempted to pick up this free money in the months ahead.

—Paul J. Davies